

# Public Document Pack



## AUDIT COMMITTEE

**Date: Tuesday, 17 March 2020**

**Time: 6.00pm**

**Location: Shimkent Room, Daneshill House, Danestrete**

**Contact: Ian Gourlay (01438) 242703)**

**committees@stevenage.gov.uk**

Members: Councillors: M McKay (Chair), J Gardner (Vice-Chair), S Barr, S Booth, L Chester, D Cullen, L Kelly and G Lawrence.  
Mr G Gibbs (Independent Co-opted Member).

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### AGENDA

#### PART 1

**1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

**2. MINUTES - 3 FEBRUARY 2020**

To approve as a correct record the Minutes of the meeting of the Committee held on 3 February 2020.

Pages 3 – 6

**3. ICT JOINT STRATEGY - UPDATE PRESENTATION**

To receive and consider a presentation on progress in respect of the ICT Joint Strategy.

**4. PROPOSED SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2020/21**

To consider the proposed Shared Anti-Fraud Service (SAFS) Anti-Fraud Plan 2020/21.

Pages 7 – 48

**5. DRAFT EXTERNAL AUDIT PLANNING REPORT 2019/20**

To consider Ernst and Young's draft Audit Planning report for 2019/20.

Pages 49 – 74

**6. INTERNAL AUDIT PLAN 2019/20 - PROGRESS REPORT**

To consider the Shared Internal Audit Service (SIAS) Internal Audit progress report 2019/20.

Pages 75 – 96

**7. INTERNAL AUDIT PLAN 2020/21**

To consider the SIAS Internal Audit Plan 2020/21.  
Pages 97 – 122

**8. REVISIONS TO FINANCIAL REGULATIONS AND CONTRACT STANDING ORDERS**

To consider revised Financial Regulations and Contract Standing Orders for recommendation to Council.  
Pages 123 – 232

**9. ANTI-MONEY LAUNDERING AND ANTI-BRIBERY POLICY**

To consider a proposed Anti-Money Laundering and Anti-Bribery Policy.  
Pages 233 – 254

**10. CORPORATE GOVERNANCE ARRANGEMENTS**

To consider an assessment of the Council's Corporate Governance arrangements.  
Pages 255 – 276

**11. URGENT PART I BUSINESS**

To consider any Part I business accepted by the Chair as urgent.

**12. EXCLUSION OF PUBLIC AND PRESS**

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.
2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

**13. STRATEGIC RISK REGISTER**

To note the latest Strategic Risk Register for Stevenage Borough Council and developments on risk management issues.  
Pages 277 - 306

**14. URGENT PART II BUSINESS**

To consider any Part II business accepted by the Chair as urgent.

## STEVENAGE BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

Date: Monday, 3 February 2020

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

**Present:** Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly and Graham Lawrence.  
Geoff Gibbs (Independent Co-opted Member).

**Start / End Time:** Start Time: 6.00pm  
End Time: 6.39pm

#### 1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Dave Cullen.

There were no declarations of interest.

#### 2 MINUTES - 12 NOVEMBER 2019 AND 27 NOVEMBER 2019

It was **RESOLVED** that the Minutes of the meetings of the Audit Committee held on 12 November 2019 and 27 November 2019 be approved as correct records and signed by the Chair.

The Chair announced that a presentation on the progress of the Council's ICT Strategy would be submitted to the next meeting of the Committee to be held on 17 March 2020.

In respect of Minute 3 of the meeting of the Committee held on 27 November 2019, it was noted that an appropriate senior officer in the Regeneration Team would be invited to a future meeting in the summer of 2020 to provide an update on the financial risks associated with the Queensway LLP.

In terms of the 2018/19 external audit, the Assistant Director (Finance & Estates) advised that Ernst & Young had 5 outstanding queries. Due to priority work on the Council's budget for 2020/21, she had been unable to respond to these queries, but would do so during February 2020, thereby enabling the Statement of Accounts to be signed off.

The Assistant Director (Finance & Estates) commented that Hertfordshire CFO's would be collectively writing to the Public Sector Audit Appointments (PSAA) regarding clarification about EY's move to for a 30 September deadline for 2019/20 audit of accounts from the 31 July for audit sign off of the accounts. It was the CFO's preference that if the Finance Team were required to publish their unaudited

accounts by the end of May each year, it would be backward step to wait until the end of September for the accounts to signed off.

### **3 ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2020/21**

The Assistant Director (Finance and Estates) presented a report which would be recommended to Council at its meeting on 26 February 2020 seeking approval of the Treasury Management Strategy 2020/21 including its Annual Investment Strategy and the prudential indicators.

The Assistant Director (Finance & Estates) advised that, as at 31 December 2019, cash balances were £63.03Million, and were forecast to be £50.70Million as at 31 March 2020. She referred to the Projected Investment Balances chart set out in Paragraph 4.3.3 of the report, and the chart in Paragraph 4.3.6, which showed the allocation of forecast reserves as at 31 March 2020. She reported that there had been no breaches of treasury counter party limits during 2019/20.

The Assistant Director (Finance & Estates) stated that it was proposed to increase the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances were higher than £30Million. This was to enable greater flexibility to use opportunities to invest longer term when forecast balances are expected to be higher due to the timing of expenditure.

The Assistant Director (Finance & Estates) explained that the Operational boundary was the limit beyond which external debt was not normally expected to exceed and in most cases would be similar to the Council's Capital Financing Requirement (CFR). It was recommended that the operational borrowing limit was increased to:

- accommodate continued uncertainty regarding the release of GD3 LEP monies and the cost of relocating the Bus Station, an essential requirement to progress the SG1 regeneration phase of the town centre;
- accommodate uncertainty regarding the timing of significant land sales;
- reflect the identified borrowing requirement in the capital strategy;
- reflect the capital programme financing requirement including capital receipts and the uncertainty of when these receipts may materialise; and
- reflect the valuation of the finance lease of Queensway properties in the town centre.

The Assistant Director (Finance & Estates) commented that the Authorised limit for external debt had in turn been increased and was a control on the maximum level of borrowing. This represented the legal limit to which the Council's external debt cannot exceed. The revised Authorised limit was set out in the table at Paragraph 4.5.5 of the report.

The Assistant Director (Finance & Estates) drew attention to Paragraph 4.8.4 of the report, where the Council's treasury advisors had forecasted the Bank of England

base rate to increase to 1.0% in March 2021. However, the Bank of England had subsequently agreed to the base rate increasing by 0.75% in March 2021, with a projected further 0.25% increase in June 2021. She added that the Housing Revenue Account Business Plan's existing loans had an average interest rate of 3.38%, based on £202.674Million of borrowing.

The Assistant Director (Finance & Estates) concluded by referring to the UK Sovereign rating and investment criteria. If there was a negative reaction to Brexit, then it was possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA (or equivalent). The Council's investment criteria only used countries with a rating of AA- or above. As at 23 January 2020, the UK current Sovereign rating was AA. The UK rating would be exempt from the sovereign rating investment criteria, and so in the event that the UK was downgraded below AA-, it would not impact on the Council's ability to invest with UK institutions. Other investment criteria would be considered in this event to ensure security of funds for the Council.

In response to Members' questions, the Assistant Director (Finance & Estates) replied:

- The Treasury Management Strategy contained sufficient flexibility to allow borrowing to fund the Bus Station Re-location project should Growth Deal 3 funds be not forthcoming, however this would have a financial impact to be addressed elsewhere;
- It was anticipated that the second phase of the Queensway scheme would commence in Spring 2021; and
- There was an update on cash balances held and although projected £50.7Million at year end, the Assistant Director (Finance and Estates) pointed Members to the Final Capital Strategy report which showed in a chart that higher balances were required to be held now for the Housing Revenue Account (HRA) as HRA balances reduce close to minimum balances in the middle of the HRA Business Plan. In addition a proportion of the balances relate to provisions and third party balances.

The Assistant Director (Finance & Estates) acknowledged Members' requests for additional general audit training and a further session on treasury management. She commented that she intended to arrange an All Member training session on Financial Risks in late March/early April 2020, to ensure that Members were fully aware of the challenging General Fund position going forward, which the Committee welcomed.

At a Member's request, the Assistant Director undertook to consider the inclusion of trends in risk management in the year end Risk Management report.

The Chair asked for an item to be included on the Committee's Work Plan for 2020/21 in respect of the allocation of Section 106 monies.

It was **RESOLVED**:

1. That the Treasury Management Strategy 2020/21 be recommended to the Executive and Council for approval.
2. That the draft prudential indicators for 2020/21 be approved.
3. That the minimum revenue provision policy be approved.
4. That an increase to the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances are higher than £30Million be approved.

**4 URGENT PART 1 BUSINESS**

None.

**5 EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED**:

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. That Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

**6 PART II MINUTES - AUDIT COMMITTEE - 12 NOVEMBER 2019**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 12 November 2019 be approved as a correct record and signed by the Chair.

In the previous Committee Minutes there was reference to a CIPFA report on the assessment of models for the Council to provide a Corporate Landlord function. The Assistant Director (Finance & Estates) advised that she would be preparing a briefing note for Members on this matter.

**7 URGENT PART II BUSINESS**

None.

**CHAIR**



Stevenage Borough Council

Anti-Fraud Plan 2020/2021

Recommendation

Members are recommended to:

1. Review and approve the SAFS/SBC Anti-Fraud Plan 2020/2021.

## **Contents**

- 1 Purpose
- 2 Background
- 3 Plans & Reports 2019/2020 & 2020/21

## **Appendix**

- A. LGA Councillors Workbook- Fraud and Bribery Prevention
- B. SBC Anti-Fraud Action Plan 2020/21



## 1 PURPOSE

- 1.1 This report provides details of the Council's anti-fraud and corruption arrangements for 2020/21. The Anti-Fraud Plan ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

## 2 BACKGROUND

- 2.1 Reports published by Government and private/public sector organisations highlight fraud as a significant risk for local government. Reviewing the findings from these reports has assisted in the design of the Council's anti-fraud arrangements and ensures that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
  - *UK Annual Fraud Indicator 2018* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
  - CIPFA's *Fraud and Corruption Tracker 2019* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud response had reduced, and would continue to do so, potentially placing local government at even greater risk of fraud.
- 2.2 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and CIPFA have all issued guidance, advice, and best practice to support local councils in the fight to reduce fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and investing appropriate resources in counter fraud activities to prevent/reduce losses.
- 2.3 It is essential to support this work that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.

- 2.4 In 2017 the Local Government Association published its *Councillors Workbook on Bribery and Fraud Prevention*. A copy of the Workbook can be found at **Appendix A** and Members are invited to read and review this document.

### **3. Plans and Reports 2019/2020**

#### ***Anti-Fraud and Corruption Strategy***

- 3.1 The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and is currently under review to ensure that it complies with the latest practice guidance from CIPFA including areas such as money laundering, bribery and tax evasion.

#### ***Anti-Fraud Action Plan 2019/20***

- 3.2 The Council's Anti-Fraud Action Plan for 2019/20, approved by Members in March 2019, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud.
- 3.3 Progress with delivery of this plan was provided to Members in November 2019 and a final report will be provided to this Committee in early summer of 2020.

#### ***Anti-Fraud Plan 2020/21***

- 3.4 The plan for the next financial year follows a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.
- 3.5 Adherence to the proposed plan for will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the MHCLG, NAO, LGA, and CIPFA.

#### ***Transparency Code Data 2019/20***

- 3.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in May 2020 on all counter fraud activity at the Council during 2019/20.

## Appendices

**A.** LGA Councillors Workbook.



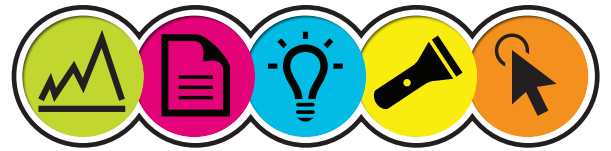
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**B.** SAFS/SBC Anti-Fraud Plan 2020/21

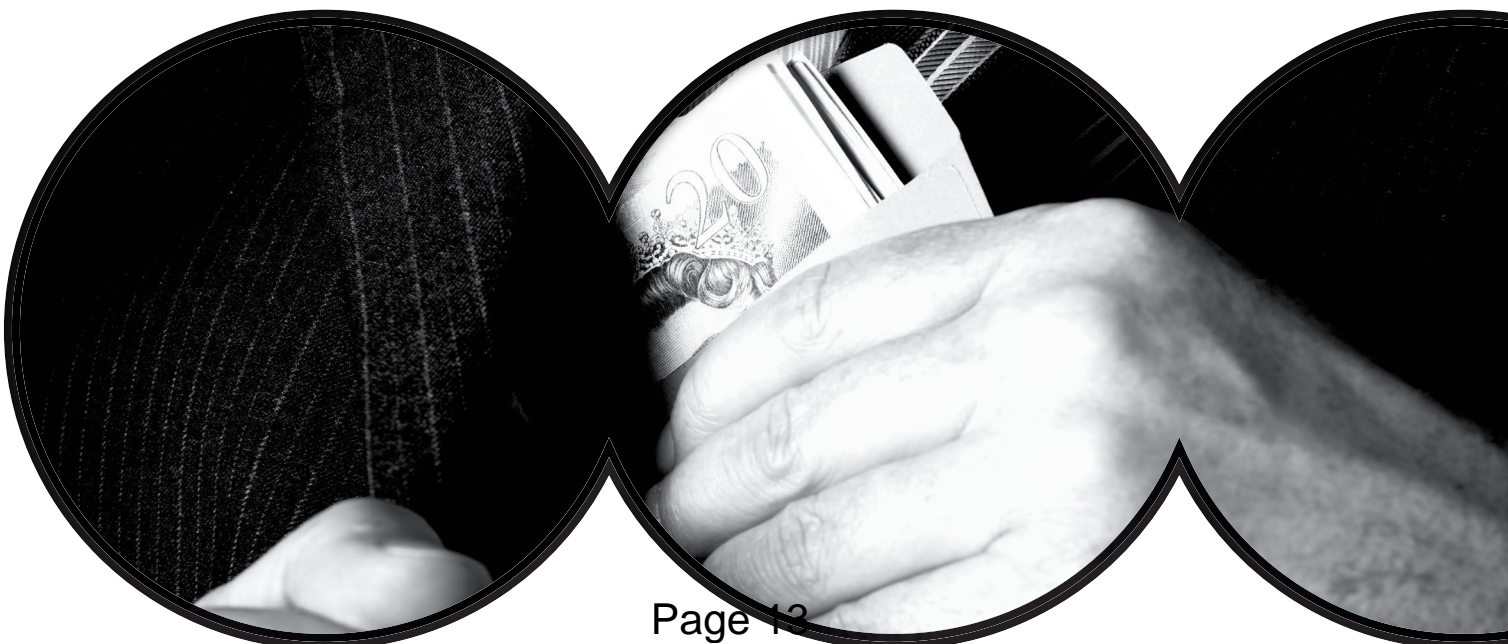


SBC AF Plan

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# A councillor's workbook on bribery and fraud prevention



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# Foreword

This workbook has been designed as a learning aid for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook offers few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the workbook should serve more as a direction marker rather than a road map.

In practical terms, the document will take between two to three hours to work through. You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key requirement is to think about your own approach to neighbourhood and community engagement – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown below:



**Guidance** – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.



**Challenges** – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.



**Case studies** – these are 'pen pictures' of approaches used by councils elsewhere.



**Hints and tips** – a selection of good practices that you may find useful.



**Useful links** – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

# Bribery and fraud prevention

Every organisation whether large or small is at risk from fraud and councils are no exception to this.

All councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection. Authorities, even the smallest, are constantly under threat from fraudsters whether that be single person discount fraud, reducing council revenue or a cyber-attack causing a major data loss, reputational damage and fines from the information commissioner.

Fraud is estimated to cost UK councils around £2.1 billion per year which is money that cannot be used to support local communities.

As an elected member you have a range of statutory and moral obligations to protect the assets of your authority and you also need to equip yourself with the knowledge to deal with enquiries and questions from residents.



# Section 1 Fraud from a local authority perspective

## The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, it is clear that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.



### Useful links

The full CFaCT report for the UK can be found here:

[www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker](http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker)

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:

[www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally](http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally)

## The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to quantify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

## What is fraud?

‘Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.’

### ‘Managing the business risk of fraud’

published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.

### Fraud Act 2006

This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

- S2. Fraud by false representation
- S3. Fraud by failing to disclose information
- S4. Fraud by abuse of position.



### Challenges

Think about the services that your council provides and identify some fraudulent activity that might occur within each of the categories.

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

If you would like to know more about the Fraud Act 2006 the key provisions of the Act can be found here [www.legislation.gov.uk/ukpga/2006/35/contents](http://www.legislation.gov.uk/ukpga/2006/35/contents)

There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption:** The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.
- **Bribery:** The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.
- **Theft:** Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.
- **Money laundering:** The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.



#### Useful links

You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: [elearning@local.gov.uk](mailto:elearning@local.gov.uk)  
<http://lms.learningnexus.co.uk/LGA>

## Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. **Council tax fraud**  
Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.
2. **Social housing/tenancy fraud**  
The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.
3. **Procurement fraud**  
This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.
4. **Adult social care and direct payments**  
Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

## Other high risk fraud areas for councils

### **Housing benefit fraud**

Councils are no longer responsible for the investigation of this fraud but as administrators of this benefit there is a responsibility to actively prevent attempts of fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failing to declare changes in circumstances.

### **Business rates (NNDR) fraud**

Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

### **Blue Badge misuse**

There are 2.39 million Blue Badges in issue in the UK and it is estimated that 20 per cent of these are subject to fraudulent misuse such as use of the badge when the holder is not present and the alteration of a badge.

### **Recruitment fraud**

Includes false CVs, job histories, qualifications, references or referees.

### **Insurance fraud**

False claims made against a council or their insurers such as 'trips and slips'.

### **Grant fraud**

There are many different types of local authority grants paid out to individuals, businesses and charities. Fraud types include work not carried out, funds diverted, ineligibility not declared.

### **Cyber fraud**

Such as phishing, allows a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments.

### **Pension fraud**

Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

### **No recourse to public funds**

Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.



### **Case study Dudley Metropolitan Borough Council's Code of Practice**

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

[www.cipfa.org/services/counter-fraud-centre](http://www.cipfa.org/services/counter-fraud-centre)

Reproduced from Fighting Fraud and Corruption Locally 2016-19

# Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).



## Useful links

If you would like to read more the full report on the Seven Principles of Public Life can be found here:

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/543819/CSPL\\_Annual\\_Report\\_2015-2015.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf)

## The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

### 1. Selflessness

Holders of public office should act solely in terms of the public interest.

### 2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### 3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### 4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### 5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

## 6. Honesty

Holders of public office should be truthful.

## 7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion
2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed
3. oversight and scrutiny of budgets, especially in high risk areas
4. ensuring you declare any interests if you sit on committees such as planning
5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud
6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing
7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

## Something to think about...

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

### **Prof Alan Doig**

Visiting Professor, Newcastle Business School,  
Northumbria University





### Activity

Imagine you are in the following situations, what you would do.

1. A resident comes to speak with you at your surgery and tells you that their neighbour is subletting their council property.
2. There has been a lot of publicity on TV about cyber fraud. You ask a question of your council's chief information officer (or equivalent) about what the council is doing to protect itself. The answer is "it's not a problem for us, so we don't really need to worry too much about it". You are not really comfortable that your chief information officer is taking the risk seriously.
3. You hear a rumour that a member of the planning committee has failed to declare that he has shares in a supermarket that want to develop in your area.
4. Your council is criticised by the external auditors for not doing enough to promote an anti-fraud and corruption culture. You are given the responsibility of leading the campaign. What might you do?

Please see page 26 for some suggested answers.

# Section 3 The fraud response

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.



### Activity

What are your council's procedures for councillors to report fraud or suspicions of fraud? If you do not know, check with your member support officer or your authority's monitoring officer.

A robust and strategic approach is required to effectively tackle fraud perpetrated against local government organisations.

In order to tackle fraud risk, councils should have in place a strategic response based upon three basic principles as detailed below:

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
<ul style="list-style-type: none"> <li>Assessing and understanding fraud risks</li> <li>Committing support and resource to tackling fraud</li> <li>Maintaining a robust anti-fraud response</li> </ul>	<ul style="list-style-type: none"> <li>Making better use of information and technology</li> <li>Enhancing fraud controls and processes</li> <li>Developing a more effective anti-fraud culture</li> </ul>	<ul style="list-style-type: none"> <li>Prioritising fraud recovery and the use of civil sanctions</li> <li>Developing capability and capacity to punish fraudsters</li> <li>Collaborating with law enforcement</li> </ul>

Fighting Fraud and Corruption Locally 2016-19



## Acknowledge

This is key and will underpin any anti-fraud strategy. If an organisation does not accept that they are at risk from fraud, then they will never be able to develop an effective anti-fraud response and ironically will leave themselves open to a higher likelihood of attack from fraudsters.

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process
- develop and implement an action plan in place to deal with the identified risks
- report regularly to its senior board eg audit committee, and its members

## Prevent and detect

The old adage that 'prevention is better than cure' is never more appropriate than in dealing with fraud. The reason for many processes that appear annoying and bureaucratic is to introduce steps that make it harder for people to carry out fraud.

Active prevention and fraud risk management is the most cost-effective way to fight fraud, make savings and reduce risk.

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.
- Standards of conduct and policies, that are well communicated, including:
  - officer and councillor codes of conduct
  - risk management policy
  - financial regulations and procurement policy
  - anti-fraud, corruption, money laundering and bribery policies
  - whistleblowing policy
  - register of interests
  - gifts and hospitality policy.

Use of technology and data sharing to enable thorough due diligence with regards to recruitment, applications for services, the Right to Buy scheme and procurement processes.

A well-publicised anti-fraud and corruption strategy and policy, and the publicising of successful investigations into cases of fraud and corruption, to build and develop a strong anti-fraud culture. Such a culture, when promoted from 'the top down', will encourage staff and service users to actively participate in fraud prevention through awareness and encouraging them to report any suspicions.

Effective and well operated controls within systems that are regularly audited to provide assurance that they are working.

Good networking by officers and sharing intelligence between authorities so that new types of fraud are picked up early.

Unfortunately, no matter how good prevention measures and controls are, there will still be occasions when your council suffers fraud losses. In these circumstances it is vital that there is the ability to call upon competent, professionally accredited counter fraud specialists trained to a professional standard to investigate the suspected fraud.

Councils need to ensure that evidence is lawfully gathered and professionally presented, irrespective of whether the anticipated outcome is a disciplinary hearing, civil action or criminal proceeding.

## Pursue

Successful investigations will result in the identification of the fraudster and usually a financial figure representing the loss to the council. The authority will then have a number of options open to them regarding any course of action they may wish to take. This is a crucial part of the enforcement response and is needed to punish the fraudsters and act as a deterrent to others. Options available to councils include prosecution, cautions, fines and disciplinary action.

The recovery of any financial loss is also one of the most effective ways to deter offenders. It demonstrates that if caught, they will have to repay their 'ill-gotten gains'. It is important, therefore that there is a culture of rigorous pursuit of losses and that this is publicised.

## Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff.



### Case study Recovery of fraud losses

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

**Source: Audit Commission (2014)**



### Activity

What kind of anti-fraud and corruption approach does your council have? Ask your monitoring officer or head of audit/risk management. Do you think it is the right approach?

Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.

## Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

## National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

### Reactive investigations

These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.

An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.



**Case study**  
**London Borough of Harrow and**  
**Luton Borough Council (NFI**  
**2012/13 exercise)**

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes from the official Cabinet Office NFI pages and is one of many case studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

[www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies](http://www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies)

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

## The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

### Public sector budget reductions

The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.



**Case study**  
**Example of joint working**

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

# How innovative has your council been?

## Is there scope for more?

### Maintaining an anti-fraud culture

Councils need to develop and embed a culture with clear values and standards in which beating fraud and corruption is part of the daily business. The 'tone from the top' is crucial in this respect and councilors and senior leaders should be seen to 'walk the walk' in terms of their ethics, values and behaviours. The CIPFA Counter Fraud Centre has developed its 'top 10 tips' (see activity below) to support organisations in developing and maintaining an effective anti-fraud culture.



#### Activity

Review the Top 10 Tips, on the following page, and consider (find out if you don't already know) how good or bad your council is at each of these. Give a score from 1 – 5.

#### 1. Set the tone at the top

Creating an anti-fraud culture is part of good governance and, led by a council's councillors and corporate directors, should start with a clear commitment to tackling fraud, corruption and other similarly delinquent behaviours. Ideally, zero tolerance to fraudsters (as opposed to fraud per se) should form the centre-piece of your organisation's anti-fraud strategy reinforcing expected standards in public service as set out in the 'Seven Nolan Principles of Public Life'. Having professionally qualified counter fraud staff in place can help to achieve this, as they have the credibility, standing and expertise to raise the profile of the anti-fraud agenda internally.

**Score: 1...2...3...4...5**

#### 2. Know and prioritise your fraud risks

Knowing what the fraud and corruption risks are in an authority determines the type of framework you need to put in place and how your staff work within it. For example, if your risks include procurement fraud, those responsible for procuring contracts and services need to recognise fraud, bribery and corruption indicators when they see them. Professionally qualified counter fraud staff can assist with this process as they can assess risk and train operational staff in appropriate action. **Score: 1...2...3...4...5**

#### 3. Scan the horizon

Fraud is constantly changing and fraudulent schemes often target frontline staff who are an organisation's first line of defence. What might seem a low fraud risk today might turn into a high one in the future. It is therefore vital that your organisation is up-to-date on the latest threats and risks and how to tackle them. Professionally qualified counter fraud staff can ensure that staff know who to come to if they suspect something amiss. As part of their continued professional development, counter fraud staff will also be 'plugged into' various anti-fraud networks which are vital sources of new information and threat alerts. **Score: 1...2...3...4...5**

#### 4. Build fraud awareness

Creating an anti-fraud culture and beating fraud should be everyone's business within a council, from the dedicated counter fraud specialists through to the procurement team, HR, facilities staff and beyond. A qualified counter fraud practitioner will be fully trained in how to help mobilise the entire organisation in the fight against fraud. Whether using e-learning, staff briefings, training, posters or internal alerts – or a combination of all these – they will be best placed to define and execute awareness programmes. **Score: 1...2...3...4...5**

## 5. Ensure policies and procedures are in order

Professionally qualified counter fraud staff should be adept at finding the fraud gaps in existing organisational policies and procedures and determining what is required to plug those gaps in a cost-effective manner. For example, a general anti-fraud policy should include: guidelines on what to do when suspicions of fraud arise; a fraud response plan; processes for creating and implementing gifts and hospitality registers, declarations of interest registers and so on. An accessible and well-articulated whistleblowing policy should also be part of any effective anti-fraud culture. **Score: 1...2...3...4...5**

## 6. Create a dedicated anti-fraud team

Build capacity by creating a counter fraud team comprising of professionally qualified who are operationally independent from other teams. This will ensure their objectivity and impartiality. The team should be provided with the necessary resources required for their function, which would include an element of contingency or 'flex' to cater for unforeseen surges in work, such as large and complex investigations. With the necessary safeguards in place, the team should also have access to the information, data systems and senior personnel they need to effectively perform its function. **Score: 1...2...3...4...5**

## 7. Take action

Recovering money lost to fraud so it can be spent on key services is obviously vital. Professionally qualified counter fraud staff will be fully trained in conducting effective investigations and pursuing cases through the legal system, including the preparation of cases for prosecution. They will have the ability to give evidence in a court of law and take steps to recover lost funds. **Score: 1...2...3...4...5**

## 8. Measure success

Today's counter fraud specialists not only understand how to detect, prevent and recover fraud losses; they are also trained to measure and report on the effectiveness of the preventive measures they put in place. This forms a key part of an organisation's anti-fraud culture as it highlights to senior management the successes of counter fraud work. **Score: 1...2...3...4...5**

## 9. Publicise your success

Sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay. Professionally qualified counter fraud practitioners understand this and will want to publicise their successes both internally and externally, which should be encouraged. As well as being a deterrent, this can also lead to an increase in fraud referrals which is a good indicator that your anti-fraud culture is working. **Score: 1...2...3...4...5**

## 10. Never take your eye off the ball

Fraud is an ever-evolving threat and as the risk doesn't stand still, nor should your organisation's strategy to combat it. Professionally qualified counter fraud staff are trained to implement and manage prevention programmes to monitor the measurement and control strategies in place and make any necessary adjustments. They will also be able to recognise new threats and risks and the need for refresher training whenever this may arise. **Score: 1...2...3...4...5**

**Total Score: ..... Do you think this is good enough?**



## Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

### **Regulation of Investigatory Powers Act (RIPA) 2000**

This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

### **Requesting information**

Council investigators have certain 'authorised officers' powers to request information about individuals. For any other investigations, they are restricted to powers under Section 29 (3) of the Data Protection Act (DPA) 1998 which allow organisations to give such information to council investigators, assuming it is for the prevention and/or detection of a crime, but it does not compel them to do so. Consequently, some organisations choose not to give the requested information to a council.

The data matching approach described earlier is also regulated under the Data Protection Act.

## More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means council are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

## Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

# Section 4 Fraud risk management

**Note:** You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

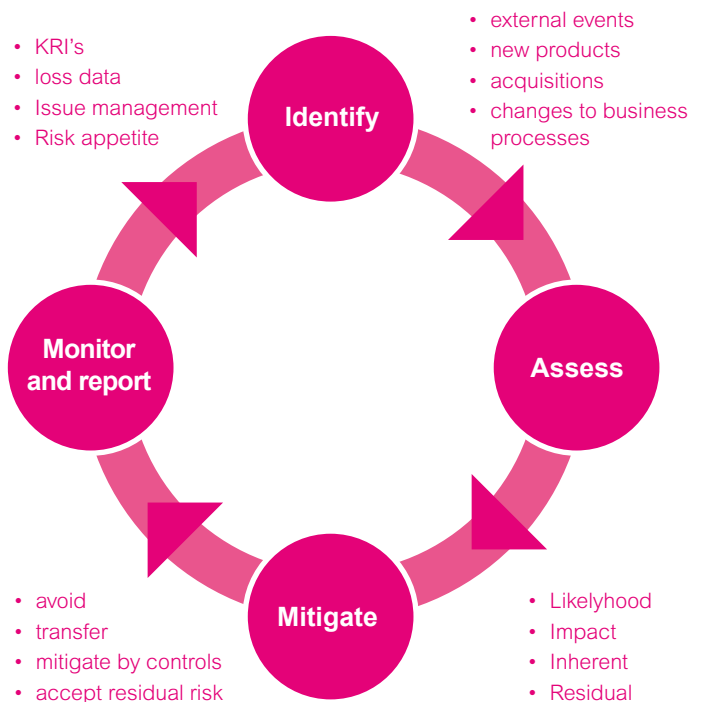
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:



## Hints and tips Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

### **Councillors**

- ✓ Have and maintain an understanding of fraud risks
- ✓ Understand the key principles of risk management
- ✓ Consider fraud risk in relation to the decision making process

### **Directors**

- ✓ Support the council's fraud risk management strategy
- ✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach
- ✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

### **Senior managers/service heads**

- Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements
- Manage risk in their service areas in accordance with the fraud risk management strategy

### **Internal audit/corporate fraud team**

- ✓ Consider the council's fraud risk assessment when developing the annual audit plan
- ✓ Audit the internal fraud control processes across the authority
- ✓ Coordinate and/or conduct fraud and corruption investigations
- ✓ Assess the effectiveness of fraud prevention and detection processes
- ✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

### **All staff**

- ✓ Have a basic understanding of fraud risks and be aware of indicators
- ✓ Manage fraud risk in the course of their daily duties
- ✓ Read, understand and have access to fraud related policies and procedures
- ✓ Contribute towards the development of fraud control processes
- ✓ Report suspicions of fraud and corruption
- ✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

## **Fraud risk assessment**

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

- How could a fraudster exploit weaknesses in the current system controls?
- How might those controls be over-ridden or by-passed?
- How could the fraudster conceal their activities?



Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**

This will involve the gathering of information to highlight the fraud risks that could affect the council.

- **Assess the likelihood and impact of the fraud risk**

This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.

- **Develop a response to those that present the highest risk**

Decide how best to respond to the fraud risks.

# Section 5 Assurance that fraud arrangements are effective

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

If you have special responsibility for audit, risk or governance you will wish to assure yourself that your council's fraud arrangements are effective.



## Assurance is:

'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'

Institute of Internal Auditors

Best practice dictates that governance, risk management and strong financial controls (called the system of internal control) are part of the daily and regular business of an organisation. The system of internal control is a key component in the prevention and detection of fraud and corruption.

## What is internal control?

Any action taken by management, the board and other parties to manage risk. In other words, an action taken to ensure that risks do not materialise or get worse. Some examples might be:

- Expenses claims must be authorised by management before payment. This process of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.
- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.

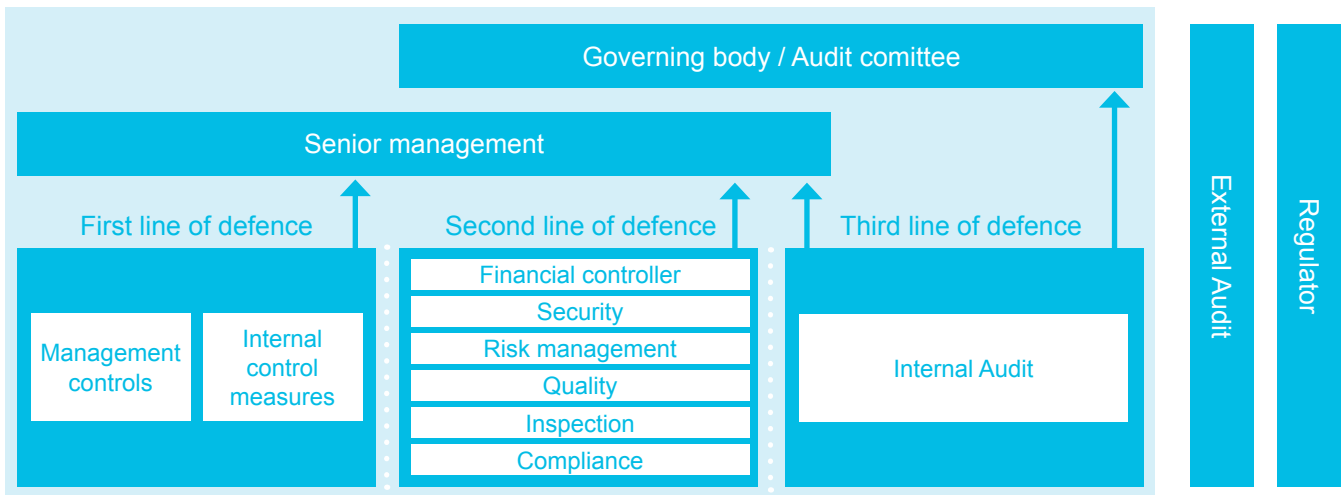
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

Usually there is also an overview and scrutiny committee to oversee the decision-making process, ensure that it is clear and that the people taking decisions are held accountable for those decisions.

The existence of an audit committee or scrutiny committee does not remove responsibility from individual members and senior managers, but provides the resource to focus on these issues. There is no 'one-size-fits-all' approach that must be applied to assurance and scrutiny in local government but council leaders and executives must ensure that the model they adopt is independent from the executive and other political influences.

Fraud prevention is heavily reliant on the system of internal control being adequate and working effectively.

Most councils rely on their internal and external auditors to provide these assurances but audit resources are limited and expensive and can never be relied upon to provide assurance across every activity that the local authority is responsible for.



Therefore all councillors and council officers have a role to play in seeking assurance that the controls are working. After the banking crisis a model was devised to try to capture and utilise the various levels of assurance that exist within organisations. This is called the three lines of defence

The majority of members will have little interaction with auditors other than when reading their report at the year-end but as the model shows, in reality the majority of assurance should come from within the organisation itself.

As a councillor you will receive and review a range of information and reports from within your authority or from external sources such as regulators or inspectors. These will often be related to your areas of expertise or committees that you sit on. It will be your responsibility to inspect and challenge the information you receive to assure yourself that it is accurate, credible and evidence based and that it tells you what you need to know.

When considering the fraud risks that your authority might be facing you need to consider whether the controls that you know exist are doing the job they are meant to be doing. If you have concerns that they are not then you need to raise that through the appropriate channels eg with the head of fraud, head of internal audit or through the chair of the audit committee.

## Role of audit committees in anti-fraud and corruption activity

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. If you sit on an audit committee you may wish to read more on the role of audit committees in relation to fraud prevention.



### Useful links

If you sit on an audit committee the following publication is recommended.

CIPFA audit committees: Practical guidance for local authorities and police  
[www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book](http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book)

In relation to anti-fraud and corruption activities the audit committee will receive regular reports from officers and auditors on the following:

- fraud cases that have occurred within the authority and financial losses
- whistleblowing
- current and emerging fraud risks and how they are being managed
- KPIs relating to fraud prevention and detection performance
- sanctions (including prosecutions and disciplinaries) and recovery actions
- benchmarking data
- resources spent on these activities within the authority.



### Activity

Find and obtain the latest fraud update provided to your audit committee and consider the following?

1. Is the reported fraud in line with what you would have expected for your council?
2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?
3. In your view is the reporting adequate? If not why not?
4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

## What good looks like – the Fighting Fraud and Corruption Locally Strategy



### Turning strategy into action

#### The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

**Culture** – creating a culture in which beating fraud and corruption is part of daily business.

**Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

**Capacity** – deploying the right level of resources to deal with the level of fraud risk.

**Competence** – having the right skills and standards.

**Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.



### Useful links

Managing the risk of fraud and corruption

[www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy](http://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy)

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank:  
[www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally](http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally)

# Section 6 What you have learned and further reading

Now you have completed this workbook you have a good understanding of the fraud risks that affect councils and some of the methods that are used by authorities to prevent and detect fraud. You should now understand the scale of the problem and the impact that fraud can have on council finances. If you completed some of the activities, you will also have found out more about the arrangements that are in place in your own authority and assessed whether you think they are adequate.

If you completed sections 5 and 6 you will now hopefully feel better equipped to support your authority in the fight against fraud and also be clear on what assurances you should be receiving as committee members.

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website:

[www.cipfa.org/services/counter-fraud-centre](http://www.cipfa.org/services/counter-fraud-centre)

Other websites that you may find interesting and useful:

[www.actionfraud.police.uk](http://www.actionfraud.police.uk) – a really useful site where fraud can be reported and also information on fraud scams found.

[www.met.police.uk/docs/little\\_book\\_scam.pdf](http://www.met.police.uk/docs/little_book_scam.pdf) – an excellent and really useful publication to help individuals from being scammed; helpful to keep in GP's surgeries.

[www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx](http://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx) – the City of London Police Economic Crime Directorate is recognised as the national policing lead for fraud and is dedicated to preventing and investigating fraud at all levels.

## Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.
2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.
3. You should notify the councils monitoring officer
4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.





**Local Government Association**

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For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.



**Stevenage Borough Council  
Anti-Fraud Plan 2020/2021**

**in partnership with**

**The Shared Anti-Fraud Service**



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## Introduction

This plan supports the Councils Anti-Fraud and Corruption Strategy by ensuring that Stevenage Borough Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Policy states that the Council;

- **is opposed to fraud and corruption,**
- **recognises the need for staff and Members to support the policy,**
- **expects Members and staff to adhere to the highest standards of honesty and integrity,**
- **that Members and staff will act in accordance with legal requirements and Council procedures,**
- **that individuals and organisations that deal with the Council to meet the same standards.**

This plan includes objectives and key performance indicators that support the Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

## National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government exceeded £7bn in 2016/2017 excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency’s *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

In CIPFA’s *Counter Fraud and Corruption Tracker 2019 – Summary Report* reported fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But that report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires the Council to ensure that it has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

The CIPFA ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** provides a strategic response for local government to deal with the threat of fraud and provides three key principles ‘**Acknowledge/Prevent/Pursue**’. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C’s:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

What is clear is that every pound lost from the public purse, due to fraud, is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of ‘Acknowledge/ Prevent/ Pursue’ and the 6 C’s to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

## **SAFS Resources 2020/2021**

### **Anti-Fraud Arrangements**

Stevenage Borough Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won awards for 'Significant Contribution' at the Fighting Fraud and Corruption Locally Awards and the 'Outstanding Partnership' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For Stevenage Borough Council the Interim Head of Strategic Finance and Property is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

### **Budget**

In January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

Fees for Stevenage Borough Council will increase from £102,000+ VAT (2019/20) to £104,000+ VAT (2020/21).

### **Staffing**

The full complement of SAFS in 2020/2021 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.6 FTE Accredited Financial Investigator, both posts are funded from SAFS Budgets.

Stevenage Borough Council will have exclusive access to 1 FTE Investigator and the Tenancy Fraud Officer employed by the Council in 2016 will be seconded to the SAFS Team from April 2020 rather than, as in previous years, being managed as an employee of the Council.

Access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

SAFS will provide fraud awareness training for Council staff and be available during normal office hours to provide general advice or guidance to officers on emerging fraud threats or those matters requiring an immediate response.

## **SAFS - Standards of Service.**

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification of fraud and fraud prevention
  - The FraudHub will be funded by the Council
  - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
  - Data will be collected and loaded in a secure manner.
  - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
  - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
  - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA\* and all relevant policies of the Council.
9. Reactive fraud investigations.
  - All reported fraud will be actioned by SAFS within 5 days, on average.
  - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
  - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3<sup>rd</sup> parties including police, DWP, Action Fraud.
  - The Council will be informed of all reported fraud affecting its services.
  - SAFS will allocate an officer to each cases selected investigation.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems/office accommodation required to undertake their investigations.
  - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
  - Where a decision indicates an offence SAFS will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

*\*Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

## SBC / SAFS Action Plan 2020/2021

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer
<b>ACKNOWLEDGE</b>	Fraud is acknowledged as a Risk for the Council <b>CULTURE</b>	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan. New policies are under review and will be in place by the summer of 2020	s.151 / Monitoring Officer
		Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	Monitoring Officer
		Audit Committee and Senior Managers ensure compliance with CIPFA best practice in the Councils counter fraud arrangements	s.151 Officer
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Monitoring Officer
	The Council has a robust communication policy demonstrating its commitment to prevent fraud <b>COMMUNICATION</b>	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness	Senior Communications Officer
		Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	SAFS Manager / Senior Communications Officer
The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff		SAFS Manager & Head of Human Resources	
<b>PREVENT</b>	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. <b>COLLABORATION</b>	Implement the contract for Stevenage Borough Council to join the Herts <i>FraudHub</i> in 2020.	SAFS Manager/ Monitoring Officer
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS, SAS and Hooyu	Monitoring Officer / SAFS Manager
		Deliver the NF1 2020/2021 Exercise	SAFS Mgr
		Continue to work with DWP to deliver CTRS/HB joint working	SAFS Mgr/Shared R&B Manager
		Work with other organisations, including private sector, to improve access to data	SAFS Mgr
	Have the highest levels of professional standards <b>COMPETENCE</b>	All SAFS staff will be fully trained and accredited	SAFS Mgr
		All investigations will comply with relevant legislation and Council policies	SAFS Mgr
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession	SAFS Mgr
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA	Monitoring Officer / SAFS Manager
		<b>PURSUE</b>	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. <b>CAPABILITY</b>
SAFS will record and report on all fraud referred, investigated and identified	SAFS Mgr		
SAFS will review fraud trends and new threats and report on these to Council officers	SAFS Mgr		
The Shared Legal Service and Housing, HR and Debt Recovery Teams will seek to 'prosecute' offenders, apply sanctions, recover social homes and recover financial losses	Monitoring Officer		
Develop the right level of resources to deal with the level of fraud risk <b>CAPACITY</b>	The Council will review its ROI from SAFS Membership		S.151 Officer
	SAFS will assist the Council in providing its Transparency Code (Fraud) Data for 2019/2020		SAFS Mgr
		Reports for Audit Committee on all Counter Fraud activity	SAFS Mgr/ S.151 Officer
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	SAFS Mgr

*s.151 Officer is Assistant Director- Finance & Estates  
 Monitoring Officer is Service Director- Head of Shared Legal Service*

**SAFS  
KPIs 2020/2021**

KPI	Measure	Target 2020/21	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. D. Recover between 6 and 12 council properties where tenancy breaches for POSHFA, Housing Act, Fraud Act offences are suspected	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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# Stevenage Borough Council

Initial Audit Planning Report  
Year ended 31 March 2020

March 2020



Private and Confidential  
Stevenage Borough Council  
Daneshill House  
Danestrete  
Stevenage, SG1 1HN

March 2020

Dear Audit Committee Members

Initial Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council. We intend to continue our audit planning procedures during our interim audit visit during March 2020. We will update the Audit Committee on our final audit strategy, materiality levels prior to the audit of the Authority's 2019/20 financial statements and highlight where our initial assessment has changed during the course of the audit.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 17<sup>th</sup> March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris

For and on behalf of Ernst & Young LLP





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# Overview of our 2019/20 audit strategy





# Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (Risk of management override)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Page 52 Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	As noted above, under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this. We have identified the inappropriate capitalisation of revenue expenditure on property, plant and equipment as an area of risk, given the extent of the Authority's capital programme and regeneration schemes.
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>
Valuation of Property, Plant and Equipment and Investment Properties	Inherent risk	No change in risk or focus	<p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under or overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>

# Overview of our 2019/20 audit strategy

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Preparation of Group Accounts	Inherent risk	Decrease in risk for 2019/20	<p>Queensway LLP was formed by Stevenage Borough Council in November 2018 as an entity to facilitate the regeneration of the Queensway asset that is an integral part of the Council's town centre regeneration strategy.</p> <p>During the 2018/19 audit we considered the preparation of group accounts as a significant risk for the audit as it was the first time that Queensway LLP was consolidated into the group financial statements. There were no significant issues arising from the Council's group accounts consolidation, however as 2019/20 is the first full financial year for Queensway LLP we still consider the risk relating to the preparation of group accounts and our group audit procedures to be an inherent risk.</p>
Significant Judgments for Queensway LLP	Significant risk	No change in risk or focus for 2019/20	<p>In preparing Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment and the asset valuation. We reviewed these judgements during the 2018/19 audit and a number of amendments as a result of the audit were made to the group financial statements. As 2019/20 is the first full financial year for Queensway LLP we need to consider whether these judgements remain appropriate, particularly in relation to the valuation of the asset as it is a commercial enterprise in Stevenage town centre undergoing regeneration.</p> <p>We anticipate the need to involve EY's valuation and financial reporting specialists to obtain assurance over the valuation of the asset and the accounting for the lease.</p>
Going Concern: Compliance with ISA 570	Inherent risk	New risk for 2019/20	<p>The revised standard increases the work we are required to perform when assessing whether the Authority is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. Further details of these changes and the implications for our 2019/20 audit and future years audit procedures are shown on page 8.</p>
IFRS 16 - readiness assessment	Inherent risk	New risk for 2019/20	<p>Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable Authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020. Further details of these changes and the implications for our 2019/20 audit procedures are shown on page 9.</p>

# Overview of our 2019/20 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the Stevenage Borough Council and Group financial statements give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Authority.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Stevenage Borough Council audit, we will discuss these with management as to the impact on the scale fee.

## Overview of our 2019/20 audit strategy

### Other areas of audit focus. Information on new risks.

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

##### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for Stevenage Borough Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether Stevenage Borough Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

#### What will we do?

The revised standard requires:

- auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

## Overview of our 2019/20 audit strategy

### Other areas of audit focus. Information on new risks (cont.)

#### What is the risk/area of focus?

##### IFRS16 – leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- the identification of leases
- the recognition of right-of-use assets and liabilities and their subsequent measurement
- treatment of gains and losses
- derecognition and presentation and disclosure in the financial statements,
- the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

#### What will we do?

IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- all leases which need to be accounted for
- the costs and lease term which apply to the lease
- the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.



# Our Audit Process and Strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Group audit – involvement of component auditors:

Queensway LLP is yet to appoint its own external auditors; however we anticipate placing some reliance on the audit procedures performed by Queensway LLP's auditors (component auditors) to support our group financial statements opinion for the year end 31 March 2020. Auditing standards require us to be involved in the work of component auditor teams. We envisage this will take the form of issuing group audit instructions and other communications and meetings with the component audit team throughout the audit.



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# Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.



## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is nil. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
  - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
  - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
  - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- Page 63
- An absolute prohibition on contingent fees.
  - Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
  - Permitted services required by law or regulation will not be subject to the 70% fee cap.
  - Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
  - A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
  - A requirement to report to the Audit Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

[https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf)





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Appendices



## Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee – Code work	TBC***	49,283	76,283*
Other non-audit services not covered above (Housing Benefits)	TBC	TBC	24,400**
<b>Total fees</b>	<b>£</b>	<b>£</b>	<b>£100,683</b>

All fees exclude VAT

\*The scale fee for 2018/19 was £49,283. The fee shown above includes the additional procedures required to respond to the identified additional risks that were not included within the base scale fee. These include:

- Increase in scope of audit as group financial statements were prepared (on going for 19/20)
- Risk related to preparation of group financial statements (on going for 19/20)
- Risk related to significant judgements for Queensway LLP (on going for 19/20)
- Risks related to value for money conclusion.
- Additional time taken to review corrections made to the Property, Plant and Equipment disclosure note.

We estimate our additional fee to be £27,000. We have yet to agree the proposed additional fee with officers and is subject to PSAA approval.

\*\* The 2018/19 base fee was £7,600, the incremental fee relates to the 7 sets of extended testing carried out in response to a number of identified errors.

\*\*\* For 2019/20, the planned fee will be impacted by a range of factors which will result in additional work. We set out an estimate of the potential additional fee for this below. Our current assessment of the additional fee is in the range of £15,000 to £20,000. The issues we have identified at the planning stage which will impact on the fee include:

- Additional work that will be performed in relation to group consolidation.
- The additional risks presented by several areas of the Council's financial statements which require additional audit procedures and the need to engage specialists. These include, but are not limited to the valuation of property and the net pension liability.
- In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As an illustration, 85 organisations within the PSAA regime had not yet received their 2018/19 audit opinion as at the end of January 2020.
- This is requiring us to revisit with PSAA the basis on which the scale fee was set. The factors behind this are explained in more detail on the following pages.
- Note if any further risks arise during the course of the 2019/20 audit then this will result in a further additional fee.

Any agreed fee is presented based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council having an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



## Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as the Council the extent of audit procedures now required mean it will take 1400-1500 hours to complete a quality audit.

### Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
  - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
- Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
  - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
  - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
  - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

## Fees

### Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
- We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
  - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

### Next steps

- In light of recent communication from PSAA, we will need to quantify the impact of the above to be able to accurately re-assess what the baseline fee is for the Council should be in the current environment. Once this is done we will be able to discuss at a more detailed level with you.



## Appendix B

# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.






Our Reporting to you





Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report – Upon completion of the audit

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## Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Page 70 Misstatements	<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report – Upon completion of the audit	
	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report – Upon completion of the audit	
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report – Upon completion of the audit	
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report – Upon completion of the audit	

## Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit planning report – March 2020</p> <p>Audit results report – Upon completion of the audit</p>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>Audit results report – Upon completion of the audit</p>	
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of</li> </ul>	<p>Audit results report – Upon completion of the audit</p>	
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	<p>Audit results report – Upon completion of the audit</p>	

## Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – Upon completion of the audit	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – Upon completion of the audit	
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report – Upon completion of the audit	
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report – March 2020 Audit results report – Upon completion of the audit	
Group audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work</li> <li>Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit planning report – March 2020 Audit results report – Upon completion of the audit	



## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 1, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements. We will update the Audit Committee prior to our audit of the 2019/20 financial statements on our planned level of audit materiality. For the Authority, we typically base our audit materiality on gross assets as opposed to service expenditure as we believe the Authority's stewardship of its assets influence the economic decisions of the users of the financial statements. We do set specific and lower testing thresholds to inform the level of work we perform on revenue transactions.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material during and at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



## Stevenage Borough Council Audit Committee

17 March 2020

### Shared Internal Audit Service – Progress Report

#### Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.4 Proposed Audit Plan Amendments
  - 2.5 Performance Management
  - 2.7 Critical and High Priority Recommendations

### Appendices:

- A Progress Against the 2019/20 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2019 to March 2020) - Indicative Start Dates Agreed with Management
- D Assurance Definitions / Priority Levels

# 1 Introduction and Background

## Purpose of Report

- 1.1 To provide Members with:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2019/20 Internal Audit Plan as at 28 February 2020.
  - b) The findings for the period 1 April 2019 to 28 February 2020.
  - c) Details of any proposed amendments required to the approved Internal Audit Plan.
  - d) The implementation status of previously agreed audit recommendations.
  - e) An update on performance management information as at 28 February 2020.

## Background

- 1.2 Internal Audit's Annual Plan for 2019/20 was approved by the Audit Committee at its meeting on 19 March 2019. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that the internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

# 2 Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 28 February 2020, 90% of the 2019/20 Audit Plan days have been delivered (calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Audit Committee in November 2019:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Recycling	Nov 2019	Satisfactory	One Medium, Five Low/Advisory priority
Procurement	Nov 2019	Satisfactory	One Medium, One Low/Advisory priority
Facilities Management	Nov 2019	Limited	Three High priority
Garage Investment Programme	Dec 2019	Good	None
Council Tax	Jan 2020	Good	Three Low/Advisory priority

Non-Domestic Rating	Jan 2020	Good	None
IT Shared Service Agreement	Jan 2020	Not Assessed	Two Medium, One Low/Advisory priority
Treasury Management	Feb 2020	Good	One Low/Advisory priority
Street Cleansing – follow up	Feb 2020	Not Assessed	None
Housing Benefits	Feb 2020	Good	One Medium, One Low/Advisory priority
Town Centre Regeneration	Feb 2020	Satisfactory	Six Medium priority
Housing Rents	Feb 2020	Satisfactory	Four Medium, Two Low/Advisory priority

- 2.3 The table below also summarises the position regarding 2019/20 projects as at 28 February 2020. Appendix A provides a status update on each individual project within the 2019/20 Internal Audit Plan. Details of start dates for the individual projects are also shown in Appendix C.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	20	56%
Draft Report Issued	6	17%
In Fieldwork/Quality Review	9	24%
In Planning/Terms of Reference Issued	0	0%
Allocated	0	0%
Not Yet Allocated	0	0%
Deferred/Cancelled	1	3%

<b>Total</b>	<b>36</b>	<b>100%</b>
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#### Proposed Audit Plan Amendments

- 2.4 There has been no proposed amendment to the Internal Audit Plan since the last committee meeting.

#### Performance Management

- 2.5 The 2019/20 annual performance indicators were approved at the SIAS Board meeting in March 2019.
- 2.6 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 28 Feb 2020
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	92% (304/333.5 days)	90% (300/333.5 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	77% (27/35 projects)	74% (26/35 projects)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (12 received) Note (1)
<b>4. Number of Critical and High Priority Audit Recommendations agreed</b>	95%	95%	100% (12 High agreed) Note (2)

Note (1) – 3 received so far in 2019/20 relate to 2018/19 audits.

Note (2) – 7 recommendations are from the Hertfordshire County Council led internal audit of the Hertfordshire Home Improvement Agency. This has been distributed to the Council as a contributing partner of the Agency.

#### Critical and High Priority Recommendations

- 2.7 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.8 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

## APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

### 2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Key Financial Systems – 74 days</b>									
Main Accounting System (General Ledger)						8	Yes	5	In fieldwork
Debtors						6	Yes	5.5	Draft report issued
Creditors						10	Yes	9.5	Draft report issued
Treasury Management	Good	0	0	0	1	6	Yes	6	Final report issued
Payroll						10	Yes	9.5	Draft report issued
Council Tax	Good	0	0	0	3	6	Yes	6	Final report issued
NDR	Good	0	0	0	0	6	Yes	6	Final report issued
Housing Benefits	Good	0	0	1	1	6	Yes	6	Final report issued
Cash and Banking						6	Yes	5.5	Draft report issued
Housing Rents	Satisfactory	0	0	4	2	10	Yes	10	Final report issued
<b>Operational Audits – 122.5 days.</b>									
Health and Safety	Good	0	0	1	0	10	Yes	10	Final report issued
Sickness Absence Management						10	Yes	5	In fieldwork
Facilities Management	Limited	0	3	0	0	6	Yes	6	Final report issued
Rechargeable Works	Good	0	0	1	0	10	Yes	10	Final report issued
Insurance	Good	0	0	1	1	6	Yes	6	Final report issued
Garage Investment Programme	Good	0	0	0	0	10	Yes	10	Final report issued
Cemeteries	Satisfactory	0	0	4	0	6	Yes	6	Final report issued
Herts Home Improvement Agency						2	Yes	1	In fieldwork
Town Centre Regeneration – SG1	Satisfactory	0	0	6	0	12	Yes	12	Final report issued
Queensway/Marshgate Redevelopment						12	Yes	8.5	In fieldwork
Recycling	Satisfactory	0	0	1	5	10	Yes	10	Final report issued
Stevenage Museum	Satisfactory	0	2	1	5	7	Yes	7	Final report issued



**APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Homelessness Reduction Act	Good	0	0	0	0	10	Yes	10	Final report issued
Land Charges						1.5	Yes	1.5	Audit cancelled
Safeguarding	Good	0	0	0	3	10	Yes	10	Final report issued
<b>Procurement, Contract Management and Project Management – 30 days</b>									
Major Refurbishment Contract						10	Yes	7	In fieldwork
Procurement	Satisfactory	0	0	1	1	10	Yes	10	Final report issued
Housing Development Schemes						10	Yes	7	In fieldwork
<b>Risk Management and Governance – 12 days</b>									
Risk Management						6	Yes	4	In fieldwork
Corporate Governance						6	Yes	4	In fieldwork
<b>IT Audits – 24 days</b>									
IT Service Shared Service Agreement	Not Assessed	0	0	2	1	6	Yes	6	Final report issued
Cyber Security Follow-up						6	Yes	3	In fieldwork
Information Management						6	Yes	5.5	Draft report issued
Project Management						6	Yes	5.5	Draft report issued
<b>Shared Learning and Joint Reviews – 8 days</b>									
Shared Learning						4	Yes	3	Through year
Joint Reviews						4	Yes	3	In fieldwork
<b>Ad Hoc Advice – 3 days</b>									
Ad Hoc Advice						3	Yes	2.5	Through year
<b>Follow-up Audits – 10 days</b>									
CCTV	Not Assessed	0	0	0	0	5	Yes	5	Final report issued
Street Cleansing	Not Assessed	0	0	0	0	5	Yes	5	Final report issued
<b>Completion of 18/19 Projects – 4 days</b>									
Various						4	Yes	4	Complete

**APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Contingency – 16.5 days</b>									
Contingency						16.5	No	0	Not yet allocated
<b>Strategic Support – 46 days</b>									
Annual Report and Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						12	Yes	11	Through year
Client Liaison						10	Yes	9.5	Through year
Liaison with External Audit						1	Yes	1	Through year
Monitoring						10	Yes	9	Through year
SIAS Development						5	Yes	5	Through year
2020/21 Audit Planning						5	Yes	5	Complete
<b>SBC TOTAL</b>		<b>0</b>	<b>5</b>	<b>23</b>	<b>23</b>	<b>350</b>		<b>300</b>	

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
1.	Cyber Security follow up (2018/19).	<p><u>Network access control.</u></p> <p>Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council's IT network. This should include restricting the ability to physically connect to the IT network.</p> <p>Where there is a demonstrable need for a device to connect to the IT network, the Service should require:</p> <p>The purpose for the connection has been recorded</p> <p>Appropriate security controls have been enabled on the device connecting to the IT network</p> <p>The period of time that the device will require the connection</p> <p>All connections are approved before being allowed to proceed.</p> <p>Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>The Council has created a Security &amp; Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>Network Tools July 2019.</p> <p>Intune October 2019.</p> <p>Procurement of network tools revised to 2020/21.</p>	<p><u>July 2019.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u></p> <p>Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker.</p> <p>Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21.</p> <p><u>December 2019.</u></p> <p>Revised date as above. It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything</p>	<p>Partially implemented – continue to monitor.</p> <p>A follow up audit is being carried out. The final report will be distributed during April 2020.</p>

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
						<p>plugged into it.</p> <p><u>February 2020.</u> Revised implementation date as above.</p>	
2.	Cyber Security follow up (2018/19).	<p><u>Firewall configuration.</u></p> <p>There should be a record of the configuration of the Council’s firewalls, which includes but is not limited to:</p> <p>The purpose of all of the rules</p> <p>The expected configuration and activity for each rule</p> <p>The member of staff that requested and approved the rule</p> <p>The configuration of the firewall should be reviewed on a routine basis.</p> <p>The Service should develop a Firewall rule policy to provide the list of controls that are required to secure firewall implementations to an approved level of security.</p>	<p>The Council has created a Security &amp; Network Team who have been tasked to look at replacing the entire Firewall (and switch) estate. As part of this work all firewall configurations will need to be reviewed and recorded.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>November 2019.</p> <p>Revised to April 2020.</p>	<p><u>July 2019.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u></p> <p>Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on as part of that plan.</p> <p><u>December 2019.</u></p> <p>As above.</p> <p><u>February 2020.</u></p> <p>Revised implementation date as above.</p>	<p>Not yet implemented – continue to monitor.</p> <p>A follow up audit is being carried out. The final report will be distributed during April 2020.</p>

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
3.	Incident Management follow up (2018/19).	<p><u>Updating the disaster recovery plan.</u></p> <p>Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	<p>With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>August 2019 – DR review. April 2020 - VDI upgrade.</p>	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u> Expected completion for this work is now April 2020.</p> <p><u>February 2020.</u> As above.</p>	<p>Not yet implemented – continue to monitor.</p>
4.	<p>Herts Home Improvement Agency 2018/19.</p> <p><i>These recommendations and their implementation status are overseen and monitored by Hertfordshire County Council as the lead authority</i></p>	<p>The HHIA should review the current business continuity and succession planning arrangements in place to ensure that the service can continue to function in the absence of key officers.</p> <p>Given the existing recruitment difficulties, the Board should</p>	<p>New Senior Management structure in place: Head of Service reporting to Head of Hertfordshire Equipment Service. Longer term continuity to be reviewed as part of the review project. Put in place staffing</p>	<p>Head of HHIA and Head of Hertfordshire Equipment Service (HES).</p>	<p>In place.</p>	<p><u>September 2019.</u> New Senior Management team in place and recruitment for Business Analyst will be complete August 2019. Senior Technical Officer role re-graded and out to advert August 2019. In discussion with HR to create a career grade for Technical roles to</p>	<p>Partially implemented – continue to monitor.</p> <p>Revised implementation date: 1 May 2020.</p> <p>A follow up audit is being carried out. The final report will be distributed during April 2020.</p>



**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
			<p>reviewed.</p> <p>Undertake Financial Analysis to understand potential to grow staffing with revenue</p> <p>Review of processes to improve productivity and stop blockages. To be incorporated in recovery plan.</p>		In progress.	<p>client centred approach.</p> <p><u>February 2020.</u> As above. Revised implementation date May 2020.</p>	
5.	<p>Herts Home Improvement Agency 2018/19.</p> <p><i>As above.</i></p>	<p>Further training should be provided to HHIA staff to ensure that the case management system is completed and updated in line with expectations.</p> <p>Regular data quality checks should be performed on the case management system to obtain assurance that records are updated in an accurate and timely manner (including a review of data exceptions – e.g. blank fields).</p> <p>A mapping exercise should be performed to identify the key fields within the case management system</p>	<p>Undertaking review of CMS system</p> <p>Process mapping exercise completed to understand how staff currently use the system and where changes need to be made</p> <p>Identification of training needs for staff and resource to undertake these. Training to include inputting and quality of data.</p> <p>Super-user / system manager to be identified to oversee data checks, develop the system e.g. for mobile working, and work</p>	Head of HHIA and Business Improvement Manager.	<p>In progress completion by August 2019.</p> <p>Mapping complete.</p> <p>Further recommendation by Aug 2019.</p> <p>By August 2019 Training by Oct 2019.</p> <p>Autumn 2019 (funding and resource dependent).</p>	<p><u>September 2019.</u></p> <p>Review and process mapping complete. Some training completed July 2019 and Business Analyst (when in post) to oversee superusers and work with Finance to develop reporting protocols. Due to issues raised in review, a meeting is to be held with Foundations and systems developer in August 2019 to raise issues around outstanding development of the system. Report will be made to HHIA Board regarding potential options which could include replacing the system when the current contract ends (Sept 2020).</p>	<p>Partially implemented – continue to monitor.</p> <p>Revised implementation date: 1 March 2020.</p> <p>A follow up audit is being carried out. The final report will be distributed during April 2020.</p>



**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
		<p>that support key monitoring and KPI routines, with data quality checks focusing in particular on these areas.</p> <p>We also recommend that HCC Finance is provided with access to a reporting suite within the case management system, sufficient to support the production of financial monitoring / Board reports.</p>	<p>with Finance to develop reporting suite.</p> <p>Review access to CMS/ other reporting suites for Finance to allow for improved financial reporting or define how this will be achieved e.g. Business Analyst to report on non-SAP data.</p>		Autumn 2019.	<p><u>December 2019.</u></p> <p>A full review of the CMS system has now been completed. Report is available -with recommendations now being incorporated into the audit tracker for monitoring.</p> <p>All current HIA staff will undertake " Ferret Training" in January 2019 to ensure all staff are "up skilled" and we are resilient as a team.</p> <p>The new Business Analyst will be the Super user of the team, followed by Senior Business Support after training.</p> <p>The Business Analyst has begun working with finance to align CMS and SAP reporting.</p> <p>The Business analyst starting from November to undertake random monthly "spot check" audits.</p> <p><u>February 2020.</u></p> <p>As above.</p>	

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
6.	Herts Home Improvement Agency 2018/19. <i>As above.</i>	<p>We recommend that the HHIA seeks further clarification (in writing) from the relevant government department in relation to the restrictions on recovering overheads from the DFG. This should include the position on whether:</p> <ul style="list-style-type: none"> <li>- It is permissible to recover general staff costs that are relevant to delivering the service, but which cannot be attributed to a specific project;</li> <li>- The current design and project management fee charges, which by their nature are set at a level to recover overheads, are permissible within the grant conditions; and</li> <li>- The cost of extended warranties can be funded through the</li> </ul>	<p>Meet with Foundations to seek relevant advice and understand where written assurances can be sought in relation to staff costs and fees.</p> <p>Use information obtained to inform project plan e.g. develop policy concerning warranties.</p> <p>Project support to work with SE/MA and Business Intelligence to develop timesheet tracker system for staff activities, similar to those in use by SIAS and HCC HR. These will more accurately track how resources are utilised.</p> <p>Review charges for works that are aborted – currently no costs are recovered so</p>	Head of HHIA and Head of HES.	<p>July 2019.</p> <p>Oct/Nov 2019.</p> <p>October 2019.</p>	<p><u>September 2019.</u> Advice sought from Foundations was contradictory but further investigation around warranties is in progress. Fees and charges and abortive works are being reviewed with a view to implementation and a time tracker for staff is in preparation (finance looking at costings to be input prior to development of tracker). Revenue model to be reviewed at end of financial year once changes made to discretionary policy, charges etc.</p> <p><u>December 2019.</u> The director of ACS wrote to MHCLG in June.</p> <p>There has been on-going conversation with finance regarding capitalisation of staff overheads. The head of service has completed analysis of capitalised staff activity. This has been agreed with finance.</p>	<p>Not yet implemented – continue to monitor.</p> <p>Revised implementation date 31 March 2020.</p> <p>A follow up audit is being carried out. The final report will be distributed during April 2020.</p>

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
		<p>DFG, given the wider value for money implications if this not permissible.</p> <p>Given the above comment on staff overhead costs, we also recommend that the HHIA introduce more formal systems to evidence and monitor the chargeable activities performed by staff. We highlight that the implementation of a timesheet system would also ensure that appropriate evidence is available to support claims made against the DFG and will allow an increased level of management information to be produced on staff productivity.</p> <p>Should the HHIA not be financially viable without 100% recovery of all staff costs or overheads through the DFG, consideration should be given as to whether this issue could be resolved through DFG funding being retained by the</p>	<p>charging scheme to be put in place (if deemed permissible)</p> <p>Review viability of revenue model after the above actions have been taken and analysis made. Also consider potential revenue in light of review of discretionary policy/ resources needed.</p>		<p>October 2019.</p> <p>End 2019/20 financial year.</p>	<p>We are currently investigation the possibilities of incorporating maintenance agreements into applications of specific adaptations</p> <p>We are currently looking at a supervision system to evidence/support the head of service analyse staffing time against capitalisation.</p> <p><u>February 2020.</u> As above. Revised implementation date 31 March 2020.</p>	

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
		<p>individual partners, allowing the HHIA to invoice as a third party, although further legal and finance advice would be required.</p> <p>Alternatively, the HHIA would need to investigate whether it is viable to increase the volume of non-DFG funded adaptations, thereby providing a separate income route to address any shortfalls in costs that are recoverable from the DFG.</p>					
7.	Facilities Management 2019/20	<p><u>Procedure manual.</u> We recommend that a procedure manual is written for Facilities Management activities. The manual should include the statutory responsibilities and routine compliance checks carried out by the Facilities Management Team.</p>	Recommendation accepted.	Facilities Manager.	<p>Starting 31st October 2019 - Completion 31st January 2020</p> <p>Starting 31st October 2019 - Completion February 2020</p> <p>Training ongoing currently.</p>	<p><u>February 2020.</u> This is a new addition and the management response opposite is therefore the latest comment.</p>	<p>Not yet implemented – continue to monitor.</p> <p>It has been reported that a new Facilities Manager is being recruited.</p>
8.	Facilities Management 2019/20	<p><u>Procurement.</u> We recommend the Facilities Manager ensure compliance with Contract Standing</p>	Recommendation accepted.	Facilities Manager.	Starting End January 2020- Completion April 2020.	<p><u>February 2020.</u> This is a new addition and the management response opposite is</p>	<p>Not yet implemented – continue to monitor.</p> <p>It has been reported</p>

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
		<p>Orders by completing an Award Notification Form (ANF) when a new contract is awarded so the details of the contract can be input into the Council's central contracts register. Where contracts are running that are not currently on the contracts register the Facilities Manager should seek help from Corporate Procurement to see if any files that have been worked on by procurement are available to help fill in any missing information, where there is no record the Facilities Manager should consider whether a re-procurement is necessary.</p> <p>The Facilities Manager should retain a reference copy of all live contracts in the facilities folders and provide Corporate Procurement with a copy for the contracts database.</p> <p>We further recommend that the Facilities Manager attends the next Contract Management Training</p>				therefore the latest comment.	that a new Facilities Manager is being recruited.

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 February 2020)
		course offered by Corporate Procurement to help manage the existing contracts.					
9.	Facilities Management 2019/20	<p><u>Contract review.</u> We recommend a full review of all Facilities Management contracts is carried out in line with the Contract Procurement Rules.</p>	Recommendation accepted.	Facilities Manager.	<p>Meeting procurement 1/11/19 for overview. Completion of review April 2020. Continuous Improvement Action plan to be in place for completion April 2020.</p>	<p><u>February 2020.</u> This is a new addition and the management response opposite is therefore the latest comment.</p>	<p>Not yet implemented – continue to monitor.</p> <p>It has been reported that a new Facilities Manager is being recruited.</p>

**APPENDIX C – AUDIT PLAN ITEMS (APRIL 2019 TO MARCH 2020) – INDICATIVE START DATES AGREED WITH MANAGEMENT**

Apr	May	Jun	July	Aug	Sept
2018/19 Projects Complete	Safeguarding <b>(Final Report Issued)</b>	Homelessness Reduction Act <b>(Final Report Issued)</b>	Health and Safety <b>(Final Report Issued)</b>	Street Cleaning (follow up) <b>(Final Report Issued)</b>	Garage Investment Programme <b>(Final Report Issued)</b>
Insurance <b>(Final Report Issued)</b>	Procurement <b>(Final Report Issued)</b>	Recycling <b>(Final Report Issued)</b>	Land Charges <b>(Cancelled)</b>	CCTV (follow up) <b>(Final Report Issued)</b>	IT Shared Service Agreement <b>(Final Report Issued)</b>
Cemeteries <b>(Final Report Issued)</b>	Facilities Management <b>(Final Report Issued)</b>				
Stevenage Museum <b>(Final Report Issued)</b>	Rechargeable Works <b>(Final Report Issued)</b>				
Oct	Nov	Dec	Jan	Feb	Mar
Cash & Banking <b>(Draft Report Issued)</b>	Council Tax <b>(Final Report Issued)</b>	Payroll <b>(Draft Report Issued)</b>	Risk Management (In Fieldwork)	Corporate Governance (In Fieldwork)	Herts Home Improvement Agency (In Fieldwork)
Town Centre Regeneration – SG1 <b>(Final Report Issued)</b>	Business Rates <b>(Final Report Issued)</b>	Debtors <b>(Draft Report Issued)</b>	Housing Rents <b>(Final Report Issued)</b>	IT Cyber Security (follow up) (In Fieldwork)	
	Housing Benefits <b>(Final Report Issued)</b>	Creditors <b>(Draft Report Issued)</b>	Main Accounting (In Fieldwork)	IT Project Management <b>(Draft Report Issued)</b> (c/f from June)	
		Treasury Management <b>(Final Report Issued)</b>	Queensway/Marshgate Redevelopment (In Fieldwork) (c/f from Oct)	Sickness Absence Management (In Fieldwork) (c/f from July)	
		IT Information Mgmt <b>(Draft Report Issued)</b> (c/f from Nov)	Major Refurbishment Contract (flat blocks) (In Fieldwork) (c/f from Nov)	Housing Development Schemes (In Fieldwork) (c/f from Oct)	



**APPENDIX D – ASSURANCE LEVELS / RECOMMENDATION PRIORITY LEVELS**

<b>Assurance Level</b>	<b>Definition</b>
<b>Good</b>	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
<b>Satisfactory</b>	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
<b>No</b>	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

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<b>Priority Level</b>		<b>Definition</b>
<b>Corporate</b>	<b>Critical</b>	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
<b>Service</b>	<b>High</b>	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	<b>Medium</b>	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low / Advisory</b>	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

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Stevenage Borough Council  
Audit Committee

2020/21 Internal Audit Plan Report

17 March 2020

Recommendation

Members are recommended to approve the  
proposed Stevenage Borough Council Internal Audit  
Plan for 2020/21

## Contents

### 1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

### 2. Audit Planning Process

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# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed Stevenage Borough Council 2020/21 Internal Audit Plan.

## Background

- 1.2 The Stevenage Borough Council Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit's annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2019 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2020/21 civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
  - a) Outlines how the service will be developed in accordance with the internal audit charter.
  - b) Details how the internal audit plan will be delivered.
  - c) Evidences how the service links to organisational objectives and priorities.
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

# 2. Audit Planning Process

## Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
  - a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects

and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and whistle blowing activity.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

#### Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

##### *Local and National Horizon Scanning*

SIAS reviews, on an ongoing basis:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership for risks and issues emerging at national level.

##### *Consideration of risk management arrangements*

SIAS assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register informs the identification of potential audit areas.

### *Confirmation of the Council's objectives and priorities*

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the Council's objectives and priorities.

2.3 The approach to audit planning for 2020/21 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

#### *Risk Assessment*

Managers and SIAS agree the level of risk associated with an identified auditable area.

#### *Other Sources of Assurance*

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

#### *Significance*

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

#### *Timings*

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2020/21 plans for all SIAS partner Councils are then scrutinised and cross-partner audits highlighted.
- d) Proposed draft plans are presented to Senior Leadership Team for discussion and agreement.
- e) The plan is shared with the External Auditor.

This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives



## The Planning Context

- 2.4 The context within which local authorities provide their services remains challenging. Many services continue to manage increasing demand and constrained finances.
- 2.5 The resultant efficiency and transformation programmes that Councils are in the process of implementing and developing continue to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- a) Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
  - b) Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
  - c) Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
  - d) Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

## Internal Audit Plan 2020/21

- 2.7 The draft 2020/21 internal audit plan is included at Appendix A and contains a high-level proposed outline scope for each audit. Appendix B details the planned start months.
- 2.8 Stevenage Borough Council has purchased 350 audit days for 2020/21. The table below shows the allocation of these audit days:

<b>Purchased Audit Days</b>	<b>2020/21</b>	<b>%</b>
Key Financial Systems	74	20
Operational Audits	149	41
Procurement / Contracts / Project Management	33	9
IT Audits	12	4
Risk & Governance	12	4

Counter Fraud	0	0
Shared Learning / Joint Reviews	5	2
Ad-Hoc Advice	2	1
Follow Ups	5	2
Strategic Support*	47	13
Contingency	6	2
2019/20 Projects Requiring Completion	5	2
<b>Total allocated days</b>	<b>350</b>	<b>100</b>

\* This includes supporting the Audit Committee, monitoring, client liaison and planning for 2021/22.

- 2.9 Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible, especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.10 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

### 3. Performance Management

#### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Stevenage Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

## Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2020/21 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days</b> Percentage of actual billable days against planned chargeable days completed.	95%
<b>2. Planned Projects</b> Percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
<b>3. Client Satisfaction</b> Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%
<b>5. Annual Plan</b>	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
<b>6. Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year.

# Stevenage Borough Council 2020/21 Proposed Internal Audit Plan

Audit	Proposed Outline Scope	Proposed Days
<b>KEY FINANCIAL SYSTEMS</b>		
Main Accounting System (General Ledger)	SIAS will be conducting a full assurance audit on the Main Accounting system to confirm implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include: <ul style="list-style-type: none"> <li>a) Access controls for the general ledger and associated modules,</li> <li>b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority,</li> <li>c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification can be entered,</li> <li>d) Reconciliation of financial and non-financial systems where significant income is received, and</li> <li>e) Regular review and clearance of suspense accounts.</li> </ul>	8
Debtors	Debtors will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: <ul style="list-style-type: none"> <li>a) Policies and procedures,</li> <li>b) Customer account creation and amendment,</li> <li>c) Raising of debtor accounts,</li> <li>d) Credit notes and refunds,</li> <li>e) Accounting for income received,</li> <li>f) Write offs, and</li> <li>g) Debtors control account reconciliations.</li> </ul>	8

Audit	Proposed Outline Scope	Proposed Days
Creditors	<p>Creditors will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies and procedures,</li> <li>b) Raising of supplier accounts,</li> <li>c) Ordering of goods, works and services,</li> <li>d) Receipt of goods, works and services,</li> <li>e) Payment of suppliers' invoices,</li> <li>f) Credit notes and refunds, and</li> <li>g) Creditors control account reconciliations.</li> </ul>	8
Treasury Management	<p>Treasury Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Treasury Management Practices, Policies and Procedures,</li> <li>b) Reporting Arrangements,</li> <li>c) Cash Flow Management,</li> <li>d) Counter-Party Risk,</li> <li>e) Transactions,</li> <li>f) On-line Banking and Investments,</li> <li>g) Capital and Interest Payments,</li> <li>h) Reconciliations,</li> <li>i) Performance Monitoring, and</li> <li>j) External Service Providers.</li> </ul>	6

Audit	Proposed Outline Scope	Proposed Days
Payroll	<p>SIAS will be conducting a full assurance audit on the Payroll system to confirm implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Systems Access,</li> <li>b) Policies and Procedures,</li> <li>c) Service Continuity,</li> <li>d) Statutory and Superannuation Parameters,</li> <li>e) Starters and Leavers,</li> <li>f) Contract Variations,</li> <li>g) Additional Payments, Overtime and Expenses,</li> <li>h) Pay Run,</li> <li>i) PAYE Real Time Information,</li> <li>j) Recovery of Overpayments, and</li> <li>k) Payroll Records (Data Protection / Security).</li> </ul>	10
Council Tax	<p>Council Tax will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, Procedures and Legislation,</li> <li>b) Amendment to Council Tax records,</li> <li>c) Discounts and Exemptions, e.g. Single Person Discount</li> <li>d) In-year Billing,</li> <li>e) Collection and Refunds,</li> <li>f) Recovery, Enforcement and Write Offs,</li> <li>g) Reconciliation between Council Tax system and General Ledger,</li> <li>h) Performance monitoring and Performance, and</li> <li>i) System access.</li> </ul>	6



Audit	Proposed Outline Scope	Proposed Days
Business Rates (NDR)	<p>Business Rates will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and regulatory compliance,</li> <li>b) Reconciliation between NDR system and Valuation lists,</li> <li>c) Multiplier setting,</li> <li>d) Voids and reliefs,</li> <li>e) In-year Billing,</li> <li>f) Collection and refunds,</li> <li>g) Recovery, enforcement and write offs,</li> <li>h) Reconciliation between NDR system and general ledger,</li> <li>i) Performance monitoring and management, and</li> <li>j) System access.</li> </ul>	6
Housing Benefits	<p>Housing Benefits will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and set-up of standing data,</li> <li>b) Assessments and backdating,</li> <li>c) Payments,</li> <li>d) Recovery of Overpayments,</li> <li>e) Reconciliations,</li> <li>f) Performance Monitoring, and</li> <li>g) Security of Data.</li> </ul>	6

Audit	Proposed Outline Scope	Proposed Days
Cash and Banking	<p>Cash and Banking will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Security of cash and cheques received into departments and through the kiosk,</li> <li>b) Processing of cash and cheque payments,</li> <li>c) Collection and banking of kiosk income, and</li> <li>d) Bank Reconciliations.</li> </ul>	8
Housing Rents	<p>Housing Rents will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> <li>a) Procedures and processes of all stages of rent setting, rent collection and arrears management,</li> <li>b) Annual rent setting, input into the Housing Management System and communication with tenants,</li> <li>c) Tenancy status, collection of rent, including refunds, and reconciliation to the general ledger account, and</li> <li>d) Management of rent arrears, action taken, including write offs (current and former tenants) and evictions,</li> <li>e) Housing rents suspense account,</li> <li>f) Rent refunds.</li> </ul>	8

Audit	Proposed Outline Scope	Proposed Days
<b>OPERATIONAL AUDITS</b>		
Housing Allocations	The audit will provide assurance on the procedures for allocating housing stock to those in housing need. Areas of coverage may include: a) Applications to the housing register and prioritisation, b) Allocation policy/procedures, including shortlisting and offer, c) Mutual exchanges.	10
Homelessness & Housing Advice	The audit will provide assurance on compliance with policy for those presenting themselves to the Council as homeless. This may include: a) Homeless strategy and rough sleeper policy, b) Presentations and demand management.	10
Leasehold Properties	The audit will provide assurance on the management of leasehold properties subject to repair and refurbishment, including the major refurbishment contract. This may include: a) Advising leaseholders about repairs and refurbishment, b) Scheduling and carrying out works, c) Collection of leaseholder liability through payment or a charge on property.	10
Compliant Homes	The audit will provide assurance on the Council's landlord responsibilities relating to safety and compliance. This may include: a) Certification and keeping gas appliances safe, b) Asbestos identification and removal, c) Legionella management.	10

Audit	Proposed Outline Scope	Proposed Days
Statutory Compliance – General Fund Property	<p>The audit will provide assurance on the Council’s responsibilities relating to safety and compliance. This may include:</p> <ul style="list-style-type: none"> <li>a) Gas safety and electrical testing,</li> <li>b) Fire risk and safety,</li> <li>c) Building security and access control,</li> <li>d) Hard services e.g. lift maintenance and air circulation.</li> </ul>	10
Void Management	<p>The audit will provide assurance on the management of void housing stock and arrangements for relet. This may include:</p> <ul style="list-style-type: none"> <li>a) Policies and procedures for managing void properties,</li> <li>b) Inspections, security and repair,</li> <li>c) Long term voids and reporting accuracy.</li> </ul>	10
Digitalisation Programme	<p>The audit will provide assurance on the delivery of the Council’s digitalisation programme. This may include:</p> <ul style="list-style-type: none"> <li>a) Programme governance,</li> <li>b) Benefit realisation and return on investment,</li> <li>c) Customer Interfacing with front and back office systems.</li> </ul>	10
Garage Lettings	<p>The audit will provide assurance on the process and governance relating to letting Council garages. This may include:</p> <ul style="list-style-type: none"> <li>a) Void management and letting policy,</li> <li>b) Tenancy agreement,</li> <li>c) Collection of fees and charges,</li> <li>d) Enforcement and recovery.</li> </ul>	10

Audit	Proposed Outline Scope	Proposed Days
Community Safety	<p>The audit will provide assurance on the Stevenage Against Domestic Abuse initiative and associated commissioning arrangements. This may include:</p> <ul style="list-style-type: none"> <li>a) Compliance with policies and procedures,</li> <li>b) Handling referrals from across North Herts,</li> <li>c) Operational risk management arrangements.</li> </ul>	10
Community Development	<p>The audit will provide assurance on the Borough's Youth Council. This may include:</p> <ul style="list-style-type: none"> <li>a) Compliance with procedures and protocols relating to the duty of care arising from young people being involved with the Youth Council,</li> <li>b) Receipt of external funding and support e.g. HCC.</li> </ul>	6
Play Service	<p>The audit will provide confirmation on the application of policies and procedures. This may include:</p> <ul style="list-style-type: none"> <li>a) Safeguarding arrangements,</li> <li>b) Operational risk management.</li> </ul>	6
Housing Repairs	<p>The audit will provide assurance on the system for providing responsive repairs to the Council's housing stock. This may include:</p> <ul style="list-style-type: none"> <li>a) Ordering, coding and scheduling works, including the use of sub-contractors,</li> <li>b) Clearing orders and work completion,</li> <li>c) Performance management and oversight.</li> </ul>	10

Audit	Proposed Outline Scope	Proposed Days
Tree Management	<p>The audit will provide assurance on managing the trees for which the Council has responsibility. This may include:</p> <ul style="list-style-type: none"> <li>a) Programming inspections and remedial works,</li> <li>b) Fulfilling statutory duties and comparison with best practice by other councils.</li> </ul>	10
On-Street Car Parking	<p>The audit will provide assurance on the system for regulating on street car parking within the Borough. This may include:</p> <ul style="list-style-type: none"> <li>a) Collection and banking of cash income</li> <li>b) Payments made via electronic devices</li> <li>c) Season tickets</li> </ul>	10
Climate Change and Sustainability (including joint audit)	<p>The audit will provide assurance on the Council’s climate change credentials. This may include:</p> <ul style="list-style-type: none"> <li>a) Compliance with climate change strategy and policy,</li> <li>b) The accuracy of reporting data against targets, stated aims and objectives,</li> <li>c) Energy management.</li> </ul> <p>An audit will also be carried out at other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing a wider level of assurance and sharing any learning across Hertfordshire.</p>	7

Audit	Proposed Outline Scope	Proposed Days
Licensing	<p>The audit will provide assurance on licensing requirements relating to environmental health. This may include:</p> <ul style="list-style-type: none"> <li>a) Compliance with policy and procedures relating to animal control,</li> <li>b) Food safety certificates.</li> </ul>	10
<b>PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT</b>		
Stevenage Bus Interchange	<p>The audit will provide assurance on the contract for works being carried out in relation to the new bus interchange. This may include:</p> <ul style="list-style-type: none"> <li>a) Procurement and contractual arrangements,</li> <li>b) Stage payments, including additions and subtractions from the agreed specification,</li> <li>c) Oversight of work in progress and signing off key milestones.</li> </ul>	8
Regeneration – SG1	A review of progress against key milestones, reporting arrangements and oversight by those charged with governance.	10
Procurement Activity	A compliance review to confirm that local suppliers are invited to quote for the provision of works, goods and services.	5



Audit	Proposed Outline Scope	Proposed Days
Partnerships/Shared Services	This audit will provide assurance on the governance arrangements for partnerships and shared services that the Council has entered into. This may include: <ul style="list-style-type: none"> <li>a) Business case, including risk management,</li> <li>b) Contracts and Agreements,</li> <li>c) Performance management and monitoring,</li> <li>d) Cost apportionment and payments.</li> </ul>	10
<b>SHARED LEARNING</b>		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. Where no topic is specified, the audit days will be returned to contingency for use on emerging audits / risks, applied to other audits in the plan or used on audits in the reserve list.	2
Shared Learning	Shared Learning Newsletters and Summary Themed Reports. Audit Committee and Joint Review Workshops.	3
<b>COUNTER FRAUD</b>		
N/A	No internal audit work in this area is proposed in 2020/21. The Shared Anti-Fraud Service provides pro-active and reactive counter fraud services.	0

Audit	Proposed Outline Scope	Proposed Days
<b>RISK MANAGEMENT AND GOVERNANCE</b>		
Risk Management	The audit will involve a high-level review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit planning process. This audit traditionally informs the Annual Governance Statement.	6
Corporate Governance	This audit traditionally informs the Annual Governance Statement and has covered a wide variety of topics across our partners. These have included: a) Members and officers serving on Outside Bodies, b) Local Government Transparency Code, c) Culture, Ethics and Standards, d) Council Strategies, Policies and Procedures, e) Governance structures - Effective Council, committee and reporting structure, terms of reference for each committee and group, work plans for Cabinet / committees, minuting and action tracking, Members and senior staff possessing the appropriate mix of skills and receive any required training and development and delegating decision-making and transactional authority, and f) Delegation of authority.	6

Audit	Proposed Outline Scope	Proposed Days
<b>AD HOC ADVICE</b>		
Ad hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	2
<b>IT AUDITS (shared with East Herts Council)</b>		
Payment Card Industry Compliance	The audit will provide assurance on the Council's understanding and implementation of standards for security policies, technologies and ongoing processes that protect its payment systems from breaches and theft of cardholder data.	6
Hardware Acquisition, Movement and Disposal	The audit will provide assurance on hardware inventory arrangements. Areas of coverage will include the procedures for: a) Receiving and storing new hardware, b) Issuing hardware to new and existing users, c) Redeployment of hardware across the Council's estate, d) Decommissioning and safely disposing of redundant or surplus hardware.	6

Audit	Proposed Outline Scope	Proposed Days
<b>FOLLOW UP AUDITS</b>		
Follow up	A follow up review of any Limited Assurance audits from 2019/20.	5
<b>CONTINGENCY</b>		
Contingency	To provide for adequate response to risks emerging during the financial year.	6
<b>STRATEGIC SUPPORT</b>		
Head of Internal Audit Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2019/20.	3
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee. Follow up of Critical and High priority recommendations.	12
Client Liaison, including CGG & RMG	This involves meetings and updates with the Council’s Audit Champion and other key officers. Attendance at the Corporate Governance Group (CGG) and Risk Management Group (RMG) is also included.	8

<b>Audit</b>	<b>Proposed Outline Scope</b>	<b>Proposed Days</b>
Liaison with External Audit	To meet the external auditors and providing information as they require.	1
Plan Monitoring	To produce and monitor performance and billing information, work allocation and scheduling.	12
SIAS Development	Included to reflect the Council's contribution to developing and maintain the shared service / partnership through its service plans and corporate activities.	5
2021/22 Audit Planning	To provide services in relation to preparation and agreement of the 2021/22 Audit Plan.	6
2019/20 projects requiring completion	Additional time, if required, for the completion of 2019/20 audit work carried forward into the 2020/21 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	5
<b>TOTAL</b>		<b>350</b>

Audit	Proposed Outline Scope	Proposed Days
<b>RESERVE LIST (not in order)</b>		
Performance Management	An audit of the performance management framework. The audit may include: a) Measures of performance and target setting, b) Data quality management, c) Production of management information and reporting arrangements.	To be agreed with management when an audit on the reserve list is brought forward.
Members Allowances & Expenses	Audit coverage of payments made by the Council in respect of its Members Allowances Scheme e.g. Basic and Special Responsibility. It will also cover claims for travel, subsistence and any other allowances that are permitted.	

Appendix B – Stevenage Borough Council 2020/21 Proposed Audit Plan - Audit Start Dates

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Payment Card Industry Compliance	Statutory Compliance – General Fund Property	Leasehold Properties	Climate Change & Sustainability	Stevenage Bus Interchange
Housing Repairs	Community Safety	Void Management	Homelessness & Housing Advice	Community Development	Compliant Homes
Tree Management	On-Street Car Parking	Play Service	Procurement Activity	Licensing	
Garage Letting					

Oct	Nov	Dec	Jan	Feb	Mar
Cash & Banking	Council Tax	Creditors	Main Accounting	Regeneration – SG1	Digitalisation Programme
Partnerships/Shared Services	Business Rates	Debtors	Payroll	Risk Management	
	Housing Benefits	Treasury Management	Hardware Acquisition, Movement & Disposal	Housing Allocations	
		Housing Rents	Corporate Governance		

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.





- 3.4. Responsibility for approving and recommending changes to the financial control framework rests with the Strategic Director (Chief Financial Officer).
- 3.5. All staff are bound by these Regulations and will be affected by them to some degree depending on their duties. Training will be provided for those staff who are regularly involved in the application of Financial Regulations or Contract Standing Orders.
- 3.6. Changes to the Financial Regulations and CSOs have been made to reflect organisational changes, legislative changes and to clarify policies.

## 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. The **Financial Regulations** have been updated as at January 2020 (Appendix A) and the changes are detailed in Appendix C attached to this report; the main changes relate to:

- Responsibilities and duties aligned to the new senior structure
- a new section to specifically reflect expectations of budget holders
- Increase in petty cash limits from £30 to £50
- Update to virement (budget movement) authorisations to streamline non service related budget changes.

4.2. The **Contract Standing Orders** have been updated as at January 2020 (Appendix B) and the changes are detailed in Appendix D attached to this report; the main changes relate to:

- Increasing the threshold for band 2 procurement to £10,000 from £5,000
- For quotations, the CSOs now say that a local supplier must be invited to quote if one such exists and is registered on Supply Hertfordshire.
- To raise the level at which contracts are signed under deed to the EU services level for all contracts.

## 5. IMPLICATIONS

### 5.1. Financial Implications

It is anticipated that the revised Financial Regulations and CSOs will improve the Council's financial standing through the following of best practice, the achievement of value for money and the mitigation of risk.

### 5.2. Legal Implications

The updated Financial Regulations include any legal implications within the regulations.

### **5.3. Policy Implications**

Financial Regulations are in themselves a policy change.

### **5.4. Equalities and Diversity Implications**

The Council must have due regard to the requirements of the public sector equalities duty under the Equalities Act 2010, which must be taken into account when procuring goods, works, or services from external providers and this is included within Contract Standing Orders.

### **5.5. Climate change**

Within Contract Standing Orders it stipulates that goods or services which are known to be harmful to the environment, and where there are other adequate options, will not be used. Wherever practical and cost effective, only materials from sustainable sources will be used (section 8.5). In this way the procurement process is in alignment with the Council's ambition to attempt to be carbon neutral by 2030.

## **6. BACKGROUND DOCUMENTS**

Financial Regulations version 5.1 reviewed in August 2018

## **7. APPENDICES**

Appendix A – Updated Financial Regulations v6.0

Appendix B – Updated Contract Standing Orders v9.0

Appendix C – Summary of proposed changes to Financial Regulations

Appendix D – Table of proposed changes to Contract Standing Orders

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# Financial Regulations

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## **INTRODUCTION**

These Regulations have been adopted by the Council and form an essential part of the control framework within which the Council operates. Each section includes general guidelines to staff on the practical application of the Regulations. Useful contacts are also included in each section of this document.

These Regulations are designed to ensure that financial decisions are taken in a considered and informed manner by assuring that consistent, high quality financial information is available to Members and Officers. In this way we can be confident that financial management ensures that the Council's objectives are met in an economical, effective and efficient way whilst still maintaining the highest levels of accountability.

The Regulations should be used in conjunction with Contract Standing Orders which documents important rules concerning the conduct of council staff and the procedures they must follow. The general principals contained in the Regulations may be supplemented by detailed procedures specified by or agreed with the Strategic Director (Chief Financial Officer). Responsibility for approving and recommending changes to the financial control framework rests with the Strategic Director (Chief Financial Officer) who will be pleased to receive any comments on the operation of the Financial Regulations or Contract Standing Orders.

All staff are bound by these Regulations and will be affected by them to some degree depending on their duties. Training will be provided for those staff who are regularly involved in the application of Financial Regulations or Contract Standing Orders.

Assistant Directors will be responsible for ensuring that their appropriate officers/employees:

- (a.) have access to a copy of these Regulations, where appropriate
- (b.) Receive appropriate training in order that they understand and comply with the Regulations.

The Strategic Director is the nominated Chief Finance Officer.

Every officer has a responsibility to read and be familiar with these Regulations.



**Clare Fletcher**

Strategic Director  
(Chief Financial Officer)

## **1. STATUS OF FINANCIAL REGULATIONS**

- 1.1 Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.
- 1.2 The Regulations identify the financial responsibilities of the **Full Council, Executive, Policy committees and Overview and Scrutiny Committees** and Scrutiny Members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and other Officers.
- 1.3 All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.4 The Strategic Director (Chief Financial Officer) is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the **Full Council** for approval. The Strategic Director (Chief Financial Officer) is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Executive Members.
- 1.5 The Authority's detailed financial procedures are contained in the relevant sections of these Financial Regulations.
- 1.6 Assistant Directors are responsible for ensuring that all staff in their Business Units are aware of the existence and content of the Authority's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments. Copies are also available on the intranet under 'Staff Info / Finance'.
- 1.7 The Strategic Director (Chief Financial Officer) is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Authority are required to follow.
- 1.8 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.
- 1.9 **Head of Paid Service (and Chief Executive)**

The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He or she must report to and provide information for the **Executive**, the **Full Council**, the Overview and **Scrutiny Committees** and Audit committee and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Full Council decisions (see below).

**1.10 Monitoring Officer (Borough Solicitor) provided by shared Legal Service**

- (a.) The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the **Standards Committee**. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the **Full Council** and/or to the **Executive**, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- (b.) The Monitoring Officer must ensure that **Executive** decisions and the reasons for them are made public. He or she must also ensure that Members are aware of decisions made by the **Executive** and of those made by Officers who have delegated executive responsibility.
- (c.) The Monitoring Officer is responsible for advising all Councillors and Officers about who has authority to take a particular decision.
- (d.) The Monitoring Officer is responsible for advising the **Executive** or **Full Council** about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- (e.) The Monitoring Officer (together with the Strategic Director (Chief Financial Officer)) is responsible for advising the **Executive** or **Full Council** about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- initiating a new policy
  - committing expenditure in future years to above the budgeted level
  - causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- (f.) The Monitoring Officer is responsible for maintaining an up-to-date constitution.

**1.11 S151 Officer - Strategic Director (Chief Financial Officer)**

(a.) The S151 Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government Finance Act 1989
- The appropriate Accounts and Audit Regulations
- The Local Government Act 2000
- The Local Government Act 2003

(b.) The S151 Officer is responsible for:

- The proper administration of the Authority's financial affairs
- Setting and monitoring compliance with finance management standards
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- Providing financial information
- Preparing the revenue budget and capital programme
- Treasury management and banking.
- Providing an opinion on the 'Annual Governance Statement' Published with the Statement of Accounts.
- Measures to prevent/detect the laundering of illegally obtained money through the Council.

(c.) Section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report to **Full Council, Executive** and the External Auditor if the Council or one of its Officers:

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

Section 114 of the 1988 Act also requires:

- The S151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally. The Assistant Director (Finance & Estates) or any properly qualified member as directed by the Chief Finance Officer is SBC's nominated deputy.

- The Authority to provide the Strategic Director (Chief Financial Officer) with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.

### **1.12 Strategic Directors**

- (a.) Strategic Directors are individually responsible for the proper financial management of resources allocated to Assistant Directors they sponsored and their Business Units through the budget process and for the identification of and accounting for income which falls due within their area. This includes control of staff and the security, custody and control of all other resources including plant, buildings, materials, cash stores or equipment.
- (b.) Strategic Directors shall ensure that their staff receive sufficient training to enable them to be aware of and comply with the requirements of Financial Regulations and Standing Orders.
- (c.) Strategic Directors may delegate specific responsibilities under the approved scheme of delegation. Responsibilities are delegated to Strategic Directors through the constitution which can then be sub delegated.

### **1.13 Assistant Directors**

- (a.) Assistant Directors are individually responsible for the proper financial management of resources allocated to their Business Units through the budget process and for the identification of and accounting for income which falls due within their area. This includes control of staff and the security, custody and control of all other resources including plant, buildings, materials, cash stores or equipment.
- (b.) Assistant Directors shall ensure that their staff receive sufficient training to enable them to be aware of and comply with the requirements of Financial Regulations and Standing Orders.
- (c.) Assistant Directors are responsible for ensuring that **Executive** Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Strategic Director (Chief Financial Officer).
- (d.) It is the responsibility of Assistant Directors to consult with the Strategic Director (Chief Financial Officer) and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

- (e.) Where budget responsibility is delegated to officers below that of Assistant Director (ie Budget holder) it is the responsibility of Assistant Director to ensure the budget holder has skills and knowledge to enable them to undertake their budget responsibilities and that the scope and extent of budget responsibility is known.

#### **1.14 Budget holders**

- (a.) Cost centre budgets will be designated to a specific Budget holder.
- (b.) Budget holders and their staff will comply with these Financial regulations and contract standing orders when dealing with financial matters.
- (c.) Budget holders must review their approved budgets on a monthly (at a minimum) basis and are responsible for ensuring that appropriate action is taken where variation to the budget is projected (both overspends and underspends) and/or where income is projected to be over or under achieved. When appropriate budget holders should identify suitable virement in a timely manner to address the variance (see section 6 – Transfer of Budget).
- (d.) Budget holders will provide information to Finance Officers on projected income and expenditure for the current and future financial years to support the Council's capital strategy and medium term financial strategies (growth and financial security options).
- (e.) Income - With the exception of specific provision in leases, other long term arrangements and statutorily set fees Budget holders will review charges at least annually as part of the Council's budget setting process. The Strategic Director (Chief Financial Officer) must be consulted in relation to any proposals to vary the method of charging or in introducing new charges.
- (f.) Budget holders are responsible for reviewing outstanding debt on a monthly basis (at a minimum) and proposing appropriate action in accordance with the Council's debt recovery policy (see section 20).
- (g.) Budget holders will notify the Assistant Director (Finance and Estates) of any carry forward request for revenue budget allocation that is projected to be spent by September in the following financial year. Carry forward request are restricted to unforeseen delays in delivery of the service/goods and not the roll

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forward of unspent budget. All carry forward requests are approved by Executive.

- (h.) Budget holders are required to attend training sessions to be able to fulfill their budget responsibilities and financial regulation requirements. Budget holders will be supported by a designated Finance Business Partner in fulfilling their budget monitoring responsibilities.

## **2. BUDGET SETTING – CAPITAL**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 2.1.** The format of the Capital Programme shall be determined by the S151 Officer.
- 2.2.** The Capital Programme reported to **The Executive** will include budgetary estimates of capital payments to be incurred in the ensuing financial years.
- 2.3.** **The Executive** shall consider the overall capital programme and the resources available, make amendments as thought fit, and shall recommend an overall programme to **Council**.
- 2.4.** All new schemes with the exception of emergency works or works that become urgent on the grounds of health and safety, must, prior to inclusion in the capital programme, have been considered as part of the Service and Financial Planning process. General Fund Capital schemes will be reviewed by the Leaders Financial Security Group. The information provided must include details of the objectives of the scheme, the resources required, the timescale and the revenue implications. HRA Capital schemes are reviewed as part of the HRA Business Plan. The draft Capital Strategy is considered by Executive and Overview & Scrutiny in January for the following financial year and beyond (April-March and following years) and the Final Strategy consideration in February, prior to the Final Capital Strategy approved at the February Council.
- 2.5.** Urgent General Fund schemes which are required after the budget has been set annually in February must be considered by the Assets and Capital Board following the submission of a completed a Capital Programme Request for Funds form to be included with the next quarterly update report or in a separate committee report if required sooner. Schemes which exceed that threshold must be approved by Council.
- 2.6.** New General Fund schemes which are required after the budget has been set annually in February must completed a Capital bid form to be included with the next quarterly update report or in a separate committee report if required sooner.
- 2.7.** The capital programme is reported July (quarter four), September (quarter one), November (quarter two), March (quarter three). The Executive can only approve new schemes up to the value delegated by Council which is reviewed annually as part of the Capital Strategy presented to Council in February. Schemes which exceed that threshold must be approved by Council.



**2.8** Contracts for works or goods and services (by formal tender) relating to a budget **within** the approved Capital Strategy (as approved in accordance with the Budget and Policy Framework) and **equal to or less than the budgeted amount**, can be authorised without report to the Executive or Council **if** the Strategic Director (Chief Financial Officer) confirms the Strategy is adequately funded for the contract period, based on the following thresholds:

<b>Authorisation level</b>	<b>Total Contract Value (revenue)</b>	<b>Total Contract Value (capital)</b>
Executive	Total contract value more than £2Million but excluding contracts with annual value of less than £500k	Total contract value more than £2Million
Strategic Director following consultation with Portfolio holder	Total contract value between £1Million and £2Million but excluding contracts with annual value of less than £500k	Total contract value between £1Million and £2Million
Assistant Director	Total contract value between £75K and £1Million and total contract value between £1Million and £2Million with annual value of less than £500k	Total contract value between £75K and £1Million
As per authorised signatories lists	Less than £75K	Less than £75K

**2.9** If contracts for works or goods and services relating to a budget **within** the approved Capital Strategy, **exceed the value of budgetary provision**, the contract for goods and services **can be authorised if** the Strategic Director (Chief Financial Officer) confirms the Strategy is adequately funded for the contract period, based on the following thresholds:

- Less than £25,000 per annum reported in the next quarterly monitoring update
- More than £25,000 per annum and **does not** exceed the sum delegated to the Executive to approve for that year, requires reporting to Executive before the contract is signed.
- More than £25,000 per annum and **does exceed** the sum delegated to the Executive to approve requires reporting to both Executive and Council.

- 2.10** New contracts that do not relate to a budget within the approved Capital Strategy, (as approved in accordance with the Budget and Policy Framework) or a proposal to amend a project beyond its current policy must be considered by the Council in accordance with the Budget and Policy Framework, if more than the value delegated to Executive. All new General Fund schemes must complete the capital bid form as outlined in paragraph 2.6 above. This means that all new schemes must be reported as a minimum to the Executive. This is subject to the Executive delegated amount not being exceeded for the year.

**2.11** Virement from a capital budget can be permitted to meet the other schemes within the following thresholds:

<b>Virement Type</b>	<b>Assistant Director</b>	<b>Strategic Director</b>	<b>Executive (if delegation not exceeded)</b>	<b>Council</b>
<b>HRA:</b>				
<b>(b.) Between Capital Programmes</b>	Less than £25,000	£25,000-£50,000	£50,001 – £250,000	More than £250,000
<b>General Fund</b>				
<b>(c.) Between Capital Programmes</b>	Less than £25,000	£25,000-£50,000	£50,001 – £250,000	More than £250,000

**2.12** Virements between codes that enable better budget monitoring and management of larger capital programmes as requested by either budget managers or finance team are outside of the scope of these thresholds except where these virements would alter the service provision or overall budget allocation of the programme.

### **3. BUDGET SETTING – REVENUE**

**CONTACT:** Strategic Director (Chief Financial Officer)

- 3.1.** The detailed form of the Revenue Budget shall be determined by the Strategic Director (Chief Financial Officer).
- 3.2.** Revenue budgets include the General Fund Revenue Account, Housing Revenue Account and Trading Accounts.
- 3.3** The Strategic Director (Chief Financial Officer), in consultation with the relevant Assistant Directors, shall prepare revenue estimates. These estimates shall be submitted by the Strategic Director (Chief Financial Officer) and shall detail estimates of expenditure and income for the ensuing financial year and current year. The estimates shall show in respect of each item of expenditure and income:
- (a)** Actual results for the last financial year.
  - (b)** Original and working budgets for the current financial year.
  - (c)** Original estimate for the following financial year.

In relation to (b) and (c) Strategic Director (Chief Financial Officer) or the appropriate Strategic Directors shall report on the reasons for material variations.

- 3.4** **The Executive** shall approve a strategy for fees and charges in line with the Council's overall policies for the coming year. The detailed fee increases will be recommended by the Fees and Charges Officer Group and reviewed by the Leaders Financial Security Group (LFSG). Assistant Directors will implement changes to fees and charges in accordance with this strategy and the scheme of delegation. **The Executive** should approve Assistant Directors changes to proposals in respect of fees and charges where these are not in accordance with the approved strategy or those recommended by LFSG.
- 3.5** **The Executive** shall consider the overall revenue budget and the resources available, make amendments as thought fit, shall consult with the **Overview and Scrutiny Committee** and shall recommend an overall budget to the **Full Council**.
- 3.6** It is the responsibility of the S151 Officer in this case the Strategic Director (Chief Financial Officer) to advise the **Executive** and/or the **Full Council** on prudent levels of reserves for the Authority. This will be based on a risk assessment of General Fund and allocated reserves.

**3.7** For contract for works or goods and services (by formal tender) relating to a budget **within** the approved General Fund or HRA revenue budgets (as approved in accordance with the Budget and Policy Framework) and **equal to or less than the budgeted amount**, authorisation for contracts should be based on the following thresholds:

<b>Authorisation level</b>	<b>Total Contract Value (revenue)</b>	<b>Total Contract Value (capital)</b>
Executive	Total contract value more than £2Million but excluding contracts with annual value of less than £500k	Total contract value more than £2Million
Strategic Director following consultation with Portfolio holder	Total contract value between £1Million and £2Million but excluding contracts with annual value of less than £500k	Total contract value between £1Million and £2Million
Assistant Director	Total contract value between £75K and £1Million and total contract value between £1Million and £2Million with annual value of less than £500k	Total contract value between £75K and £1Million
As per authorised signatories lists	Less than £75K	Less than £75K

## **4. SUPPLEMENTARY ESTIMATES AND BUDGET INCREASES**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 4.1** Supplementary estimates reduce the Council's reserves, and therefore must be used sparingly so as to not jeopardise the Council's Financial Strategy. Business Units should endeavour to find the resources from their own budgets, financing the project or variance through budget virement (see Section 6 of these Regulations). If this is not achievable in the first instance consideration should be given to the budget pressure being covered within other areas within the Assistant Director's remit. Supplementary estimates should represent a last option for financing a project or variance.
- 4.2** **The Executive** can approve Supplementary Estimates within the contingency sum approved by the **Full Council** within each Budget Head (as referred to in the Budget and Policy Framework). Supplementary Estimates above these levels, either individually or cumulatively, require the approval of **Full Council**. The cumulative annual supplementary limit for the Executive is approved as part of the annual budget setting report (January Council – HRA and February Council – General Fund) and is currently £400,000 for the General Fund and £250,000 for the HRA.
- 4.3** A Supplementary Estimate shall only be requested from **The Executive** where expenditure or a reduction in income will be incurred that cannot be accounted within a budget head by way of virement (see 4.1). A request for additional financial resources must be clearly identified in Committee reports and whether they are on-going or a one off. Additional budgets can also be approved as part of the quarterly monitoring reports and budget setting reports (subject to the supplementary limit not being exceeded) to the Executive in the following months;
- September (quarter one),
  - November (quarter two)
  - March (quarter three).
  - July (quarter four)
- 4.4** **Executive** Members with portfolio responsibility can approve supplementary estimates within the approved contingency sum for non-key decisions. A copy of the 'non-key decision notice' and '**Executive** Member with Portfolio Responsibility Report' must be forwarded to the Constitutional Services Manager and reported at the next available **Executive**, or as part of the revenue budget monitoring/setting reports to Executive.

- 4.5** Key decisions which are taken as an officer delegated decision which contain supplementary estimates should be published within two days of the decision being taken. Prior to the report being signed by the relevant officer the Strategic Director (Chief Financial Officer) must have been consulted to determine whether the in-year supplementary limit has been breached which would mean that the decision would require approval by **Full Council**.

## **5. BUDGETARY CONTROL**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 5.1** The Strategic Director (Chief Financial Officer) shall make available to each Assistant Director, information concerning all income and expenditure falling within their respective responsibilities and such other information that may be relevant. This information shall allow comparison between actual expenditure, including committed expenditure, against the current budget.
- 5.2.** Each Assistant Director is responsible for ensuring that all expenditure and income is processed in a timely manner and charged to an appropriate account code to enable budgetary control information to be produced as per 5.1 above.
- 5.3.** Each Assistant Director is responsible for ensuring that all expenditure committed by their Business Units is within a revenue or capital budget. Any expenditure or income likely to vary significantly from an approved budget shall be reported to the Strategic Director (Chief Financial Officer). If appropriate a virement or supplementary estimate will be obtained and reported to Executive as part of the revenue and capital budget monitoring process.
- 5.4.** The inclusion of items in approved revenue or capital estimates shall constitute authority to incur such expenditure subject to compliance with any requirements mentioned elsewhere in these Regulations and Contract Standing Orders.
- 5.5** Any proposal outside the budget and policy framework that involves:
- (a.)** Capital expenditure not specifically included in the capital budget (subject to paragraph 2.5 and 2.8).
  - (b.)** Revenue expenditure on a new service or project that has not been specifically provided for in any of the revenue budgets or reported as part of the budget monitoring process, (paragraph 4.2-4.3)
  - (c.)** A new source of income or significant variation in an existing source of income or not reported as part of the quarterly monitoring process, (paragraph 4.2 - 4.3).
  - (d.)** The sale or disposal of land, buildings or other property of the Council, (other than those for which delegated authority has been given).

will be subject to the specific approval of the Council on the recommendation of **The Executive**. This will apply if:



- The in-year supplementary Estimate allowance for the General Fund, HRA or Capital Programme is exceeded.
  - The virement threshold for Executive has been exceeded (paragraphs 2.9 and 6.3 refers).
  - If during the project, the likely costs exceed the amount specifically approved or the scope of the project altered, then further specific approval must be sought unless the financial implications can be accommodated by Virement. The initial or any subsequent submission of such proposals to the Council shall be subject to the procedures in Section 4.
- 5.6** In a situation that necessitates expenditure or the acceptance of quotes/tenders in contravention of these Regulations, the relevant Strategic Director and the Strategic Director (Chief Financial Officer), in conjunction with the Chair of **The Executive**, shall have authority to sanction such expenditure. The Strategic Director (Chief Financial Officer), shall report such approvals in the schedule prepared under Regulation 4.4.
- 5.7** Nothing in these Financial Regulations shall prevent expenditure being incurred where an emergency or disaster involving destruction of or danger to life or property occurs or is imminent. Where in the opinion of the relevant Strategic Director, in consultation if possible with the Chief Executive and the Strategic Director (Chief Financial Officer), the urgency of the situation will not permit delay, nothing in the Financial Regulations or Standing Orders shall prevent the relevant Strategic Director from incurring expenditure. Action under this Financial Regulation shall be reported to the next meetings of **The Executive** and the **Full Council**.



- (i) There must be sufficient budget provision remaining in the source of the virement to meet all expenditure for the rest of the year.
- (j) Budget changes made by virement will only be actioned in the current year unless budget managers request a permanent budget change. In this instance the virement will be incorporated into the following years original budget.

**6.3 Virement Authorisation Limits**

Virement Type	Authorisation Level			
	Budget Manager	Assistant Director	Executive	Council
(a.) Within a Service	Less than £25,000	£25,000 - £49,999*	£50,000 – £250,000*	More than £250,000*
(b.) Between Services	-	£25,000 – £49,999*	£50,000 – £250,000*	More than £250,000*
(c.) Between Capital Projects	-	Less than £50,000*	£50,000 – £250,000*	More than £250,000*
(d.) Between Portfolio Areas	-	-	Less than £250,000*	More than £250,000*

For the purposes of virement a service is defined as:-

General Fund – cost centre(s) comprising a portfolio summary line in the budget book

Housing Revenue Account – the whole account

Virements authorised by Assistant Directors, or Strategic Director will not require reporting to Committee.

- 6.4** When the virement is as a result of a rationalisation of the Council's financial system codes or the reallocation of a recharge, the authorisation level will up to £250,000 Finance Manager and over £250,000, the Strategic Director (Chief Financial Officer). This would include setting up new cost centres as a result of restructures, reviewing and rationalising subjective codes and changes to staff reports.

- 6.5** When the virement is as a result of budget changes approved as part of budget monitoring/setting approved by Executive and or Council the notice of decision is deemed to be authorisation.
- 6.6** All virements that relate to substantial changes in the method of service provision must be approved by an Assistant Director irrespective of amount. Where a virement would result in a major change to service provisions the approval must be sought form Executive.

## **7. ACCOUNTING**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 7.1** All accounting procedures and records of the Council shall be determined by the Strategic Director (Chief Financial Officer), in so far as they are not prescribed by law.
- 7.2** All accounts and accounting records of the Council shall comply with the relevant accounting standards and shall be in a form determined by the Strategic Director (Chief Financial Officer),
- 7.3** All Assistant Directors shall ensure that the principles of Separation of Duties and good control procedures are observed in the allocation of accounting duties:
- (a.)** The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or disbursing them.
  - (b.)** Officers responsible for examining and checking the accounts of cash or stores transactions shall not themselves be engaged in any of these transactions.
- 7.4** As soon as possible after the end of each financial year, and not later than 30 September (subject to the completion of the external audit) the Strategic Director (Chief Financial Officer), shall report to **Full Council** or any delegated body (**Statement of Accounts Committee**).

## **8. TREASURY MANAGEMENT**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 8.1** All external investments in the name of the Council shall be made in accordance with the Council's policy for Treasury Management.
- 8.2** Stevenage Borough Council adopts the key recommendations of CIPFA's Treasury Management Code of Practice (the Code), updated in 2018.
- 8.3** Accordingly, Stevenage Borough Council will create and maintain, as the cornerstones for effective treasury management:
- (a.)** a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities
  - (b.)** suitable treasury management practices (TMP), setting out the manner in which Stevenage Borough Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 8.4** Stevenage Borough Council's **Executive** will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, an annual report after its close and an in year monitoring report. The Strategy will be updated and reported more frequently if the Council financial circumstances change e.g. need to borrow or best practice recommends. The reports require approval by **Full Council**. The **Executive** will also receive updates on the Council's investments as part of the quarterly monitoring reports (revenue expenditure).
- 8.5** Stevenage Borough Council delegates responsibility for the scrutiny, implementation and monitoring of its Treasury Management Policies and practices to the **Audit Committee** and for the execution and administration of treasury management decisions to the Strategic Director (Chief Financial Officer) who will act in accordance with the Council's Policy Statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 8.6** The Strategic Director (Chief Financial Officer) shall report to the **Overview and Scrutiny Committee** on an exception basis, on investment and borrowing transactions.

**9. VALUE ADDED TAX (VAT)**

**CONTACT: Finance Manager (Technical)**

- 9.1** It shall be the responsibility of the Strategic Director (Chief Financial Officer) to secure arrangements for the administration and accounting of VAT to ensure compliance with all statutory requirements including such returns as are required within laid down timescales.
- 9.2** Each Assistant Director shall keep records, as determined by the Strategic Director (Chief Financial Officer) for the prescribed statutory period, of all matters pertaining to the administration and accounting of VAT, and in particular:
- (a.)** All supplier invoices, including any relevant back-up and authorisation documents;
  - (b.)** Documentation supporting all income raised by invoice;
  - (c.)** Documentation supporting all non-invoiced income, including amounts lodged directly with the bank and cash collected directly by departments.
- 9.3** The Strategic Director (Chief Financial Officer) nominates the Finance Manager (Technical) as the contact point for enquiries regarding any VAT matter. Each Strategic Director shall fully observe any direction and advice as may be issued by the office of the Strategic Director (Chief Financial Officer).

## **10. COMMITTEE REPORTS**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 10.1** Strategic Director (Chief Financial Officer) shall ensure that Committee Reports contain a section outlining the financial implications of the matter being reported upon. Additionally, he/she shall be entitled to report upon the financial implications of any matter coming before the **Council, Executive** or other Committees, and shall further report to the **Select Committees and Overview and Scrutiny Committee**, if necessary, in the interests of the financial affairs of the Council. To allow the Strategic Director (Chief Financial Officer) to fulfil his/her obligations all Assistant Directors are obliged to consult with the Strategic Director (Chief Financial Officer) on all matters with a potential financial implication which are likely to result in a report to Committee.
- 10.2** With regard to reports prepared for consideration by Committee, Assistant Directors shall follow the expected format and latest detailed guidance notes, as issued by the Chief Executive and the Strategic Director (Chief Financial Officer), for ensuring all financial implications are identified and recognised. Further, Assistant Directors shall ensure that the Strategic Director (Chief Financial Officer) is fully consulted on the financial implications of reports with the inclusion of appendices within reports for ease of reference.
- 10.3** The following principles should be adhered to in the preparation of all Committee reports:-
- The report should clearly distinguish capital and revenue financial implications.
  - Implications for the capital budget should identify where provision exists within the Council's capital programme.
  - Implications for the revenue budget should identify where provision exists within the Council's revenue budget. It is not considered sufficient to indicate that any increase in expenditure will be contained within a Business Unit budget.
  - Implications for the revenue budget should distinguish ordinary running costs from capital financing costs.
  - Finance Business Partners within Financial Services should be involved in the calculation of such figures, as appropriate.
  - No additional budgetary implications will be allowed unless specifically approved by the **Executive** or **Full Council** (where appropriate).
  - Reports should make clear how additional or unbudgeted running



costs are to be funded in both the current year and future years revenue budgets i.e. via ongoing compensating savings, virement, external funding etc.

- Where virement is proposed, in order to fund overspends or unbudgeted expenditure, reports should indicate whether such virement is to be considered as a permanent adjustment or as a one-off.
- Government grant funding availability / arrangements should be clearly highlighted as should the expenditure covered by grant and any residual costs to be borne by the Council. If the grant is to be available for only a limited period then this should also be identified in the financial implications.
- Staffing changes / additions should clearly state whether such adjustments are of a permanent, temporary or fixed term nature.
- All financial implications narrative and supporting appendices should be agreed with the relevant Finance Business Partner at draft / consultation stage.
- Reports with significant financial implications, should, as a matter of course have a financial appendix which should provide a financial analysis broken down into appropriate cost and income headings (e.g. employee costs, property costs, supplies and services etc.) and should identify current year costs (which in the main will have a part year effect only) and costs for a full financial year.
- Costings for the purpose of financial implications should be to the nearest ten pounds using current year prices.

## **11. AUDIT REQUIREMENTS**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 11.1** The Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit function.
- 11.2** The Strategic Director (Chief Financial Officer) shall maintain an adequate and effective system of internal audit to all accounting, financial and other operations of the Council and in particular shall arrange for the examination, review and appraisal of:
- (a) the adequacy and effectiveness of the systems of financial, operational and management control, and their operation in practice in relation to the business risks to be addressed;
  - (b) the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Board or Members and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
  - (c) the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
  - (d) the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
  - (e) the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
  - (f) the follow-up action taken to remedy weaknesses identified by the Shared Internal Audit Service (SIAS), ensuring that good practice is identified and communicated widely; and
  - (g) the operation of the Council's corporate governance and risk management arrangements.
- 11.3** SIAS in consultation with the Strategic Director (Chief Financial Officer) and Senior Leadership Team (SLT) shall prepare annual audit plans detailing the areas of audit coverage for the following year. These plans shall be presented to the **Audit Committee**.
- 11.4** Internal Auditors from SIAS have authority to:
- (a) Enter at any time Council premises or land subject to any statutory or contractual restrictions that may apply.
  - (b) Have access to all records, documents and correspondence relating to any financial or other business of the Council and to remove any such records as is necessary for the purpose of their work.

- (c) Receive any information and explanations considered necessary concerning any matter under examination.
- (d) Require any employee, agent or contractor of the Council to produce cash, stores or any other Council property under his or her control.
- (e) Have direct access to the Chief Executive, Audit Committee and **Select Committees and Overview and Scrutiny Committee.**

## **12. FRAUD, ANTI MONEY LAUNDERING AND IRREGULARITY**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 12.1** The Council will not tolerate internal or external fraud and corruption in the administration of its responsibilities.
- 12.2** The Strategic Director (Chief Financial Officer) shall be notified immediately by the Assistant Director of the Service Delivery Unit concerned of any suspected irregularity concerning cash, stores or other property of the Council or any suspected irregularity in the exercise of the functions of the Council. The Strategic Director (Chief Financial Officer) shall take such steps as he or she considers necessary by way of investigation and report.
- 12.3** Should it be found that any major irregularity has occurred or is occurring, the Strategic Director (Chief Financial Officer) shall immediately inform the Chief Executive and the Chairs of **The Executive, Overview and Scrutiny Committee and Audit Committee**.
- 12.4** The Strategic Director (Chief Financial Officer) and the Chief Executive will be responsible for deciding whether any irregularity shall be referred or reported to the Police. Any Fraud can also be reported to the **Shared Internal Fraud Service (SIFS)** who can be contacted at the website <http://www.hertsdirect.org/help/fraud/>
- 12.5** All employees and Members of the Council have a responsibility to bring to the attention of the Strategic Director (Chief Financial Officer) suspected irregularity. It is NOT Officers / Members responsibility to investigate suspicions as this could prejudice any investigation
- 12.6** Requests for surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) must be made to the Councils Shared Anti Fraud Service (SAFS).
- 12.7** The Strategic Director (Chief Financial Officer) has overall responsibility for:
- (a)** Developing and maintaining an anti-fraud and corruption policy
  - (b)** Developing and maintaining a whistle blowing policy
  - (c)** Maintenance of a register of interests and a register for recording gifts or hospitality
  - (d)** Developing and maintaining an anti money laundering policy
- 12.8** Assistant Directors will instigate the Council's disciplinary procedures where the outcome of an investigation indicates improper behaviour.
- 12.9** No payment to the Council will be accepted in cash if it exceeds £5,000.
- 12.10** Any employee who suspects money laundering activity must make a Disclosure Report reporting their suspicion promptly to the Money Laundering Reporting Officer (MLRO), or to the MLRO's deputy if appropriate, using the Money Laundering Reporting Procedure.

- 12.11** The employee must follow any subsequent directions of the MLRO or deputy, and must not themselves make any further enquiries into the matter.
- 12.12** The employee must not disclose or otherwise indicate their suspicions to the person suspected of money laundering.
- 12.13** The MLRO or deputy must promptly evaluate any Disclosure Report, to determine whether it should be reported to the National Crime Agency (NCA).
- 12.14** The MLRO or deputy must, if they so determine, promptly report the matter to NCA on their standard report form and in the prescribed manner.
- 12.15** The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.
- 12.16** Further details on anti-money laundering can be found in the Council's Anti-Money Laundering Policy.

### **13. INSURANCES & RISK MANAGEMENT**

**CONTACT: Insurance – Assistant Director (Finance & Estates)  
Risk Management- Assistant Director (Corporate Services &  
Transformation)**

- 13.1 Risk Management** – All organisations need to take risks to achieve their objectives - Risk is about uncertainty, therefore risk management, as well as providing a means of overcoming threats, provides the means to identify and respond to opportunities. Risk Management is a systematic process whereby organisations identify, evaluate, respond to and monitor risks attached to their activities. Risk cannot be eliminated and resources for managing risk are finite, therefore controls need to be targeted and proportionate to the threat. Well managed risk taking is fundamentally important to effective financial management and service delivery, and to maximising opportunities for service development.
- 13.2 The Executive** is responsible for approval of fundamental changes to risk management procedures (such as a new or revised Risk Management Strategy). The Executive has delegated authority for ongoing consideration of risk to the Council’s Audit Committee.
- 13.3** The overall responsibility for effective risk management lies with the Chief Executive. Corporate Risk Group is responsible for preparing the authority’s risk management policy statement and for promoting it throughout the Council. The Chief Executive and Leader have agreed and signed the Council’s Risk Management Policy.
- 13.4 Internal Control** – Internal Control refers to the systems of control devised by management to reduce risks to an acceptable level and to help ensure that the Authority’s objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority’s assets and interests are safeguarded.
- 13.5** The Strategic Director (Chief Financial Officer) is responsible for advising on effective systems of Internal Control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other provisions that govern their use.
- 13.6** It is the responsibility of Assistant Directors to establish sound arrangements, consistent with guidance given by the Strategic Director (Chief Financial Officer), for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and achieving their financial performance targets.

- 13.7 Business Continuity** – Assistant Directors should ensure that adequate plans are in place for ensuring continuity of service in the event of a disaster or system failure.
- 13.8 Intellectual Property** - Intellectual Property is a generic terms that includes inventions and writing. If these are created by the employee in the course of employment, then, as a general rule, they belong to the employer, not the employee. Various Acts of Parliament cover different types of Intellectual Property. Certain activities within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as Intellectual Property.
- 13.9** The Assistant Director (Corporate Services & Transformation) is responsible for developing and disseminating good practice through Intellectual Property procedures. Assistant Directors must ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employers right with regard to Intellectual Property.
- 13.10 Insurances** - Arrangements for insurances shall only be made through the Assistant Director (Finance & Estates) who shall arrange such insurances as considered necessary to protect the Council's interests.
- 13.11** The Assistant Director (Finance & Estates) shall maintain details of all policies, claims or other transactions relating to the Council's insurance and details of all items or risks insured.
- 13.12** Assistant Directors are responsible for ensuring that the Assistant Director (Finance & Estates) is notified of all new risks which require to be insured and any alterations affecting existing insurances.
- 13.13** Assistant Directors shall be responsible for notifying the Assistant Director (Finance & Estates), as soon as possible of any loss, liability or damage or any event likely to lead to a claim. This notification should be in writing and addressed to the Insurance Manager.
- 13.14** The Assistant Director (Finance & Estates) or their representative shall negotiate all claims made by the Council against its insurers.
- 13.15** Employees of the Council shall be included in a fidelity guarantee policy suitable to the roles they perform.

**14. ESTATES**

**CONTACT: Head of Estates**

- 14.1** The Assistant Director (Finance & Estates) with responsibility for Estates Services shall be responsible for maintaining a terrier of all land and buildings owned by the Council, purpose for which held, location, extent and plan reference, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.
- 14.2** The Assistant Director (Finance & Estates) in conjunction with the Borough Solicitor through the shared legal service shall be responsible for the safe custody of all title deeds, formal contracts and agreements under secure arrangements.



## **15. SALARIES AND OTHER EMOLUMENTS**

**CONTACT: Exchequer Manager**

- 15.1** The calculation and payment of all salaries, pensions, compensation and other emoluments to all employees, former employees or Members of the Council shall be made by the Strategic Director (Chief Financial Officer) under arrangements approved and controlled by him/her.
- 15.2** Assistant Directors are responsible for ensuring that the Strategic Director (Chief Financial Officer) / Exchequer Section and Employee Resourcing Team (Human Resources) / are notified as soon as possible of all matters affecting the payment of such sums and in particular:
- (a.)** Appointments, resignations, dismissals, suspensions, secondments and transfers.
  - (b.)** Absences from duty for sickness or other reason, apart from approved leave.
  - (c.)** Changes in pay in accordance with organisational policy.
  - (d.)** Information necessary to maintain records of service for pension, income tax, National Insurance and the like.
  - (e.)** Untaken or excessive leave when officers leave the employment of the Council.
- 15.3** Appointments of all employees shall be made in line with the Recruitment and Selection Policy, within the approved establishment of the appropriate department, grades and rates of pay agreed by the Council, by reference to the decisions of the appropriate negotiating body, and in accordance with any other relevant regulations/policies of the Council.
- 15.4** All time keeping, or other records affecting the pay of an employee, shall be in a form approved by the Strategic Director (Chief Financial Officer).
- 15.5** It shall be the responsibility of the employee to complete all personal time keeping or other records relating to hours worked or leave taken, except in the case of illiteracy where they can be completed by a supervisor and certified to that effect.
- 15.6** An authorised officer shall certify all timesheets, or other records affecting the pay of an employee. Assistant Directors shall notify the Strategic Director (Chief Financial Officer)/ Exchequer Section of those officers authorised to sign such documents, detailing the limits of their authority and including a specimen of their signature. Initials may not be used to certify such documents in hard copy format. Where authorisations are completed electronically delegation of approvals are not allowed and must be done in accordance with the hierarchy set up.
- 15.7** All salary payments will be made on the due date. No advances of pay will be made without the consent of the Strategic Director (Chief Financial Officer) and will only be allowed in exceptional circumstances.

## **16. PETTY CASH, CHANGE FLOATS AND POSTAGES**

**CONTACT: Exchequer and Systems Manager**

- 16.1** A central Petty Cash Account on an imprest basis shall be maintained by the Strategic Director (Chief Financial Officer) for the purposes of minor disbursements. Subsidiary imprests or floats in other departments may be provided at the discretion of the Strategic Director (Chief Financial Officer). Vouchers submitted through this account shall be examined and certified in compliance with Regulation 16.3. In all cases, where applicable, receipts supporting the claim shall be attached to the voucher, except in exceptional circumstances as agreed by the Strategic Director (Chief Financial Officer).
- 16.2** **No income**, except imprest reimbursements, shall be paid into petty cash accounts or cash floats.
- 16.3** Cash reimbursement shall be limited to minor items of expenditure not exceeding £50 (this may be increased at the discretion of the any other limit specified by the Strategic Director (Chief Financial Officer)). Payments and claims shall not be divided to avoid this limit. All individual claims over the £50 limit that relate to travel and subsistence, must not be reimbursed through the Petty Cash account, but should be reimbursed on a monthly basis through the Payroll / Members Expenses system. All other claims exceeding the £50 limit shall be paid through the normal weekly BACS payment run, except in exceptional circumstances as agreed by the Strategic Director (Chief Financial Officer).
- 16.4** Officers responsible for change or petty cash floats shall produce on request any record and balance to the Strategic Director (Chief Financial Officer) for examination. In addition, as part of the closure of accounts a signed petty cash declaration is required for each subsidiary imprest or float as requested by the Strategic Director (Chief Financial Officer).
- 16.5** Officers responsible for change or petty cash floats shall perform, in conjunction with another Officer, regular checks to verify the balance of the float. As a minimum this should be done weekly and a record of the checks, signed by both Officers, shall be maintained.
- 16.6** Assistant Directors shall ensure that any floats held by Officers leaving the employ of the Council are checked prior to the leaving date. These floats should then either be paid back to the Strategic Director (Chief Financial Officer) or transferred to another employee.
- 16.7** All postages for outgoing mail shall be made through centralised digital post system unless otherwise approved. Packages containing documents or articles of value shall be registered or insured, according to the arrangements in force.
- 16.8** Corporate Credit Cards shall be issued to all Strategic Directors and Assistant Directors and any other nominated Officer whose duties require

one. The Strategic Director (Chief Financial Officer) shall ultimately decide to whom credit cards will be issued and withdrawn.

- 16.9** The Strategic Director (Chief Financial Officer) shall issue guidelines on the acceptable use of corporate credit cards, including types of expenditure permitted and proper accounting for expenditure incurred. All corporate credit card holders will be required to sign that they will only charge payments that are within the guideline rules. Random checks will be made on credit card payments by the Exchequer Manager.

## **17. TRAVELLING AND SUBSISTENCE ALLOWANCES**

**CONTACT: Exchequer and Manager**

- 17.1** Payment of Travelling and Subsistence allowances shall be made in accordance with current Stevenage Borough Council policy. Details of the current policy are available from Human Resources.
- 17.2** The Strategic Director (Chief Financial Officer) shall be responsible for paying any travelling and subsistence allowances and reimbursement shall be made through the payroll.
- 17.3** Claims from Officers for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be made on a form specified by the Strategic Director (Chief Financial Officer) and shall be submitted within three months of journeys claimed. Periods in excess of three months shall be paid at the discretion of the Strategic Director (Chief Financial Officer) and only one late claim relating to a period of over three months previous shall be allowed in a two year period. The Exchequer section will maintain a register of late payments, to be submitted annually to the Strategic Director (Chief Financial Officer). Managers must ensure that all claims are complete and in line with Council policy, before authorising.
- 17.4** All claims for travelling expenses, car allowances and subsistence will be made through the payroll system via MyView. Exchequer Services will advise on the last day for submission of claims for each pay period.
- 17.5** All claims for car allowances, subsistence, travelling and incidental expenses shall be certified by an officer so authorised. Assistant Directors shall supply a list of names and specimen signatures of all those Officers in their department, with limits if applicable, to the Strategic Director (Chief Financial Officer). Authorisation shall be in the form of electronic sign off using MyView.
- 17.6** Subsistence allowances will only be paid against actual expenditure incurred up to the maximum allowed under the current policy. Receipts should be obtained and submitted to support the claim. Claims may be rejected if receipts are not attached. Where it is impossible to obtain receipts, the claimant shall list the items purchased, where purchased from and the cost, and payment will be made at the discretion of the Assistant Director in consultation with the Strategic Director (Chief Financial Officer). Subsistence allowances will not be reimbursed for alcoholic drinks.
- 17.7** Officers using rail travel may obtain a travel warrant from the Assistant Director (Finance & Estates) prior to their journey, unless rail tickets can be obtained from a cheaper source in advance of travel. The Council will only provide rail warrants and reimburse rail travel from Stevenage or from the nearest town to the employees place of work if

different. Exception will be made if travel is made on a different rail route other than Stevenage and the station used is of equal cost or less than travelling from Stevenage. Any additional travel cost over and above the cost of the train ticket should be paid by the officer including car parking fees if the employee chooses to travel from a station other than Stevenage.

- 17.8** Private vehicles can only be used for Council business, and the subsequent mileage allowance claimed, if the vehicle and driver has been specifically insured for this use and the employee has complied with the Council Driver Policy. Assistant Directors will make such necessary checks to ensure that this regulation is adhered to.

## **18. ASSETS & INVENTORIES**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 18.1 Assets** – It is the responsibility of the Strategic Director (Chief Financial Officer) that an Asset Register is maintained in accordance with good practice. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained. It is also the Strategic Director (Chief Financial Officer) responsibility to ensure that assets are valued in accordance with the Code of Practice on local authority accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA / LASAAC).
- 18.2** Assistant Directors shall be responsible for the care and custody of all Council assets within their Business Units and shall maintain proper security for all buildings, vehicles, plant, stocks, stores, furniture, equipment and cash.
- 18.3 Inventories** - Inventories shall be maintained by Business Units for all establishments as follows:
- 18.4** The Assistant Director (Digital & Transformation) will be responsible for the maintenance of a comprehensive Hardware and Software Inventory for all Council IT equipment in all Business Units and shall ensure that appropriate entries are made at the time of purchase, at the time of disposal and that an annual check of all items on the inventory takes place.
- 18.5** The Assistant Director (Finance & Estates) will be responsible for the maintenance of a Inventory for all Council furniture in all Business Units and shall ensure that appropriate entries are made at the time of purchase, at the time of disposal and that an annual check of all items on the inventory takes place.
- 18.6** The extent to which the inventory shall record items specified within 18.1 above shall be in a form determined by the Assistant Director (Finance & Estates).
- 18.7 Disposal of Assets-** Disposal of assets should be carried out in accordance with the Council's Contract Standing Orders section 7.2. Items which are obsolete or surplus to requirements, excluding land or buildings, over the cost of £500 (at the time of purchase) can be sold or disposed of on completion of an asset disposal form found on the staff intranet with approval by the appropriate Assistant Director providing the estimated **loss on disposal is no more than £10,000**. Where the loss is estimated to exceed the £10,000 threshold, approval of Executive or following consultation with the relevant Portfolio holder must be obtained. Items that have been leased to the Council should not be disposed of unless full written consent has been obtained from the lessor. Anticipated

loss on disposal can be obtained from the Group Accountant (capital and treasury).

- 18.8** Surplus or obsolete stock / assets with an estimated sale value of less than £75,000 can be sold or disposed of through the methods of disposal outlined under CSO 7.2.3 and 7.2.4, subject to the Assistant Director demonstrating that the interests of the Council have been considered. Surplus or obsolete stock / assets with an estimated sale value of £75,001 or more must be sold via competitive tender inviting bids in line with CSO 7.2.4 and 7.2.5 or sale by public auction. Other methods may be used if the Strategic Director (Chief Financial Officer) and Assistant Directors believe another method would be in the best interest of the Council. All disposals should be notified to the Strategic Director (Chief Financial Officer) within two weeks of year end so that the Capital Asset register can be probably maintained. All vehicles (non- leased) must be disposed of through sale by public auction or by quotations from a reputable dealer.
- 18.9** All disposals must comply as applicable with the Waste Electrical & Electronic Equipment Directive and Health & Safety legislation. All Council and personal data must be removed from any IT or recording equipment prior to their disposal.
- 18.10** Where small items of equipment with a value of less than £500 (at the time of purchase) such as keyboards are scrapped, they must be recorded on a list held by each relevant Assistant Director and signed off at year end. The list must be passed to Finance Technical Team at year end.
- 18.11** The property of the Council specified within 18.1 above shall not be used other than for legitimate Council business.

**19. INCOME**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 19.1** The Strategic Director (Chief Financial Officer) in conjunction with any other Assistant Director, shall make and maintain adequate arrangements for :
- (a)** the organisation and accounting necessary to ensure the proper recording of all sums due to the Council.
  - (b)** the custody, control, disposal and proper accounting of all cash received by the Council through any Business Units.
- 19.2** Each Assistant Director shall ensure that there are adequate arrangements for the calculation, collection and banking of all income due to their Business Units and that it is done in such a way to prevent losses arising from any source.
- 19.3** Every sum received by an officer or agent of the Council shall be acknowledged immediately by the issue of an official receipt, ticket, voucher or other document prescribed by the Strategic Director (Chief Financial Officer).
- 19.4** All receipts, tickets, voucher or other document prescribed by the Strategic Director (Chief Financial Officer) shall be sequentially pre-numbered.
- 19.5** Assistant Directors shall be responsible for ensuring that all receipts issued to officers in their department are accounted for, have been used in accordance with any relevant guidelines and that income collected on those receipts has been collected and paid over to the Council.
- 19.6** All official receipts forms, books, tickets and other documents of a similar nature shall be issued and controlled by the ICT Services Security and Standards Manager as directed by the Strategic Director (Chief Financial Officer), and a register shall be maintained for this purpose. The Strategic Director (Chief Financial Officer) shall also make any necessary checks to ensure that all receipts issued have been accounted for.
- 19.7** Every Officer who receives monies on behalf of the Council shall pay the monies to the Strategic Director (Chief Financial Officer) via the Council's Reconciliation Team's cash deposit process, who shall then arrange for it to be banked. All cheques received at Daneshill House should be listed, using prescribed stationery, delivered to the Council's Reconciliation Team and banked the next available working day. Cash collected shall, under no circumstances, be replaced with a personal cheque. All income collected shall be paid over promptly, intact and without deduction, and shall not be used for expenditure, floats or petty



cash. All cash and cheques received at satellite sites should be delivered to the Council's Reconciliation Team in line with procedures agreed with the Strategic Director (Chief Financial Officer).

- 19.8** All income collected by Council Officers on behalf of a third party, whether for a commission or not, shall be receipted and banked in the same way as if it was the Council's own money. Any amount due to the third party will be paid by bacs issued by the Strategic Director (Chief Financial Officer), once the account has been checked and balances agreed.
- 19.9** The Strategic Director (Chief Financial Officer), shall be responsible for the operation and running of a computerised sundry debtor system and shall furnish each Assistant Director with details of outstanding debts for which their Business Units are responsible.
- 19.10** Payment in advance shall be obtained for the supply of goods and services. The only variance to this may be
- due to contractual arrangements
  - the invoice is based on the supply of variable goods and services
  - if agreed with the Strategic Director (Chief Financial Officer)
- Each Assistant Director shall be responsible for ensuring that a sundry debtors invoice is promptly raised and as a minimum 14 days after supply of goods/services.
- 19.11** Strategic Director (Chief Financial Officer), in conjunction with the relevant Assistant Director, shall determine those goods or services where sundry debtors may be raised.
- 19.12** Assistant Directors shall be responsible for ensuring that all debts raised by their Business Units are collected promptly.
- 19.13** Strategic Director (Chief Financial Officer) shall fix a limit (currently £10) below which sundry debtor accounts will not be raised, and in such cases alternative collection methods shall be employed, where possible. Pepercorn rents and/or arrangements where invoices are raised to create a contractual arrangement but are below the £10 limit are exempted.
- 19.14** A record should be kept of every transfer of money between employees of the Authority. The Receiving Officer must sign for the money received and both the Receiving Officer and transferor should keep a record of the transaction.

## **20. RECOVERY AND WRITE OFF OF DEBTS**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 20.1** The Council shall have a policy for recovery of debt approved by the Strategic Director (Chief Financial Officer) and **The Executive**.
- 20.2** Assistant Directors are responsible for ensuring that all debts are collected in accordance with the laid down policy.
- 20.3** The Strategic Director (Chief Financial Officer) shall be responsible for providing departments with details of all debts outstanding.
- 20.4** A debt, which is properly due to the Council and deemed irrecoverable, shall only be written off as follows:
- (a.) Debts of less than £100 with the approval of the Assistant Director (Finance and Estates) or their appointed nominee.
  - (b.) Debts of £101 and less than £5,000 with the approval of the Strategic Director (Chief Financial Officer) or their appointed nominee.
  - (c.) Debts of £5,001 and less than £10,001 with the approval of the Strategic Director (Chief Financial Officer) or their appointed nominee and the Resources Portfolio Holder
  - (d.) Debts of £10,001 or more with the approval of **The Executive**. For the purposes of these Regulations the value of debts shall be determined by reference to the debtor as opposed to individual debts. Where the value of several debts for one individual or organisation exceeds £10,001 **Executive** approval shall be obtained.
  - (e.) These regulations apply to debts including, Council Tax and Housing Benefit, with the exception of debts relating to Business Rates where the debt is not collectable as a result of a business going into liquidation or receivership .
- 20.5** Assistant Directors are responsible for ensuring that all available means of recovering a debt has been taken before a debt is reduced or recommended for write off. No debt will be reduced or written off without the receipt of a signed instruction issued by the relevant Assistant Director. The Strategic Director (Chief Financial Officer) shall make such checks as he considers necessary on the procedures used.
- 20.6** The Strategic Director (Chief Financial Officer), shall be responsible for ensuring sufficient budgetary provision is made for bad debts.
- 20.7** Distress proceedings for recovery of Council Tax, business rates and warrants for committal to prison shall be instituted by the Strategic Director (Chief Financial Officer). The Borough Solicitor via the shared legal service shall institute court proceedings via the shared Revenues and Benefits Service for the recovery of other monies due to the Council.

## **21. BANKING ARRANGEMENTS AND CHEQUES**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 21.1** All arrangements for banking services shall be made through the Strategic Director (Chief Financial Officer). **The Executive** shall approve the bankers and the accounts to be used.
- 21.2** Only as a last resort will cheques be issued.
- 21.3** All cheques or other instructions issued on behalf of the Council shall bear the impression or manuscript signature of Strategic Director (Chief Financial Officer) with a proviso that cheques for £10,000 shall also bear the impression or manuscript signature of an officer(s) approved by the Strategic Director (Chief Financial Officer).
- 21.4** The Strategic Director (Chief Financial Officer) shall make sufficient arrangements to ensure that that the correct signatories are held in the ICT software to so that cheques contain the appropriate authorised signature.
- 21.5** The Strategic Director (Chief Financial Officer) shall be responsible for ensuring that a monthly reconciliation between the Council's Bank account and its income and expenditure records is performed and that the reconciliation is reviewed by the Systems and Reconciliation Manager and signed off on a timely based.
- 21.6** Only bank accounts designated by the Strategic Director (Chief Financial Officer) will be used for Council transactions. Opening or closing any bank account shall require the written approval by the Strategic Director (Chief Financial Officer) and one other authorised signatory. Officers must not open secondary bank accounts or hold monies for any third party organisations.

## **22. SECURITY & SAFES**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 22.1** Each Assistant Director shall be responsible for maintaining adequate and proper security at all times for all buildings, stocks, stores, IT, furniture, equipment, vehicles, plant, cash and any other assets of the Council under their control. These arrangements shall be subject to the agreement of the Strategic Director (Chief Financial Officer) and shall be sufficient enough to mitigate loss arising from any cause.
- 22.2** Maximum limits for cash holdings, in whatever receptacle (excluding Automated Teller Machine (ATM)), shall be agreed with the Strategic Director (Chief Financial Officer) and shall not be exceeded without express permission and with regard to the appropriate insurance limit.
- 22.3** Officers, who in the course of their duties collect money on behalf of the Council, shall take all reasonable precautions for its safe custody and shall observe any instructions as may be issued by the Strategic Director (Chief Financial Officer).
- 22.4** Each Assistant Director shall maintain a Register of Keys for external doors, safes, cash boxes and others of similar importance. This Register shall list the key holders and out of hours contact numbers. This Register must be kept in a secure environment and not available for general inspection by unauthorised officers. All keys issued to staff are to be carried on the person, or held in a secure place, by those responsible at all times. Safe keys must not be left on the premises where the safe is situated. The loss of any keys must be reported to the relevant Assistant Director and the Strategic Director (Chief Financial Officer) immediately.
- 22.5** All safes shall be specified by the Strategic Director (Chief Financial Officer) after consultation with the Council's insurers.
- 22.6** The Assistant Director with responsibility for E-Government & Business Systems shall be responsible for maintaining proper security and privacy in respect of information held on the Council's computer installations and for ensuring that its use is in accordance with any relevant legislation.
- 22.7** Assistant Directors are responsible for ensuring that all visitors to any Council office or establishment, except in public areas, are signed in and are wearing an appropriate visitors pass. They shall also ensure that any visitor working in the above stated areas are adequately supervised to ensure confidentiality of Council information and security of Council assets is maintained at all times.
- 22.8** Every Officer shall comply with any instructions issued from time to time on building security.

**23. DOCUMENT RETENTION**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 23.1** Documentation created / maintained for transactions covered by these Financial Regulations or SBC's Contract Standing Orders shall be retained in accordance with the document retention schedule which can be found on the INTRANET or for a period not less than 6 years after the transaction / project etc ceases to be current.

## **24. RECEIPT OF GIFTS, GRATUITIES AND HOSPITALITY**

**CONTACT: Strategic Director (Chief Financial Officer)**

### **General Guidance**

- 24.1** Any Council employee shall treat with caution any offer of gift, favour or hospitality that is made to them personally. The person or organisation making the offer may be doing, or seeking to do business with the Council, or may be applying to the Council for planning permission or some other kind of decision.
- 24.2** No hospitality shall be accepted from any company, organisation or individual that is currently participating in a contract award process with the council.
- 24.3** Employees are personally responsible for all decisions connected with the acceptance or offer of gifts or hospitality and for avoiding the risk of damage to public confidence in the Council.
- 24.4** The proper course of action for employees is to only accept gifts or hospitality where they regard the acceptance as normal and reasonable.
- 24.5** Employees shall ensure that any gift or hospitality is not of a level or amount which would lead any reasonable person to believe that the employee might be influenced by such gift or hospitality.
- 24.6** In the event that doubt should exist over the appropriateness of any gift, hospitality, or fee or commission, employees shall seek advice from their Assistant Director or, if appropriate, the Strategic Director (Chief Financial Officer).
- 24.7** The rules and guidance for officers relating to gifts, gratuities and hospitality can be found in the Officer Code of Conduct which can be found on the Council's INTRANET .

## **25. PAYMENT OF ACCOUNTS**

CONTACT: Exchequer Manager

- 25.1** Payments by the Council shall only be made on receipt of an official invoice submitted by a supplier, except in exceptional circumstances as agreed by the Strategic Director (Chief Financial Officer).
- 25.2** Before an order is placed with a supplier the authorising officer will ensure that the proper procurement process will have been followed and in accordance with the Council's contract standing orders.
- 25.3** Before an order is placed with a supplier a requisition must be completed and approved by an authorised officer with the relevant financial delegation. All stationery items that are stocked by the Council's official stationary supplier must be ordered from the official supplier (details are available from Exchequer Services).
- 25.4** An official purchase/works order form must be raised for all orders. (see procedures to be followed in emergency planning situations were this may not be practicable).
- 25.5** The purchase/works order shall specify the goods, services, or works to be provided along with the price. The only exception to this is if a signed agreement or contract exists between the Council and the supplier and that contract and/or agreement specifies in detail the exact works, goods or services to be supplied and price, in which case a brief description of the project and the total contracted price can be specified.
- 25.6** Officers certifying purchase/ works orders must be authorised to do so under the scheme of delegation. Assistant Directors will provide Exchequer Services with details of officers within the Department who are authorised to sign orders (including electronic authorisation), including the maximum order value and sample signature of that officer.
- 25.7** Officers certifying purchase/works orders shall have due regard to the availability of sufficient budgetary provision. No order shall be authorised where the anticipated expenditure will cause the budget to be overspent, unless covered by section 6 of these Financial Regulations.
- 25.8** Certifying officers shall, before certifying an account for payment, be satisfied that:

  - (a)** The official ordering procedure, as detailed in this regulation (Reg. 25), has been observed and that Standing Orders have been complied with.
  - (b)** The work, goods or services, to which the account relates have been received, carried out, examined and approved and are in accordance with the official order.
  - (c)** The prices, extensions, calculations, trade discount, other allowances, credits and tax are correct.
  - (d)** The expenditure has been properly incurred, has been charged to

an appropriate account and is within the relevant estimate provision.

- (e.) Appropriate entries have been made in inventories, stores records or stock books as required.
- (f.) The account has not been previously passed for payment and is a proper liability of the Council.

Only invoices with an official order shall be paid unless an additional certification has been obtained from the relevant authorised officer.

- 25.9** Apart from petty cash, the normal method of payment shall be by bacs. In exceptional circumstances other payment methods may be authorised by the Strategic Director (Chief Financial Officer) or a relevant authorised officer.
- 25.10** All payments drawn on the Council's bank account shall be authorised by the Strategic Director (Chief Financial Officer) or a relevant authorised officer.
- 25.11.** Any payment by cheque for £10,000 or more shall also bear the impression or manuscript signature of an officer(s) approved by the Strategic Director (Chief Financial Officer).
- 25.12** The Strategic Director (Chief Financial Officer) shall be responsible for ensuring that the Council's bankers are kept informed of those officers authorised to make payments from the Council's accounts and that they have up to date specimen signatures of those officers.
- 25.13** The Strategic Director (Chief Financial Officer) shall be responsible for ensuring that sufficient fidelity guarantee insurance is in place for those officers authorised to initiate or make payments from the Council's accounts.
- 25.14** The Assistant Director issuing an order is responsible for ensuring that all invoices are checked prior to payment for validity, including price, VAT and goods/services received. Such certification shall be in a form required by the Strategic Director (Chief Financial Officer).
- 25.15** Assistant Directors are responsible for ensuring that the names of officers authorised to certify accounts for payment in their department, along with specimen signatures and limits of authority, are supplied to the Strategic Director (Chief Financial Officer) They are also responsible for ensuring that the Strategic Director (Chief Financial Officer) is advised of any amendments to the list of authorised officers, or changes in signatures of those previously notified. Authorisations and delegations should be made with due regard of the grade and responsibilities of the post holder. The authorisation forms are required to be checked, updated and resubmitted to the Strategic Director (Chief Financial Officer) on a regular basis, at least every 2 years. Tandem electronic authorisations need to be downloaded, checked and updated where necessary on a regular basis and as a minimum at least every two years, to ensure system permissions are accurate.



- 25.16** Accounts for payment shall only be processed and paid on receipt of a properly certified invoice or other approved document.
- 25.17** Authorised officers shall use their normal signature for certification purposes, not their initials and shall also print their name in full.
- 25.18** Departments shall be responsible for ensuring that invoices are processed and passed for payment to Exchequer Services in sufficient time to meet any locally agreed payment targets (details of these targets are held in the Exchequer Section) and so that payment can be made through the weekly pay run.
- 25.19** Invoices are to be paid in accordance with normal terms of payment and are paid weekly via BACS; this may be varied in exceptional circumstances as agreed by the Strategic Director (Chief Financial Officer). Some examples of exceptional circumstances are where delay would cause hardship to individuals where the payment is in respect of a refund on a rent or benefit account or where essential services will be suspended if payment is delayed or any other reason agreed by the Strategic Director (Chief Financial Officer). In all cases the certifying officer shall document the reason for urgency on, or attached to, the invoice.
- 25.20** Assistant Directors shall be responsible for ensuring that the duties of ordering goods and certifying accounts for payment shall not all be performed by the same officer and accounts shall not be certified for payment by an officer who has personal control over the goods and services to which the accounts relate.
- 25.21** Assistant Directors shall, by a date specified by the Strategic Director (Chief Financial Officer) each year, supply details of all outstanding expenditure and income relating to the previous financial year to the Strategic Director (Chief Financial Officer) in line with the Council's Closure of Accounts process.
- 25.22** The Strategic Director (Chief Financial Officer) shall make such checks and impose such further examination as considered necessary to ensure that accounts for payment have been processed in accordance with these Regulations and Standing Orders and that the Council can legally make such a payment. The Strategic Director (Chief Financial Officer) shall report any instances of non-compliance to the relevant Strategic Director.
- 25.23** Officers certifying payment on behalf of the Council must have due regard to the VAT implications and comply with the instructions periodically issued by the Strategic Director (Chief Financial Officer). Any queries regarding VAT should be referred to the Finance Manager (Technical) or relevant authorised officer.
- 25.24** The Authorised Signatory List as Approved on the Scheme of Delegation is kept in Exchequer Services.

## **26. STOCKS AND STORES**

**CONTACT: Finance Manager (Technical)**

- 26.1** Each Assistant Director shall be responsible for the care and custody of the stocks and stores in his/her Business Units.
- 26.2** Stores shall be valued in accordance with accounting policies adopted by the Strategic Director (Chief Financial Officer).
- 26.3** All goods must be checked at the time of delivery, with regards to quantity, quality and compliance with any specification as soon as practical after delivery.
- 26.4** Assistant Directors shall be responsible for ensuring that a comprehensive record of stock balances, stock issues and receipts are maintained, including records of quantities, values and the person issued to.
- 26.5** Assistant Directors shall be responsible for ensuring that stocks and stores are not held in excess of reasonable requirements
- 26.6** Assistant Directors shall be responsible for ensuring that a system of continuous stocktaking shall operate in all stores with an average value of over £10,000. This system shall ensure that every commodity is checked at least once per annum, and fast moving, valuable and desirable items are checked more frequently. The Strategic Director (Chief Financial Officer) shall carry out such independent checks as she/he considers necessary. In addition, as part of the closure of accounts a signed stock certificate declaration is required for each stock account as requested by the Strategic Director (Chief Financial Officer). Assistant Directors shall provide the Strategic Director (Chief Financial Officer) with details and a signed certificate of the value of stores held in their department at the end of each financial year.
- 26.7** Individual deficiencies that exceed £500 shall be reported to the Strategic Director (Chief Financial Officer) for write off. Stores in excess of £500 that are considered to be surplus or obsolete shall also be reported for consideration for disposal (including by sale) or write off.

**27. ORDERING WORKS, GOODS AND SERVICES - CONTRACTS AND AGREEMENTS**

**CONTACT: Corporate Procurement Manager**

- 27.1** All purchases for works, goods or services are subject to the provisions contained in the Council's Contract Standing Orders.

**28. AMENDMENTS AND WAIVERS TO FINANCIAL REGULATIONS**

**CONTACT: Strategic Director (Chief Financial Officer)**

- 28.1** These Financial Regulations outline the minimum required to safeguard the Council's assets and interests. Any amendments to these Regulations shall be approved by **The Executive** and shall not come into force until approval has been given.
- 28.2** The waiving of Financial Regulations must be approved by the Strategic Director (Chief Financial Officer) and where appropriate with the **Executive** Member (Resources). In all cases Best Value must be demonstrated for a waiver to be approved. Waivers must be fully documented.
- 28.3** The Strategic Director (Chief Financial Officer) shall formally review these Regulations at three-yearly intervals.

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# CONTRACT STANDING ORDERS

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## SECTION 1 INTRODUCTION AND GENERAL REQUIREMENTS

- 1.1 Contract Standing Orders (CSO's) are a framework of rules, which must be adhered to when purchasing goods, services, works, income generating contracts or disposing of Council property. These Contract Standing Orders<sup>1</sup> have been established to ensure that the Council is compliant with UK legislation, follows best practice and achieves best value for money in its procurement activities. Contract Standing Orders do not apply to employment contracts or contracts for the sale or purchase of land or buildings<sup>2</sup>.
- 1.2 Contract Standing Orders promote good purchasing practice, public accountability, data transparency and help protect officers from any complaints. Following the rules is the best defence against any possible allegation that a purchase or disposal has been made incorrectly or inappropriately.
- 1.3 Officers responsible for purchasing goods, services, works, income generating contracts or disposing of Council property are bound by and have a duty to read and be familiar with Contract Standing Orders. Contract Standing Orders lay down **minimum** requirements. A more thorough procedure may be appropriate for a particular contract.
- 1.4 Officers must ensure that any necessary pre-purchasing steps have been taken. This may include<sup>3</sup>:
- conducting a value for money review
  - drafting a business case,
  - conducting pre procurement market engagement
  - considering any workforce implications including TUPE
  - health and safety and business continuity requirements
  - complying with *Key Decision requirements*
  - Equality Impact Assessment
  - GDPR (Data Protection)
  - Safeguarding considerations
  - Section 20 considerations if housing
  - Collaboration opportunities
  - considering Social Value
- 1.5 Unless an exemption provided for in Section 3 has been approved, it is a disciplinary matter to fail to comply with Contract Standing Orders. Responsibility for compliance rests with everyone who carries out procurement of goods, services or works (including contracts for consultancy) for or on behalf of the Council. The ultimate responsibility for identifying the need to start a procurement, creating the procurement, managing it through its contract term and requirement to re-procure rests with the Assistant Director for the relevant area.
- 1.6 Contract Standing Orders should be read in conjunction with the Council's Financial Regulations as appropriate. Officers should also consider the Corporate Procurement Strategy when considering embarking on a procurement<sup>4</sup>. Contract Standing Orders will be reviewed and updated on a periodic basis (the latest version will be held on the intranet).
- 1.7 Officers must also ensure that any agents or consultants acting on their behalf in purchasing or disposal matters also comply with the Council's Contract Standing Orders, Financial

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<sup>1</sup> Referred to from now on throughout this document as Contract Standing Orders or CSO's

<sup>2</sup> Contact the Recruitment Officer regards employee contracts (for the avoidance of doubt, contracts with agencies or companies who supply temporary staff are subject to CSO's) and the Estates Manager regards contracts for sale of land.

<sup>3</sup> Checklists to help ensure correct steps are addressed are available on the intranet under Procurement

<sup>4</sup> Corporate Procurement Strategy is held on the intranet under Procurement

Regulations and with all UK and European Union (EU) legal requirements.

1.8 **Contracts** mean any arrangement under which the Council pays or receives money or equivalent value for:

- a) goods;
- b) services;
- c) works;
- d) all types of disposals (excluding land and buildings); and,
- e) hire, rental or lease agreements.

1.9 Public Contract Regulations 2015 (PCR2015) set out what is legally required for UK public procurement. They are the UK specific version of EU Public Contracts Directive 2014 and are often referred to as EU procurement regulations. Thresholds for the purposes of PCR2015 are those set by the EU and referred to as EU thresholds. PCR2015 also contains some regulations for procurements below the EU thresholds such as the requirement to use Contracts Finder; these have been incorporated into the CSO's.

1.10 All contracts must be subject to competition, as follows:

Band 1	Up to £10,000	One quote (confirmed in writing if greater than £1,000)
Band 2	£10,001 – £75,000	Three quotes to a purchaser specification via the Council's e-tendering system
Band 3	£75,001 – EU Threshold	Invitation to Tender to at least three suppliers via the Council's e-tendering system
Band 4	Above EU Threshold	<i>PCR2015 Procedures</i> via the Council's e-tendering system

1.11 An officer must neither enter into separate contracts nor select a method of calculating the *Estimated Total Value* in order to circumvent the application of Contract Standing Orders or PCR2015.



**Clare Fletcher -Strategic Director**

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**For Further Advice on Contract Standing Orders:**

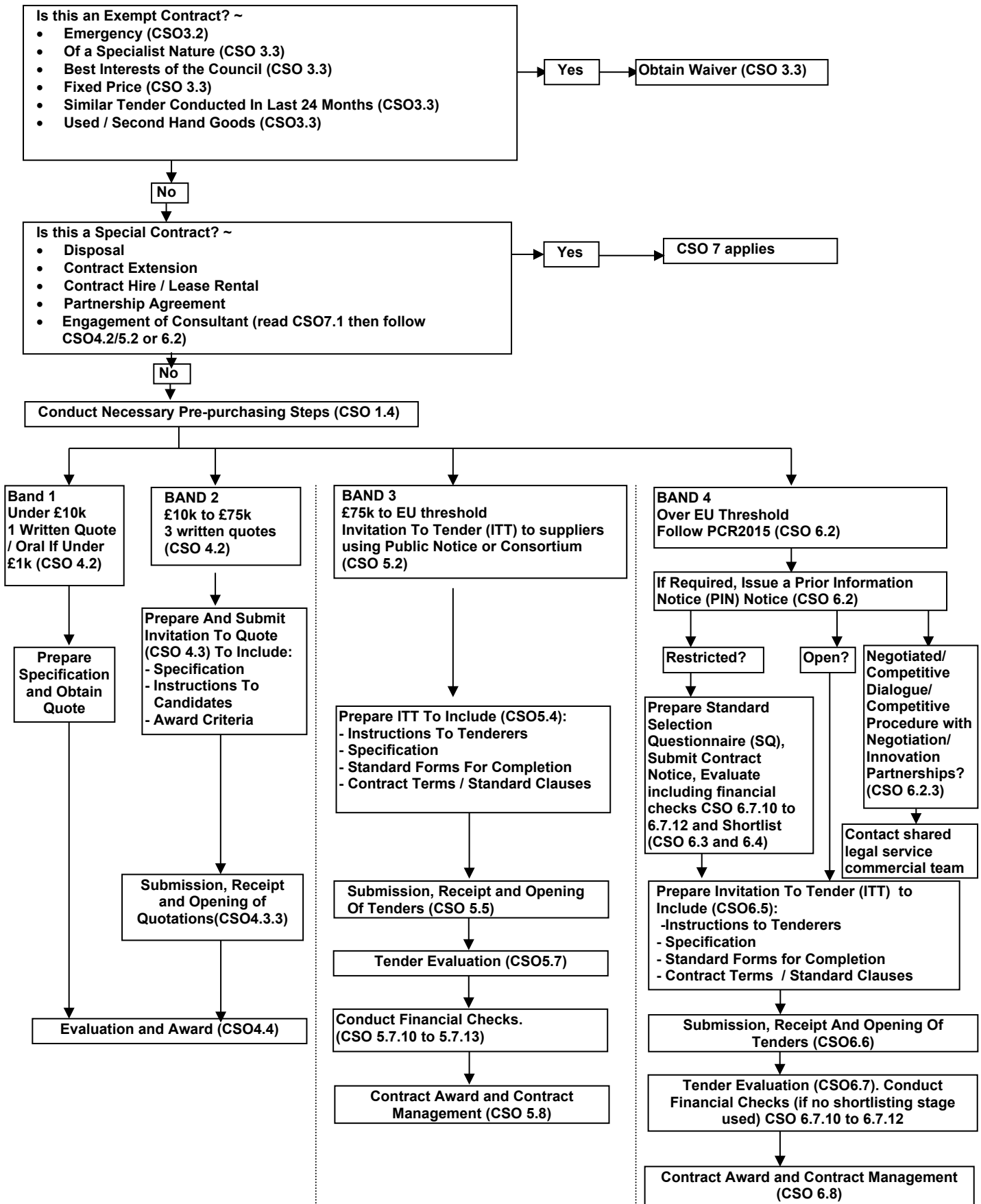
The authorised version of Contract Standing Orders and various supporting written guidance are held on the Council's intranet site, under "Procurement".

If you have any queries about the Contract Standing Orders or the various supporting written guidance please contact one of the following as appropriate:

- Corporate Procurement ext 2083 or ext 2775
- Finance ext 2933

**If you are unclear about the procurement rules please seek relevant advice before taking any purchasing or disposal action.**

## SECTION 2 CONTRACT STANDING ORDERS – EXPLANATORY FLOWCHART



NOTE: This guide is explanatory only and is not a suitable alternative for reading Contract Standing Orders

## SECTION 3 EXEMPTIONS TO CONTRACT STANDING ORDERS

- 3.1 An exemption under this Section allows an officer to partly depart from the normal contract action required in following Contract Standing Orders.

Contract Standing Orders shall not prevent expenditure being incurred where an emergency or disaster involving destruction of or danger to life or property occurs or is imminent. Where in the opinion of a Senior Leadership Team (SLT) member, in consultation if possible with the Chief Executive and the Assistant Director (Finance & Estates), (where over £250k the key decision urgency process also applies) the urgency of the situation will not permit delay, nothing in Financial Regulations or Contract Standing Orders shall prevent the Council from incurring the expenditure as an exemption. Where the contract value is over £75,001, action under this exemption shall be reported to the next meeting of the Executive Committee.

- 3.2 Subject to adhering to PCR2015 and any subsequent /associated UK legislation, the following exemptions from the requirement to obtain the requisite number of quotations or tenders must be the subject of prior and written approval by either the Assistant Director (Finance & Estates), the Borough Solicitor, or the Corporate Procurement Manager:

- a) For the purchase of goods, works or services which are of a specialist nature or are obtainable from only one or a limited number of Suppliers and there are no other satisfactory alternative options.<sup>5</sup>
- b) Where exceptional circumstances clearly show it is in the best interests of the Council to negotiate a new contract with an existing Supplier.<sup>6</sup>
- c) The goods or materials are sold at a fixed price or are wholly controlled by trade organisations or government order and no satisfactory alternative is available.
- d) Tenders or quotes for similar goods, works or services have been obtained in the last 24 months.
- e) The goods are classed as used or second hand - where the Borough Solicitor, the Assistant Director (Finance & Estates) or the Corporate Procurement Manager is satisfied that the market for such goods or materials is such that it would be unreasonable to tender or where the time required to complete the tender process is likely to lead to the loss of opportunity to purchase a used or second hand item and where the relevant officer has ensured that a Value for Money approach has been applied.

- 3.3 Once a request to waive Contract Standing Orders has been received, a Waiver Action Form will be completed by the Officer requesting the waiver and reviewed by the Approving Officer. A record of the decision approving or rejecting a waiver request and the reasons for it must be kept and an entry made in the waiver request register which will be maintained by the Corporate Procurement Manager

- 3.4 Officers applying the exemption rules in 3.3 must, **as a minimum**, draft a specification and use the Council's preferred contractual documents, where appropriate (as outlined in Section 5). Unless otherwise stated, Financial Regulations (including key decision processes) will still apply and will need to be adhered to.

- 3.5 Officers must complete a contract award notification form (ANF), if an exemption to CSO's is agreed which results in a change to existing contract details or constitutes the award of a

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<sup>5</sup> The officer must provide evidence to prove that there are no other satisfactory alternatives, such as a recent public notice where no suitable candidates responded.

<sup>6</sup> For example, where the Council have received consultancy services for a complex project and wish to employ the same consultant for additional consultancy services relating to that project, because the use of an alternative consultant would result in the loss of an important skillset or knowledge, which is not easily transferable.

new contract with a value over £5000, to enable the Council's contracts register to be updated.

- 3.6** Compliance with the EU Procurement Directives (including developing case law) and any UK legislation are considered to satisfy the Council's Contract Standing Orders and Financial Regulations. **No exemption shall be granted if the giving of that exemption would cause a breach of PCR2015 or subsequent / associated UK legislation.**

## SECTION 4 SPECIFIC REQUIREMENTS FOR CONTRACTS BELOW £75,000 (BAND 1 AND 2)

### 4.1 Overview

Band	Estimated Contract Value	Minimum No. of Quotes	Contract Signature
1	Up to £10,000	At least one oral quote (written if over £1,000)	Officers authorised to sign purchase orders within this value banding.
2	£10,001 to £75,000	At least three written quotations to a purchaser specification.	Officers authorised to sign contracts within this value banding <sup>7</sup>

Where the preliminary estimated contract value is within 10% of a higher category value, the appropriate provisions for the higher category of contract should be applied (unless the preliminary estimate is based on a firm quote). If the existing contract you are using has a total contract value within the Band 2 threshold and you anticipate the new final contract total may be within the Band 1 threshold, you must still continue to follow the Band 2 process unless the new contract is fundamentally different.

The value of any contract is calculated on the basis of the total value of the consideration (usually the cost payable but may include any benefit in kind or other benefit to the contractor) estimated to be payable over the entire contract period. Contract periods should be appropriate to the market in question and not artificially shortened to bring the value into a particular band. It should also be considered if the requirement can be combined across the council, or combined with similar works e.g. electrical works needed over x years rather than singular works to various buildings over multiple contracts, to provide the council with better value.<sup>8</sup>

#### Band 1

Contracts with a value between £5001 and £10,000 should be considered as to whether conducting a procurement exercise would be more expensive in officer time than the value of any savings, if that is the case a band 1 waiver form must be submitted to your Tier 4 manager or AD if you are Tier 4 for approval before proceeding. This is more likely to apply to services and works, where quality has to be assessed or site visits to quote arranged and unlikely to apply to goods.

### 4.2 Supplier Selection

- 4.2.1 Suppliers invited to quote within these bands can be sourced from any means, including the Internet, suppliers registered on [www.supplyhertfordshire.uk](http://www.supplyhertfordshire.uk) or based on previous satisfactory experience with the Council. There is no requirement to issue public notices for contracts within these bands, although this may be appropriate in some instances. However, when inviting quotations in Band 2, Officers must invite a Stevenage based supplier if one such exists on [www.supplyhertfordshire](http://www.supplyhertfordshire) and is appropriate for the requirement. If no Stevenage based look to Hertfordshire based as this supports the Councils community wealth building agenda. Officers should also document the reasons for selecting the suppliers (such evidence may be required should the decision be challenged at a later date).

If you are sourcing contracts of a similar nature on a regular basis i.e. low value bespoke

<sup>7</sup> As per the authorised contract signatory list held by Exchequer Services.

<sup>8</sup> Guidance document "Estimating the total value of your procurement correctly" is available on the intranet under Procurement.

building alterations it is a requirement to ensure that you invite at least one supplier not invited last time so that more suppliers are given the opportunity to quote for the Council's business.<sup>9</sup>

## Framework Agreements

4.2.2 Framework agreements let by other contracting authorities, where the council has been named as being able to use the framework agreement, can be used. Examples of contracting authorities that let framework agreements of this nature are: Crown Commercial Services (CCS), Eastern Shires Purchasing Organisation (ESPO), Procurement for Housing (PfH), Homes England, and Yorkshire Purchasing Organisation (YPO).

4.2.3 The officer may utilise any of the above purchasing consortiums framework agreements (or any other framework agreements approved by either the Corporate Procurement Manager or Borough Solicitor). Any procedures provided by the purchasing consortium must be followed; generally mini competition is likely to achieve the best value as it allows Contractors to submit tailored bids to our requirement.

Direct Award is not available on all frameworks, where it is an option then generally it is only permitted if the officer can establish that best value considerations have been taken into account and one of the below applies;

- The framework is sole supplier; or
- Pricing and Terms have been fully pre-agreed under the framework agreement and there are no changes being made as part of the call off and where best value can be proven only from information published; or
- Where there is a ranked call off provision; or
- Where the framework has established alternative specific rules on determining a direct award that can be properly complied with.

4.2.4 Where Direct Award is not available under the rules of the framework or it is envisaged better value can be achieved via mini competition then the officer must follow the procedures provided by the contracting authority to conduct the mini competition amongst the suppliers on the framework. It is not permitted to include suppliers in the mini-competition who are not listed on the framework.

4.2.5 Officers should use existing contracts where these are provided for and suitable, details of which can be found on the shared drive under Corporate> Central Contracts Database. Officers must liaise with the contract manager of the contract before proceeding to ensure they are compliant. All procurement of ICT Hardware and Software must be in consultation with the IT team.

4.2.6 In exceptional circumstances and for contract values under £1,000 only, an officer may be permitted to contract with a supplier or group of suppliers without first obtaining an oral quote. In this instance, the officer must first submit the request in writing to either the Assistant Director (Finance & Estates), Corporate Procurement Manager, or the Borough Solicitor and obtain his or her prior written approval before awarding the contract(s).<sup>10</sup>

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<sup>9</sup> Guidance on supplier selection at quote level is available on the intranet under Procurement

<sup>10</sup> An example of where this may be acceptable would be contracting with a supplier to top up of the Depot's bulk fuel storage facility. The charge per litre will have been pre-agreed before awarding a contract, but the number of litres to be supplied will not be known until the goods have been supplied.



### **4.3 The Invitation to Quote (Band 2 only)<sup>11</sup>**

- 4.3.1 Officers must provide adequate instructions to respondents, outlining what is required (specification), in what format and by when. The Invitation to Quote<sup>12</sup> should also define the award criteria, whether lowest cost or most economically advantageous quote (See 5.4.1). Officers are reminded that further instructions may be necessary depending on the nature of the contract. For example, specific insurances and equality requirements may be appropriate where the purpose of the contract is to supply services directly to the public.
- 4.3.2 The officer responsible for the purchase may consult potential Suppliers prior to the issue of the Invitation to Quote in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters provided this does not prejudice any potential Supplier.
- 4.3.3 Quotations must be submitted through the In-Tend e-tendering system. If there is a reason why Intend cannot be used, this needs to be agreed with the Corporate Procurement Manager in advance of the procurement<sup>13</sup>. A return date must be specified and adhered to. When using In-Tend the receiving officer can open the returns as soon as the system makes them available.
- 4.3.4 Suppliers must be given a minimum of 5 working days to respond to an invitation to quote, but they may require longer timescales if the contract is considered complex in any way.

### **4.4 Contract Evaluation and Award (Band 2 only)**

- 4.4.1 To ensure adequate competition, there must be at least two satisfactory responses from the three quotations requested (unless using a framework) i.e. responses which meet a minimum quality standard under which the Council could award the contract. If the Council receives only one satisfactory response, the officer must not open the responses until talking to Corporate Procurement who will determine if the officer should obtain an additional quote, re-run as an advertised process or obtain an exemption under CSO 3.3.
- 4.4.2 All quotes must be evaluated based on the defined award criteria in the Invitation to Quote. Post tender negotiation may be used for certain contracts, in accordance with CSO's 5.7.6 and 5.7.7.
- 4.4.3 If the quoted contract value for the preferred supplier falls into the higher band 3 (£75,001 to the EU threshold) when processes for the lower Band 2 were followed, the officer must provide either the Assistant Director (Finance & Estates), the Borough Solicitor or the Corporate Procurement Manager with a written explanation and supporting evidence as to the basis for estimating the contract value at the lower band. The Borough Solicitor, Assistant Director (Finance & Estates) or Corporate Procurement Manager will decide whether the contract should be re-tendered following the procedures within the higher band.
- 4.4.4 Officers must not agree to contract conditions where payment is made before the goods, works or services are received, unless otherwise approved in writing by either the Corporate Procurement Manager, the Assistant Director (Finance & Estates), or the Borough Solicitor. Staged payments are acceptable but must be proportionate to the cost of the goods, works or services received.

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<sup>11</sup> A checklist is available on the intranet under staff into/finance/corporate procurement to help you through the steps of a quote process.

<sup>12</sup> SBC invitation to quote templates are available on the intranet under Procurement

<sup>13</sup> An example of an exemption could be where we are not in a market position to impose the use of Intend.



- 4.4.5 Successful and unsuccessful Suppliers must be informed of the decision within 14 days of the closing date and feedback provided, if requested.
- 4.4.6 Contracts or agreements over £5,000 must be signed by an authorised signatory. If there is no written contract, the authorised signatory must confirm in writing (either via letter or email) that the quote has been accepted, stating the cost and any other terms (such as payment terms and delivery date) to which the Council is agreeing to. In the absence of a written contract, a Purchase Order containing the above mentioned information and signed by an authorised signatory is sufficient.
- 4.4.7 For contracts over £5,000, an **Award Notification Form must be completed and passed to Corporate Procurement** (the Award Notification Form is found on the intranet). The contract will then be entered onto the Central Contracts Database by Corporate Procurement.
- 4.4.8 All documentation must be kept in accordance with the Document Retention Schedule which can be found on the intranet.

## SECTION 5 CONTRACTS BETWEEN £75,001 AND EU THRESHOLD<sup>14</sup>

### 5.1 Overview

Band	Estimated Contract Value	Minimum No. of Respondents	Contract Signature
3	£75,001 to EU Threshold (see CSO 6.1 for EU values)	N/A unless restricted process <sup>15</sup>	Officers authorised to sign contracts within this value banding <sup>16</sup> , unless under seal (see CSO 5.8.7)

Where the preliminary Estimated Contract Value is within 10% of a higher category value, the appropriate provisions for the higher category of contract should be applied (unless the preliminary estimate is based on a firm quote). If the existing contract you are using has a total contract value within the Band 3 threshold and you anticipate the new final contract total may be within the Band 2 threshold, you must follow the Band 3 process unless the new contract is fundamentally different.

The value of any contract is calculated on the basis of the total value of the consideration (usually the cost payable but may include any benefit in kind or other benefit to the contractor) estimated to be payable over the entire contract period. Contract periods should be appropriate to the market in question and not artificially shortened to bring the value into a particular band. It should also be considered if the requirement can be combined across the council, or combined with similar works e.g. electrical works needed over x years rather than singular works to various buildings over multiple contracts, to provide the council with better value.

<sup>17</sup> Collaboration with other Hertfordshire authorities is encouraged and can be promoted via the Hertfordshire Procurement Group by talking to Corporate Procurement.

### 5.2 Supplier Selection: Public Notice & Purchasing Consortium

5.2.1 Within this contract value banding, a public notice or a suitable framework agreement that the council is entitled to use can be used.

#### Public Notice

5.2.2 If the chosen method is a public notice, officers must follow the: Open procedure – all Suppliers expressing an interest are sent an Invitation to Tender (ITT) and all responses are evaluated. An exception can be made for Works contracts with a value between EU services threshold and the EU works threshold which allows for restricted PCR2015 procedures.

The Public notice will be placed via the Corporate Procurement team on the Councils E procurement system In-Tend, on the government website “Contracts Finder” and additionally may be placed via OJEU (or equivalent) in order to maximise competition. The notice will state how to register on the In-Tend system, the scope of the requirement and the deadline for submission.

#### Framework Agreements

5.2.3 Framework agreements let by other contracting authorities, where the council has been named as being able to use the framework agreement ,can be used. Examples of

<sup>14</sup> Checklists are available on the intranet under Procurement to assist you with the process

<sup>15</sup> If using restricted process for works invite at least three to tender where sufficient sq's qualify

<sup>16</sup> As per the Authorised Signatory list held by Exchequer Services.

<sup>17</sup> Guidance document “Estimating the total value of your procurement correctly” is available on the intranet under Procurement.

contracting authorities that let framework agreements of this nature are: Crown Commercial Services (CCS), Eastern Shires Purchasing Organisation (ESPO), Procurement for Housing (PfH), Homes England, Yorkshire Purchasing Organisation (YPO).

5.2.4 The officer may utilise any of the above purchasing consortiums framework agreements (or any other framework agreements approved by either the Corporate Procurement Manager or Borough Solicitor). Any procedures provided by the purchasing consortium must be followed, generally mini competition is likely to achieve the best value as it allows Contractors to submit tailored bids to our requirement.

Direct Award is not available on all frameworks, where it is an option then generally it is only permitted if the officer can establish that best value considerations have been taken into account and one of the below applies;

- The framework is sole supplier; or
- Pricing and Terms have been fully pre-agreed under the framework agreement and there are no changes being made as part of the call off and where best value can be proven only from information published; or
- Where there is a ranked call off provision; or
- Where the framework has established alternative specific rules on determining a direct award that can be properly complied with.

5.2.5 Where Direct Award is not available under the rules of the framework or it is envisaged better value can be achieved via mini competition then the officer must follow the procedures provided by the contracting authority to conduct the mini competition amongst the suppliers on the framework. It is not permitted to include suppliers in the mini-competition who are not listed on the framework.

### 5.3 Not Used

### 5.4 The Invitation to Tender

5.4.1 The **Instructions to Tenderers**<sup>18</sup> must, as a minimum, include the following:

- a) List the information which must be provided by the supplier in their response, including any forms, tables or pricing schedules to be completed.
- b) State the method of response required. All tenders shall be issued through the Council's E-tendering System – In-Tend (see CSO 5.5).
- c) Outline a timetable for the remainder of the procurement exercise, detailing the closing date for receipt of responses, the evaluation period and when a response on contract award is expected.
- d) State the method which will be via In-Tend and the deadline for obtaining additional information or clarification (usually 7-14 days before the closing date for receipt of responses) and that additional information requested will be distributed to all suppliers (this should be distributed to all suppliers at the same time through Intend no later than one week before the closing date for receipt of responses<sup>19</sup>).
- e) Outline how the responses will be evaluated, listing the appropriate award criteria and their relative weightings, which shall be selected from one of the following:
  - i) "most economically advantageous" offer i.e. where considerations other

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<sup>18</sup> An template Invitation to Tender can be requested from Corporate Procurement.

<sup>19</sup> A Clarification/Query template spreadsheet is available from corporate procurement

than price also apply. The award criteria may include price, service, quality of goods, running costs, previous experience, delivery date, cost effectiveness, relevant environmental considerations, employment considerations, aesthetic and functional characteristics, safety, after-sales services, technical assistance, contract terms and conditions and any other relevant matters.

- ii) "lowest price" (only if approved by Corporate Procurement)
- f) State that late responses will not be considered unless it is proven that a third party is at fault and that the Council is not bound to accept any Tender.
- g) State the price validity period (usually up to a maximum of six months).
- h) Provide a statement to the effect that under the Freedom of Information Act (2000), the Council may be obliged to provide information regarding the procurement exercise or a subsequent contract award and that respondents will be advised of any requests for information and be given an opportunity to comment before disclosure of such information (information whose disclosure would be likely to prejudice anyone's commercial interests is exempt from disclosure provided the public interest in withholding the information outweighs the public interest in disclosing it)
- i) The level of economic and financial standing required
- j) The level of insurance required
- k) Any Pass/Fail elements or minimum thresholds to be met

5.4.2 An adequate **specification** must be included. The specification must describe clearly the Council's requirements in sufficient detail to enable the submission of competitive offers.

5.4.3 For contracts within this value banding, the following **Standard Forms**<sup>20</sup> should either form part of the Invitation To Tender and should be included in the final contract documentation:

- a) Form of Tender
- b) Certificate that the Tender is Bona Fide
- c) Parent Company Guarantee (if applicable).
- d) Performance Bond Certificate (if applicable).
- e) Insurance requirements

5.4.4 Where appropriate to the type of contract being let, the officer should use standard industry contracts ie JCT<sup>21</sup> or the **Council's own standard contracts**, such as the "Stevenage Borough Councils (SBC) High Value Service Contract". Where the Council does not supply a suitable standard contract for the type of contract being let, the officer should liaise with Shared Legal Services to identify contract terms relevant to that specific contract. The officer must seek advice from the Shared Legal services Commercial law team if he/she is unclear as to what terms and conditions should be included in the contract. It should be stated in the Invitation to Tender and final contract documentation that these clauses will prevail over any supplier contract clauses. SBC's standard clauses and contracts are available from

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<sup>20</sup> Standard Forms can be obtained from corporate procurement

<sup>21</sup> Standard amendments to JCT Minor Works or Measured Term contracts are available from Corporate Procurement

corporate procurement. <sup>22</sup>

- 5.4.5 Suppliers invited to tender must be given an adequate period in which to prepare and submit a proper tender, consistent with the urgency of the contract requirement. Normally at least **four weeks** should be allowed for submission of Tenders but this can be less if the Contracting Officer has ascertained, during pre procurement market engagement , that a lesser time period is practical and realistic. All tender documents for a contract shall be despatched to the Suppliers invited to tender on the same day via in-Tend.
- 5.4.6 Pre-procurement engagement with the market (including talking to potential suppliers) is not prohibited by PCR2015, nor is it subject to any detailed procedures provided that it does not prevent an effective competition taking place once the procurement has started. In fact, engaging with the market before starting the formal procurement process is best practice and helps to maximise value for money from the resulting procurement.<sup>23</sup>
- 5.4.7 A tender period can be extended if there are justifiable reasons and it is practical to do so. The reasons for any extension of time should be recorded and communicated in writing to all respondents ideally at least one week prior to the closing date.
- 5.4.8 Suppliers must demonstrate that they carry a range and level of insurance cover acceptable to the type of contract being let. As a starting point it would be prudent to assume the following minimum levels of indemnity, Public Liability £5m, Employers Liability £10m (although the legal minimum is £5m), Professional Indemnity £2m, Products Liability between £1m and £5m. These must be reviewed for adequacy in light of the various risk factors affecting the contract. Only in very low risk scenarios would levels of indemnity lower than these be acceptable .If in doubt, contact the Council's Insurance Officer.<sup>24</sup>
- 5.4.9 The advice of the Shared Legal Service Commercial law team must be sought as necessary, particularly for contracts which are complex.

## 5.5 Submission, Receipt and Opening of Tenders

- 5.5.1 Tenders shall be submitted through the Council's E-tendering System – In-Tend. Instructions on how to register on the e-tendering system must be provided in the public notice. The system sends full guidance documents on how to use the system to respondents when they register and has on line guidance at every stage. Within the Invitation to Tender documents Respondents must be provided with a contact point in case they experience any problems in using the E-Tendering system Respondents must also be advised that failure to advise the Council of the problem **before** the deadline for return of tenders will mean they have lost their opportunity to tender. Where a notification of a problem is received in time, consideration should be given to extending the deadline for submission and all tenderers should be advised accordingly of any extension of time.

## 5.6 Not Used

## 5.7 Tender Evaluation

- 5.7.1 The following should be checked by the Officer:
- a) The Tenders are actually from the Suppliers invited to tender (where using a framework or restricted process);

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<sup>22</sup> It is prudent that Officers obtain the standard clauses and contracts as and when the procurement need arises, as they are subject to change.

<sup>23</sup> Further information on pre procurement market engagement is available on the intranet under Procurement

<sup>24</sup> An insurance checklist can be found on the intranet under staff info/finance/insurance

- b) That there are no errors or omissions in the completion of the documents;
- c) Where a check of the prices quoted suggest collusion among tenderers or 'ring' pricing, the case should be referred to the Assistant Director (Finance & Estates).

5.7.2 To ensure adequate competition, there must be at least two satisfactory responses to the Invitation to Tender i.e. two responses which meet the minimum quality threshold. If there is only one satisfactory response, the officer must either re-tender the contract, advising respondents accordingly, or obtain an exemption under CSO 3.3.

5.7.3 Where necessary, clarifying some aspect of a Tender response in writing or by way of a meeting is permitted. If a meeting is held then relevant notes should be made of the results of the meeting and matters should be confirmed in writing for contractual purposes.

5.7.4 The officer must use the award criteria and measurement system<sup>25</sup> as set out in the Invitation to Tender. The measurement system may include the following 4 elements:

- a) Any pass/ Fail considerations
- b) A point scoring system for individual quality/value for money considerations.
- c) Weightings applied to quality/value for money issues in accordance with their importance to the completion of the contract.
- d) A "Quality Threshold" which sets the minimum standard expected. Tenders which fall below this shall be excluded from consideration.

5.7.5 The Procurement process should take no longer than 10 months from issue of advertisement to award of contract. Should the procurement process take longer than 10 months, authorisation must be sought from the Borough Solicitor, Assistant Director (Finance & Estates) or Corporate Procurement Manager to proceed with the contract award.

5.7.6 **Within (and below) this contract value banding only, *Post-Tender Negotiations* may be used**, providing the officer justifies the need for post tender negotiation in writing to either the Assistant Director (Finance & Estates), the Borough Solicitor or the Corporate Procurement Manager and that the request is authorised by either the Assistant Director (Finance & Estates), the Borough Solicitor or the Corporate Procurement Manager in writing. Post-Tender Negotiations will only be authorised when lawful and will normally only be approved in the following instances:

- a) Procurement exercises involving the purchase of application software.
- b) The procurement of goods, works or services in respect of which the Council has no or inadequate experience.
- c) For any supply of any goods or services where the leading bid is above budget, price reduction measures are necessary and the Tender cannot be clarified readily to produce a reduced price.

5.7.7 Negotiations must be conducted by a team of at least two suitable officers with the involvement of Shared Legal Services Commercial Law team, as required. Changes should be confirmed in writing for contractual purposes. Where Post Tender Negotiation results in a significant change to the specification (or contract terms) the contract must not be awarded but re-tendered.

5.7.8 Officers must not agree to contract conditions where payment is made before the goods,

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<sup>25</sup> A sample criteria and measurement template can be found on the intranet under Procurement.

works or services are received, unless otherwise approved in writing by either the Corporate Procurement Manager, the Assistant Director (Finance & Estates) or the Borough Solicitor. Staged payments are acceptable but must be proportionate to the cost of the goods, works or services received and must be submitted for checking to Treasury and Capital in Accountancy, see CSO 5.8.10.

- 5.7.9 If the tendered contract value for the preferred Supplier falls into the higher band 4 (above the EU threshold) when processes for the lower Band 3 were followed, the officer must provide either the Assistant Director (Finance & Estates), the Borough Solicitor or the Corporate Procurement Manager with a written explanation and supporting evidence as to the basis for estimating the contract value at that lower band. The Borough Solicitor, Assistant Director (Finance & Estates) or Corporate Procurement Manager will decide whether the contract should be re-tendered following the procedures within the higher band.

#### Checks on Financial Status

- 5.7.10 For contracts within this value banding, the officer must ensure the supplier has the level of economic and financial standing that they self certified that they have. To do so obtain two years annual accounts for the preferred Supplier before contract award (unless this is not possible, for example where a company has recently been established). Annual accounts are to be provided to Corporate Procurement, who will check that the supplier self certified correctly. Please allow at least 1 week for this process to be completed.
- 5.7.11 If the financial check reveals an unsatisfactory appraisal, yet the officer still wishes to use the Supplier, he/she must submit a written request to the Assistant Director (Finance & Estates) or nominated deputy for his/her approval. Any conditional approval given by the Assistant Director (Finance & Estates) or nominated deputy must be strictly complied with.
- 5.7.12 At the discretion of Corporate Procurement, financial checks may not be necessary for specific Suppliers. For example, where the contracting body is a local authority.
- 5.7.13 All contracts in this value banding with a term of over 24 months will need to be registered with Corporate Procurement for monitoring updates on financial status.

### **5.8 Contract Award and Contract Management**

- 5.8.1 Consult Financial Regulations to ascertain the correct process to gain approval to award<sup>26</sup>
- 5.8.2 All Suppliers who have expressed an interest in a proposed contract should be notified in writing through the Council's E-tendering system whether they have or have not been successful in winning the contract. Where the contract is awarded on the most economically advantageous grounds, tenderers should be notified of their score against each award criteria, the score the winning tenderer obtained and the name of the winning tenderer. If requested additional feedback should be provided.
- 5.8.3 All contracts in this value band will be in the form of a letter of acceptance signed by an officer authorised to sign contracts within this value banding and countersigned by an authorised signatory for the supplier (together with any relevant contractual documentation as per bullet (h) under CSO 5.8.5, unless:
- a) another contractual document constitutes the **entire** agreement and has a section for contract signature by both parties, in which case, this document must be signed by an authorised contract signatory, or

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<sup>26</sup> An Approval flowchart is available to assist on the intranet under Procurement

b) the contract is required to be sealed under CSO 5.8.7.

5.8.4 Letters of Intent shall only be used in exceptional circumstances and with the approval of the Borough Solicitor who should be satisfied that they are adequately worded.

5.8.5 The following must be included in the acceptance letter:

- a) Any contract reference
- b) Description of the work, service or goods
- c) The contract price (exclusive of VAT)
- d) That the acceptance letter must be acknowledged and returned to the Council
- e) Either the commencement date of the contract or how the *Supplier* is to be notified of the commencement date
- f) The contract period and/or completion date
- g) The name of officer in charge of the contract and his or her telephone number.
- h) Detail the Contract documents (e.g. tender, correspondence, specification, drawings, KPI's, project brief/proposal, terms and conditions and forms for completion as relevant to the contract concerned). A copy of these documents should be enclosed with the acceptance letter for the *Supplier's* retention.

5.8.6 If acceptance of a tender is for any reason delayed beyond the appropriate tender price validity period, the Supplier must be asked to confirm his tender in writing before the acceptance is issued. This letter of confirmation must be included as part of the contract. If the recommended tenderer submits a revised price, the Shared Legal Services commercial law team must be consulted for advice on how to proceed.

5.8.7 A contract must be sealed<sup>27</sup> in the following cases:

- a) For all formal construction/works contracts over the current EU services threshold (see 6.1)
- b) Where an extended limitation period of 12 years is required (the normal limitation period is 6 years after the end of the contract).

5.8.8 **For contracts within this value banding, an electronic award notification form (ANF) must be completed and passed to Corporate Procurement** (the award notification form is found on the intranet **An electronic copy of the contract pack must be provided to Corporate Procurement for the Central Contracts Database followed by a scan of the fully signed acceptance letter or relevant contract pages holding signatures/seals at point of execution.** Contracts, for the purpose of this exercise, will range from a simple letter confirming pricing and using standard Supplier terms and conditions to a large contractual document drafted by Legal. Contracts will also cover one off purchases and schedules of rates.

5.8.9 **It is essential that the ANF form is completed and passed to Corporate Procurement within 10 working days of award so that the details can be published on Contracts Finder where the value is over £25,000. It is a legal obligation of the Public Contracts Regulations 2015 to publish award notices of this value and above on Contracts Finder.**

5.8.10 All interim valuations and final accounts in respect of staged payment contracts must also be submitted for checking by Treasury and Capital in Accountancy who will record it in the

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<sup>27</sup> Sealing process is detailed on the intranet under Procurement.



Central Contracts Database, before they are sent for payment to Exchequer.

- 5.8.11 The officer may wish to use a contract management checklist to ensure all required steps have been followed. An example checklist can be found on the intranet under "Procurement", although Business Units may use their own forms to reflect their special requirements.
- 5.8.12 All documentation and records of communications pertaining to the tender must be kept in accordance with Document Retention Schedule which can be found on the intranet.
- 5.8.13 The officer must monitor and manage the performance of the Supplier throughout the contract to ensure that requirements are delivered satisfactorily. In performing this task the officer must monitor:
- a) Work performance
  - b) Compliance with specification and contract terms and conditions
  - c) Cost
  - d) Any Value for Money requirements
  - e) User satisfaction
  - f) Risk management

Further guidance is available on the intranet under "Procurement".

## SECTION 6 CONTRACTS ABOVE THE EU THRESHOLD (BAND 4)

### 6.1 Overview

Band	Category	Estimated Contract Value / EU Thresholds <sup>28</sup>	Minimum Number of Suppliers Short Listed		Shortlist Approval	Contract Signature
			Procedure	No		
4	Service Contracts	Above £189,330	Open Restricted Negotiated Competitive Dialogue Competitive Procedure with Negotiation Innovation Partnership	N/A 5 3 3  3  3	Strategic Director or relevant Assistant Director	Under Seal
4	Supplies Contracts	Above £189,330	Open Restricted Negotiated Competitive Dialogue Competitive Procedure with Negotiation Innovation Partnership	N/A 5 3 3  3  3	Strategic Director or relevant Assistant Director	Under Seal
4	Works Contracts	Above £4,733,252	Open Restricted Negotiated Competitive Dialogue Competitive Procedure with Negotiation Innovation Partnership	N/A 5 3 3  3  3	Strategic Director or relevant Assistant Director	Under Seal

(See also Appendix B for PCR2015 timescales)

A check list can be found on the intranet to guide procuring officers through the tender exercise (under the “Procurement” section). Further advice should be sought by contacting Corporate Procurement.

The value of any contract is calculated on the basis of the total value of the consideration (usually the cost payable but may include any benefit in kind or other benefit to the contractor) estimated to be payable over the entire contract period. Contract periods should be appropriate to the market in question and not artificially shortened to bring the value into a particular band. It should also be considered if the requirement can be combined across the council, or combined with similar works e.g. electrical works needed over x years rather

<sup>28</sup> EU threshold values were current as at 1<sup>st</sup> January 2020, but are subject to change. Please check the latest EU threshold values on the intranet under Procurement.

than singular works to various buildings over multiple contracts, to provide the council with better value.<sup>29</sup>

Collaboration with other Hertfordshire authorities is encouraged and can be promoted via the Hertfordshire Procurement Group by talking to Corporate Procurement.

## 6.2 Public Contracts Regulations 2015 (PCR2015)

6.2.1 The detailed complex advertising, tendering and reporting processes imposed by the Public Contracts Regulations 2015 are not fully covered in Contract Standing Orders. Separate advice and instructions may be issued from time to time by the Corporate Procurement Manager and Shared Legal Services Commercial Law team relating to PCR2015. Such advice and instructions will be deemed to be incorporated into Contract Standing Orders and can be found on the intranet under "Procurement". In the event of any conflict between Contract Standing Orders and PCR2015, PCR2015 will prevail.

6.2.2 Works contracts generally fall under the scope of construction projects, such as new build, or major renovations involving the bringing together of different services and supplies. PCR2015 is very specific as to what falls into their definition of 'Works' so do not assume 'Works' without consulting with Corporate Procurement or Shared Legal Services Commercial Law team. If in doubt apply the Services or Supplies thresholds. Some services, such as Legal and postal services follow a light touch regime which does not need the full PCR2015 rules<sup>30</sup> to be followed.

6.2.3 'Open, restricted, negotiated, innovation partnership, competitive procedure with negotiation and competitive dialogue procedures' are the procurement procedures applied via PCR2015<sup>31</sup>, whereby:

- a) in the case of **open procedures**, any interested Supplier may submit a tender;
- b) In the case of **restricted procedures**, any Supplier may request to participate and only suppliers invited by the Council after short listing may submit a tender;
- c) In the case of the **negotiated procedures**, the Council consults with the Supplier of its choice and negotiates the terms of the contract with one or more of these.
- d) In the case of the **competitive dialogue procedure**, the Council conducts a dialogue with the suppliers admitted to that procedure, with the aim of developing one or more suitable alternatives capable of meeting its requirements, and on the basis of which the suppliers chosen are invited to tender.
- e) In the case of the **innovation partnership** the Council conducts a dialogue with the suppliers admitted to that procedure, with the aim of developing a new product or service not currently on the market
- f) In the case of the **competitive procedure with negotiation**, any Supplier may request to participate and only suppliers invited by the Council after shortlisting may submit a tender.

6.2.4 The advice of the Corporate Procurement Manager and/or the Shared Legal Services Commercial Law team must be sought where following PCR2015 especially if intending to

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<sup>29</sup> Guidance document "Estimating the total value of your procurement correctly" is available on the intranet under Procurement.

<sup>30</sup> The list of Works, Services and Supplies categories (including exempt Light Touch service categories) can be found on the intranet under Procurement.

<sup>31</sup> The negotiated, innovation partnership, competitive procedure with negotiation or competitive dialogue procedure should only be considered after consultation with the Corporate Procurement Manager or the Shared Legal service Commercial law team.

use the negotiated, innovation partnership, competitive procedure with negotiation or competitive dialogue procedure.

- 6.2.5 The officer must confirm as appropriate that Prior Information Notices (PIN), Contract Notices and Contract Award Notices, where required for PCR2015, have been placed in the Official Journal of the European Union using the In-Tend E-tendering system. The Corporate Procurement Team will assist with this.

A PIN Notice (Prior Information Notice) or a PIN with call for competition can be issued via OJEU anytime between 12 months and 35 days prior to the issuing of a Contract Notice. The issuing of a PIN will shorten the minimum timescales for tender response (see Appendix B).

### **6.3 Supplier Selection**

- 6.3.1 Under PCR2015, the officer must liaise with Corporate Procurement to place a Contract Notice to the Official Journal of the European Union (OJEU). Public notices may also be placed in trade journals and approved Suppliers can be advised of the tender exercise, so long as this is done after the OJEU advertisement has been published on Tenders Electronic Daily (TED) or 48hrs from when it was sent to TED whichever is the lesser.

- 6.3.2 Framework agreements managed by other contracting authorities can be used when the contract value is above the EU Threshold, so long as the contracting authorities have awarded the framework agreement in accordance with PCR2015 and on behalf of the Council. Where it is proposed to use a framework agreement for a procurement above the EU threshold, approval must first be sought from either the Borough Solicitor, Assistant Director (Finance & Estates) or the Corporate Procurement Manager

- 6.3.3 Any procedures provided by the purchasing consortium must be followed; generally mini competition is likely to achieve the best value as it allows Contractors to submit tailored bids to our requirement.

- 6.3.4 Direct Award is not available on all frameworks, where it is an option then generally it is only permitted if the officer can establish that best value considerations have been taken into account and one of the following apply;

- The framework is sole supplier; or
- Pricing and Terms have been fully pre-agreed under the framework agreement and there are no changes being made as part of the call off and where best value can be proven only from information published; or
- Where there is a ranked call off provision; or
- Where the framework has established alternative specific rules on determining a direct award that can be properly complied with.

Where Direct Award is not available under the rules of the framework or it is envisaged better value can be achieved via mini competition then the officer must follow the procedures provided by the contracting authority to conduct the mini competition amongst the suppliers on the framework. It is not permitted to include suppliers in the mini-competition who are not listed on the framework.

### **6.4 Short Listing**

- 6.4.1 Short Listing will be applicable if the Council is using the restricted procedure, as outlined in PCR2015.

- 6.4.2 For contracts within this value banding (unless utilising an approved framework) a financial

check must be undertaken as part of the evaluation process. See CSO 6.7.10.

- 6.4.3 All Suppliers who have expressed an interest in a proposed contract should be notified in writing whether they have or have not been successful in making the next stage within 30 days of the deadline for receipt of expressions of interest. Feedback should be provided in the letter.
- 6.4.4 The Supplier's experience, economic and financial standing, manpower and equipment or their ability to perform the contract by the anticipated deadline ('qualitative selection criteria') should be considered at the Short listing stage using the current Crown Commercial Service approved Standard Selection questions (formally known as pre-qualification questions), as the Council is precluded from taking these factors into account as 'award criteria' within the tender stage.<sup>32</sup> When using the open procedure these factors should be considered as part of the tendering process.

## **6.5 The Invitation to Tender**

- 6.5.1 The Instructions to Tenderers<sup>33</sup> must, as a minimum, include the following:
- a) List the information which must be provided by the Supplier in their response, including any forms, tables or pricing schedules to be completed
  - b) State the method of response required. All tenders must be issued through the Council's E-tendering System – In-Tend (see CSO 5.5).
  - c) Outline a timetable for the remainder of the procurement exercise, detailing the closing date for receipt of responses, the evaluation period and when a response on contract award is expected
  - d) State the method and deadline for obtaining additional information or clarification (usually 14-21 days before the closing date for receipt of responses) and that additional information requested will be supplied to all respondents (this should be supplied to all suppliers at the same time no later than 7 days before the closing date for receipt of responses<sup>34</sup>)
  - e) Set out in detail how the responses will be evaluated, listing award criteria and weightings as you will not be able to introduce new award criteria or weightings later. The appropriate award criteria shall be selected from one of the following:
    - i) "most economically advantageous" offer i.e. where considerations other than price also apply. These may include price, service, quality of goods, running costs, delivery date, cost effectiveness, relevant environmental considerations, employment considerations, aesthetic and functional characteristics, safety, after-sales services, technical assistance, contract terms and conditions and any other relevant matters - but note 6.4.4 above
    - ii) "lowest price" (only if approved by Corporate Procurement)
  - f) State that late responses will not be considered and that the Council is not bound to accept any Tender
  - g) State the price validity period (usually up to a maximum of six months)

Provide a statement to the effect that under the Freedom of Information Act (2000) and the requirements for transparency, the Council may be obliged to provide information regarding the procurement exercise or a subsequent contract award and that respondents will be

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<sup>32</sup> If you are unsure about the 'qualitative selection' please contact the Corporate Procurement Team

<sup>33</sup> An outline Invitation To Tender can be obtained from Corporate Procurement.

<sup>34</sup> A Clarification/Query template spreadsheet is available from corporate procurement

advised of any requests for information and given an opportunity to comment before disclosure of such information (information whose disclosure would be likely to prejudice anyone's commercial interests is exempt from disclosure provided the public interest in withholding the information outweighs the public interest in disclosing it)

- 6.5.2 An adequate **specification** must be included. The specification must describe clearly the Council's requirements in sufficient detail to enable the submission of competitive offers.
- 6.5.3 For all contracts within this value band, the following **standard forms** must either form part of the standard selection questionnaire or the Invitation To Tender and should be included in the final contract documentation<sup>35</sup>:
- a) Form of Tender
  - b) Certificate that the Tender is Bona Fide
  - c) Parent Company Guarantee (if applicable)
  - d) Performance Bond Certificate (if applicable)
  - e) Insurance requirements
- 6.5.4 The officer should seek advice from the Shared Legal Services Commercial Law team as to what terms and conditions should be included in the contract. Where appropriate to the type of contract being let, the officer should use standard industry contracts ie JCT<sup>36</sup> or the **Council's own standard contracts**, such as the "Stevenage Borough Councils (SBC) High Value Service Contract". Where the Council does not supply a suitable standard contract for the type of contract being let, the officer should liaise with Shared Legal Services to identify contract terms relevant to that specific contract. The officer must seek advice from the Shared Legal services Commercial law team if he/she is unclear as to what terms and conditions should be included in the contract. It should be stated in the Invitation to Tender and final contract documentation that these clauses will prevail over any supplier contract clauses. SBC's standard clauses and contracts are available from corporate procurement.
- 6.5.5 A tender period can be extended if there are justifiable reasons and it is practical to do so. The reasons for any extension of time should be recorded and communicated in writing to all respondents at least one week prior to the new closing date.
- 6.5.6 Suppliers must carry a range and level of insurance cover acceptable to the type of contract being let. As a starting point it would be prudent to assume the following minimum levels of indemnity, Public Liability £5m, Employers Liability £10m (although the legal minimum is £5m), Professional Indemnity £2m, Products Liability between £1 and £5m. These must be reviewed for adequacy in light of the various risk factors affecting the contract. Only in very low risk scenarios would levels of indemnity lower than these be acceptable. If in doubt, contact the Council's Insurance Officer.<sup>37</sup>
- 6.5.7 The advice of the Shared Legal Services Commercial Law team must be sought as necessary, particularly for contracts which are complex.
- 6.5.8 PCR2015 lays down specific time periods for submission of Tenders, which must be followed (see guidance in the Intranet under "Procurement" and also Appendix B)
- 6.5.9 If the procurement is a mini competition(tender) under an approved framework agreement that has been let in accordance with PCR2015 and covers the Council, then normally at

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<sup>35</sup> Standard forms can be found within the template tender documents available from corporate procurement

<sup>36</sup> Standard amendments to JCT Minor Works or Measured Term contracts are available from Corporate Procurement

<sup>37</sup> An insurance checklist can be found on the intranet under staff info/finance/insurance

least four weeks should be allowed for the submission of Tenders. This can be less if the Contracting Officer has ascertained, after consultation with all short listed Suppliers, that a lesser time period is practical and realistic.

- 6.5.10 It may be necessary during the tender period for the Council to clarify some aspects of its tender documents. This may be done in writing or by way of a meeting ie Bidders Day. Parity of tendering must be preserved so it is important that all tenderers are issued with the same information.
- 6.5.11 The officer must consider if the requirement could be split into lots, if the decision is not to use lots it must be explained in the Invitation to Tender.
- 6.5.12 The Public Services 2012 Social Value Act requires commissioners to consider securing economic, social, or environmental benefits when buying services above the EU threshold. To comply with the Act, commissioners must think about how what they are going to buy, or how they are going to buy it, could add these benefits, and must also consider whether they should consult on these issues. This consideration needs to be documented and retained in line with CSO 5.8.12

## **6.6 Submission, Receipt and Opening of Tenders**

For contracts within this value banding, CSO 5.5 must be followed.

## **6.7 Tender Evaluation**

- 6.7.1 The following should be checked by the Officer:
- a) The Tenders are actually from the firms invited to tender (where a framework or restricted process is used);
  - b) Check that the price of the tenders as set out on the Opening of Tenders is correct;
  - c) That there are no errors or omissions in the completion of the documents.
  - d) Where a check of the prices quoted suggest collusion among tenderers or 'ring' pricing, the case should be referred to the Assistant Director (Finance & Estates);
- 6.7.2 Where necessary, clarifying some aspect of a Tender response in writing or by way of a meeting is permitted. If a meeting is held then relevant notes should be made of the results of the meeting and as necessary significant matters should be confirmed in writing for contractual purposes. It is possible to upload the notes to the Council's Intend system if required.
- 6.7.3 The Procurement process should take no longer than 10 months from issue of advertisement to award of contract. Should the procurement process take longer than 10 months, authorisation must be sought from the Borough Solicitor, Assistant Director (Finance & Estates) or Corporate Procurement Manager to proceed with the contract award.
- 6.7.4 ***Post Tender Negotiation must not be conducted in an EU Procedure.***
- 6.7.5 Following the negotiated procedure contained within PCR2015 is not the same as Post Tender Negotiation. The negotiated procedure can only be used in exceptional cases and prior written approval ***must*** first be sought from either the Borough Solicitor or Corporate Procurement Manager to use the negotiated procedure. Post Tender Negotiation includes revising pricing and contract terms and conditions.
- 6.7.6 The Competitive Dialogue procedure permits the Council to enter into dialogue with suppliers to identify possible or alternative solutions. This procedure can only be used where



the financial or technical make-up of the contract cannot be ascertained without such dialogue. Prior written approval **must** first be sought from either the Borough Solicitor or Corporate Procurement Manager to use the Competitive Dialogue procedure.

6.7.7 The officer must use the award criteria and measurement system as set out in the public notice and Invitation to Tender<sup>38</sup>. The measurement system should usually include the following three elements:

- a) A point scoring system for individual quality/value for money considerations.
- b) Weightings applied to quality/value for money factors in accordance with their importance to the completion of the contract. Any sub-criteria must also be identified at this stage and the appropriate breakdown weighting disclosed.
- c) A "Quality Threshold" which sets the minimum standard expected. Tenders which fall below this shall be excluded from consideration.

6.7.8 All suppliers must be notified in writing through the Council's E-tendering system whether they have or have not been successful either in making the next stage or winning the contract. Where the contract is awarded on the most economically advantageous ground, tenderers must be notified of their score obtained against each award criteria, the score the winning tenderer obtained, the name of the winning tenderer and the characteristics and relative advantages of the winning tender. **The contract with the successful supplier must not commence until 10 calendar days after the date on which the letters were sent**, if the 10<sup>th</sup> day is a weekend or bank holiday the last day must be the following working day (15 days if sent by post) allowing unsuccessful suppliers time to dispute any decision made.<sup>39</sup>

6.7.9 Officers must not agree to contract conditions where payment is made before the goods, works or services are received, unless otherwise approved in writing by either the Corporate Procurement Manager, the Assistant Director (Finance & Estates) or the Borough Solicitor. Staged payments are acceptable but must be proportionate to the cost of goods, works or services received and must be submitted to Treasury and Capital in Accountancy for checking, please see CSO 6.8.13.

### **Checks on Financial Status**

*(Note 6.4.2 above)*

6.7.10 When following the restricted procedure within this banding, checks on financial status must only form part of the overall evaluation at standard selection stage. Financial appraisals cannot be used as a quality evaluation criterion at the Invitation To Tender stage. See the intranet under "Procurement" for the full financial appraisal process. When using the open procedure, financial appraisals should be carried out as part of the tendering process.

6.7.11 At the discretion of Corporate Procurement, financial checks may not be necessary for specific Suppliers. For example, when the contracting body is a local authority.

6.7.12 All contracts in this value banding with a term of over 24 months will need to be registered with Corporate Procurement for monitoring updates on financial status.

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<sup>38</sup> A sample criteria and measurement template can be obtained from Corporate Procurement.

<sup>39</sup> Compliant template letters showing the standstill period are available from Corporate Procurement



## 6.8 Contract Award and Contract Management

- 6.8.1 Consult Financial Regulations regarding the process to be followed to gain approval to award
- 6.8.2 Officers must obtain and check copies of all documents that were self-certified by the supplier during the tender process before awarding the contract.
- 6.8.3 All contracts over the EU threshold must be made under the common seal of the Council. Unless in exceptional circumstances approval to sign under hand is sought and obtained, from the Borough Solicitor, prior to competition.<sup>40</sup> Officers must follow the sealing process as detailed on the intranet.<sup>41</sup>
- 6.8.4 If acceptance of a tender is for any reason is delayed beyond the appropriate tender price validity period, the Supplier must be asked to confirm his tender in writing before the acceptance is issued. This letter of confirmation must be included as part of the contract. If the recommended tenderer submits a revised price, the Shared Legal Services Commercial Law team must be consulted.
- 6.8.5 A written report must be compiled that satisfies regulation 84 of the Public Contracts Regulations 2015. The report must be kept with the signed contractual documents for a minimum of 3 years from the date of award of the contract.<sup>42</sup>
- 6.8.6 Contract award notices must be published by the Corporate Procurement team in the Official Journal of the European Union (OJEU) and Contracts Finder within 30 days of contract award via the Council's E-tendering system – In-Tend<sup>43</sup>.
- 6.8.7 For contracts within this value banding, **an electronic award notification form must be completed and passed to Corporate Procurement<sup>44</sup> An electronic copy of the contract pack must be provided to Corporate Procurement for the Central Contracts Database followed by a scan of the fully signed acceptance letter or relevant contract pages holding signatures/seals at point of execution.** Contracts, for the purpose of this exercise, will range from a simple letter confirming pricing and using standard Supplier terms and conditions to a large contractual document drafted by Legal. Contracts will also cover one off purchases and schedules of rates.
- 6.8.8 The officer may wish to use a contract management checklist form to ensure all required steps have been followed. An example checklist can be found on the intranet under "Procurement", although Business Units may use their own forms to reflect their special requirements. All documentation and records of communications pertaining to the tender must be kept in accordance with Document Retention Schedule which can be found on the intranet.
- 6.8.9 The officer should provide his or her line manager, or Senior Leadership Team member as considered necessary, with regular reports on the financial position of a contract for budget or funding monitoring purposes and to enable corrective action to be taken as necessary.
- 6.8.10 All interim valuations and final accounts in respect of staged payment contracts must also be

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<sup>40</sup> Exceptional circumstances are where the 12 year limit of liabilities is of no benefit due to the nature of the product, such as supply of road fuel/ utilities or where the form of contract is dictated by framework terms.

<sup>41</sup> See sealing process on the intranet under Procurement.

<sup>42</sup> The award notification form contains a page to complete Regulation 84 information

<sup>43</sup> The Corporate Procurement Team will undertake this task.

<sup>44</sup> The Award notification forms are found on the intranet under Procurement

submitted for checking by Treasury and Capital in Accountancy for recording in the Central Contracts Database before they are sent for payment to Exchequer.

6.8.11 The officer must monitor the performance of the Supplier to ensure that requirements of the contract are delivered satisfactorily<sup>45</sup>. In performing this task the officer must monitor:

- a) Work performance (including KPI's if applicable)
- b) Compliance with specification and contract terms and conditions
- c) Cost
- d) Any Value for Money requirements
- e) User satisfaction
- f) Risk management (to include checking that relevant certificates such as insurance are up to date)

6.8.12 All documents, communications and minutes pertaining to the tender exercise and contract award must be kept in accordance with the Document Retention Schedule which can be found on the intranet under the section marked Freedom of Information.

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<sup>45</sup> Guidance on contract management is available on the intranet under Procurement

## SECTION 7 SPECIAL TYPES OF CONTRACTS

### 7.1 Engagement of Consultants

7.1.1 It is important that value for money is obtained when employing consultants.<sup>46</sup> Therefore, for all instances where the Contract Value of a consultancy appointment is over £5,001, the commissioning officer must provide a report to the Assistant Director responsible containing as a minimum the details listed under CSO 7.1.2.

7.1.2 Before consultants are invited to bid/tender the Assistant Director is responsible for:

- a) identifying the project objectives; and
- b) documenting the reasons for the employment of consultants including the benefits of employing consultants against in house staff or agency staff; and
- c) documenting the residual in-house costs to support the consultant and ensuring that sufficient budget is available to meet all identified costs;
- d) Preparing a project brief with action dates to be recorded against each section, including:
  - (i) background; and
  - (ii) objectives; and
  - (iii) timetable; and
  - (iv) total costs; and
  - (v) performance monitoring arrangements; and
  - (vi) documentation standards; and
  - (vii) contact names and numbers for enquiries

7.1.3 All consultants must provide evidence of adequate professional indemnity insurance prior to their appointment. The requirement for insurance and the levels required should be advertised in the specification of works, if in doubt about the levels required consult with the Council's Insurance Manager

7.1.4 Human Resources must be consulted to help determine if the appointment is within IR35 or if a consultant is appointed and employed through an agency or through the council's payroll the consultant may fall under the Agency Workers Regulations 2010.

7.1.5 It should be a condition of contract with any consultant, agent or professional advisor who is to be responsible to the Council for the award or supervision of a contract on its behalf, that in relation to that contract they shall:

- a) comply with these Contract Standing Orders as though they were an employee of the Council; and
- b) produce on request all the records maintained by them in relation to the contract award and award of contract; and
- c) on completion of the contract, transmit all records that they have produced or received that relate to the contract to the appropriate Assistant Director

7.1.6 Any letter of appointment or contract must set out the consultants legal obligations to the Council including where the ownership of intellectual property rights will sit. Advice on intellectual property can be sought from the Shared Legal Services Commercial Law team. Every written contract shall provide that the consultant shall not assign directly or indirectly the whole or any part of the contract without the written approval of the Council.

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<sup>46</sup> A consultant is a professional who provides expert advice in a specific field; they either operate within the organisation or are employed externally by an organisation for a fee.

## **The Invitation to Quote / Tender**

- 7.1.7 When procuring consultants the total estimated contract value should be used to adopt the procurement band to use. Details on Band 1 and 2 can be found under CSO 4.1 and Band 3 under CSO 5.1. When the estimated Total Value of the consultancy is equal to or exceeds the EU Threshold for services, then PCR2015 rules must be followed, as set out in Section 6.<sup>47</sup>
- 7.1.8 Where it can be demonstrated that there are insufficient suitably qualified consultants to meet the competition requirement, the officer must record in writing the reason why the services are so specialist and obtain an exemption approval as required by paragraph 3.3 of Section 3 of Contract Standing Orders to invite fewer consultants.
- 7.1.9 For consultancies over £10,001 related to construction, estates or building surveying work, the use of conditions of engagement is permitted where they are considered appropriate by the Assistant Director in consultation with the Shared Legal Services Commercial Law team<sup>48</sup>. Other consultancies over £10,001 including management and IT should use terms and conditions either supplied or approved by the Shared Legal Services Commercial Law team.

## **Tender Evaluation and Contract Award**

- 7.1.10 The tendering, evaluation and award procedure, as outlined in Section 5, shall apply to all consultancies where the total estimated value is over £75,001 and under the EU Threshold and in cases below that value where there is a strong likelihood of additional work (i.e. serial or extension contracts), which would bring the total value above £75,001.

## **Contract Monitoring**

- 7.1.11 For contracts over £75,001, the Senior Leadership Team member shall be responsible for ensuring that the Consultants work is properly monitored on an ongoing basis. This includes:
- a) Appointing a named Project Officer or Group
  - b) Specifying key tasks and dates for Consultants
  - c) Monitoring costs against budgets (payment schedules should include the agreed fees and the frequency of invoicing)
  - d) Arranging regular progress meetings with Consultants
- 7.1.12 The project officer shall maintain and keep all records pertaining to the tender, award and ongoing maintenance of the contract.
- 7.1.13 The project officer shall maintain the following documentation:
- a) project brief/objectives; and
  - b) minuted authority, where required; and
  - c) the agreement with the consultant and any subsequent variations; and
  - d) records that can demonstrate contractors compliance with contract standards prior to payments being made; and

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<sup>47</sup> Certain consultancy related services are not subject to the full tendering requirements of the EU Procurement Directive, a new light touch regime has been introduced where advertising is required but the thresholds are higher.

<sup>48</sup> Standard terms and conditions for consultants approved by Legal are those in the services quotation document provided on the intranet under Procurement.

- e) record of payments made to the consultant and for the project; and
- f) a project evaluation form

7.1.14 The project officer shall report immediately to the Assistant Director any material technical or financial deviation by the consultant from the specified agreement.

## 7.2 Disposal Contracts

7.2.1 Where items, excluding land and buildings over the cost of £1000 (at the time of purchase) cannot be re-used elsewhere in the Council an asset disposal certificate form found on the staff intranet under Finance must be completed, explaining why the items are surplus or redundant, any health and safety issues, and the proposed method of disposal. The form should be submitted to the relevant Assistant Director for approval to proceed with disposal of the items. All vehicles must be disposed of through sale by public auction or by quotations from a reputable dealer.

7.2.2 Where small items of equipment such as keyboards are scrapped under the cost of £1000 (at the time of purchase), they must be recorded on a list held by each relevant Assistant Director and signed off at year end. The list must be passed to Treasury and Capital in Accountancy at year end.

7.2.3 The highest bid received for an item if reasonable should be accepted. One of the following methods of disposal should be used:

- a) Invite quotations or tenders from outside organisations<sup>49</sup>
- b) Sale by Public Auction.
- c) Trade in for a new item when the circumstances are appropriate.
- d) Scrap the items in a safe manner.

7.2.4 The proposed method of disposal should be approved by a Assistant Director. All disposals must comply as applicable with the Waste Electrical & Electronic Equipment Directive and Health & Safety legislation. All Council and personal data must be removed from any IT or recording equipment prior to their disposal.

### Competition Rules

7.2.5 Where inviting quotations or tenders from outside organisations the following number of bidders should be invited as follows:

<u>Estimated Value</u>	<u>Minimum number of bidders to be invited (for Plant &amp; Equipment only)</u>
Up to £5,000	At least one bidder by quote
Over £5,001 up to £75,000	At least three bidders by quote
Over £75,001	At least four bidders by invitation to tender

7.2.6 Records of the bids received and written approval by an authorised officer to accept the most favourable bidder should be kept. The acceptance will be by letter signed by SLT Member or Assistant Director if the value is under £75,000 or a Senior Leadership Team member if the value is over £75,001.

## 7.3 Contract Extensions

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<sup>49</sup> Quotations or tenders can be issued through the Councils Intend e-tendering system if required

- 7.3.1 Term contracts often have the provision for extensions. E.G. the contract terms is 3 years with the option to extend for a further 2 years. When considering taking up the extension option consider if this will be in the councils best interest to extend. e.g. is the service still required in the existing form? Has the market changed? Could re procuring produce a saving? Do the research in sufficient time so that if the answer is re procure there is sufficient time to re procure well, the default should not be to extend because it's not been thought about it in time for any other option. The decision to extend is signed off by the officer with delegated rights to sign contracts of the value of the extension.
- 7.3.2 All requests to extend a contract beyond provision in the contract to extend must be made in writing to either the Assistant Director (Finance & Estates) or the Borough Solicitor for their approval. No extension that contravenes The Public Contracts Regulations 2015 will be granted and no extension to an existing contract shall be given unless it can be clearly demonstrated that a change of Supplier would result in one or more of the following:
- a) Unacceptable technical difficulties
  - b) A significant and unacceptable increase in costs to the Council
  - c) Significant disruption to the delivery of Council services.
- 7.3.3 It is not permitted to extend a contract renewable yearly on more than four occasions without re-tendering. Such cases should be reviewed annually and a written record of the decision (with reasons) to either, extend the contract or carry out a new competitive tendering exercise must be kept.
- 7.3.4 In all cases where the extension of a contract has been approved, the Shared Legal Services Commercial Law team shall be requested by the client department to undertake formalising the contract extension. Where the total contract value (including the original contract value) exceeds £5,001, details of the contract extension must be provided to Corporate Procurement for recording on the Central Contracts Database. If a contract record has already been entered on the central register then this will need to be updated with the contract extension details<sup>50</sup>.

## **7.4 Contract Hire and Lease/Rental Agreements**

- 7.4.1 Contract hire and lease/rental agreements are procurements and are subject to the provisions contained in Contract Standing Orders.
- 7.4.2 Before entering into a contract hire or lease/rental agreement the officer shall ensure that the financial implications have been assessed by Accountancy. Lease/Rental agreements can only be signed off following approval from the Assistant Director (Finance & Estates) or their nominated deputy.

## **7.5 Nominated Sub-Contractors and Suppliers**

- 7.5.1 If nominations are to be used then the terms of the contract between the Council and the main contractor should make it clear that the main contractor will be expected to enter into contract with the sub-contractors or Suppliers nominated by the Council.
- 7.5.2 *Tenders* for the nominated sub-contractors or Suppliers will be invited, opened and evaluated by the Council in accordance with Contract Standing Orders. The officer shall

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<sup>50</sup> A variation form to amend central contract details is available on the intranet under Procurement

nominate the successful tenderer(s) to the main contractor.

- 7.5.3 The main contractor will ensure that the main contract indemnifies them against the sub-contractors own obligations in relation to the works, supplies or services included in the sub-contract.

## **7.6 Term Contracts and Framework Agreements**

- 7.6.1 An officer may consider it advantageous to the Council, to invite tenders on a Term basis or under a Framework Agreement where payment is based not on defined works, services or supplies, but on a Schedule of Rates, Bill of Quantities or fixed unit cost over a defined period of time.
- 7.6.2 Unless a long term partnership, term contracts should not exceed five years or in the case of framework agreements four years, but will not normally exceed two years unless the contract contains a price fluctuation clause. It is not permitted to extend a contract renewable yearly on more than four occasions without re-tendering. Such cases should be reviewed annually and a written record of the decision (with reasons) to either extend the contract or carry out a new competitive tendering exercise must be kept (contracts may be subject to other term restrictions under the EU Procurement Directive).
- 7.6.3 The relevant procedures and regulations in Sections 3 to 6 of Contract Standing Orders are applicable to all Term Contracts.
- 7.6.4 Any Framework Agreement must be tendered in accordance with Contract Standing Orders or under PCR2015 rules, as applicable.
- 7.6.5 The estimated value of the Term Contract should be based on the full length of the contract (including any options for contract extensions) or for four years if the contract is renewable yearly or is a framework agreement.
- 7.6.6 Where additional items of work are required but not contained within the Schedule of Rates consult with Corporate Procurement to check these are legally valid variations, If agreed all suppliers on the framework agreement or term contract shall be given the opportunity of pricing such items which will then be added to the main Schedule of Rates to be used in the future.

## **7.7 Partnerships & Shared Services**

- 7.7.1 The term 'Partnership' is used to cover a wide variety of joint ventures and other procurement arrangements. The Senior Leadership Team member or contracting officer shall ensure that the prior approval of The Assistant Director (Finance & Estates) or the Borough Solicitor for the proposed partnership arrangement is obtained. The financial implications must be assessed by the Assistant Director (Finance & Estates) and all proposed partnership agreements must be cleared with the Borough Solicitor **at the earliest stage**.
- 7.7.2 All partnership agreements shall include *where relevant*:
- a) The principles of the partnership
  - b) Output specification and specified inputs
  - c) Partnership board
  - d) Open book accounting



- e) Any profit sharing arrangement and payment mechanism
- f) Hierarchy of dispute resolutions mechanisms
- g) Quality and Environment management systems
- h) Asset transfer
- i) Withdrawal arrangements

7.7.3 Partnership agreements which involve a joint venture/contractual arrangement with private sector bodies are subject to the provisions of Contract Standing Orders.

7.7.4 A competitive exercise shall be undertaken in accordance with the provisions of Contract Standing Orders to select the partner and award the work. In any cases where the proposed partnership would mean that Contract Standing Orders of another public sector body would take precedence over those of Stevenage Borough Council, the written approval of either the Assistant Director (Finance & Estates) or Borough Solicitor must first be obtained before any partnership is formalised.

7.7.5 Partnerships with the Voluntary Sector shall be in accordance with the grants policy of this Council.

7.7.6 Procurements undertaken through an existing Shared Service will be made using the Contract Standing Orders of the contracting lead authority.

## 7.8 Income Generating Contracts

7.7.7 All income generating contracts must be subject to competition, as follows:

	<b>Estimated Value</b>	<b>Minimum Number of Bidders to be Invited</b>
<b>Band 1</b>	Up to £10,000	At least one bidder by quote
<b>Band 2</b>	£10,001 – £75,000	At least three bidders invited to quote (a minimum of two responses received)
<b>Band 3</b>	Above £75,001	Public advertisement used

7.7.8 Details of income generating contracts in band 2 or above must be reported to and approved in writing by a Strategic Director.

7.7.9 For contracts with an estimated value above £75,001, CSO 5.5 (regarding the submission, receipt and opening of tenders) must be followed.

7.7.10 Where income generating contracts also incur a cost to the Council, the cost element may be subject to Contract Standing Orders in its own right. In this instance, the advice of the Assistant Director (Finance & Estates), Shared Legal Service Commercial Law team or Corporate Procurement Manager should be sought.



## **SECTION 8 OTHER CONSIDERATIONS**

### **8.1 Contractual Disputes**

- 8.1.1 The officer should seek the advice and involvement of the Shared Legal Services commercial law team as appropriate in contractual disputes with Suppliers.
- 8.1.2 In the event of a claim from a Supplier for loss or expense incurred (either permitted by the terms of the contract or extra-contractual), seek advice from the Shared Legal Services commercial law team immediately.

### **8.2 Termination of Contracts**

- 8.2.1 Subject to the terms and conditions of the contract, where the Supplier has demonstrably failed to deliver the work, services or goods in accordance with the contract the Council will be at liberty to terminate the contract either wholly or in part and to procure the works, supplies or services of the same or similar description elsewhere, in order to make good such default.
- 8.2.2 Adequate written evidence of poor unacceptable performance must be kept. Such records would include relevant correspondence and records of relevant meetings with the Supplier.
- 8.2.3 Shared Legal Services Commercial Law team must be involved in the termination of any formal contract to ensure that:
  - a) The Council's case for termination is legally sound; and,
  - b) The termination is carried out in accordance with the terms of the contract.

### **8.3 Bankruptcies and Liquidations**

- 8.3.1 In the event that a Supplier ceases to trade as a result of a bankruptcy or liquidation then the Shared Legal Services Commercial Law team must be involved in any of the following:
  - a) Terminating the contract
  - b) The appointment of new Supplier to complete the work or service;
  - c) Negotiations with liquidator/receiver/administrator
  - d) Assignment of contract and Novation

### **8.4 Contract Variations**

- 8.4.1 Contracts above the EU thresholds – Consult Corporate Procurement for advice before creating a variation order.
- 8.4.2 Variation orders shall relate to the work specified in an existing contract only and shall not be given in circumstances where a separate contract should or ought to have been entered into.
- 8.4.3 All variation orders must normally be issued to the Supplier prior to the relevant work being carried out but, in exceptional circumstances, should be given as soon as possible thereafter.
- 8.4.4 Variations shall be issued to the Supplier on an official Variation Order (VO), e.g. Architects

Instructions (AI'S), in a form approved by the relevant professional association. Variation Orders shall contain the details of the work required and be appropriately priced. Variation Orders must be signed by an officer authorised to sign contracts for the new total value of the contract in question. In the case of sealed documents Shared Legal Services Commercial Law team must be consulted.

8.4.5 All contract variations regarding contract value or expiry dates must be reported to Corporate Procurement to enable the changes to be updated on the Council's contracts register.

## **8.5 Green Environment and Sustainable Sources**

Goods or services which are known to be harmful to the environment, and where there are other adequate options, will not be used. Wherever practical and cost effective, only materials from sustainable sources will be used.

## **8.6 Diversity**

Officers should take steps in the procurement exercise to encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.<sup>51</sup> Providing details of any bidding opportunities on the Internet via the Corporate Procurement Manager will raise awareness for these organisations.

## **8.7 Equality**

The Council must have due regard to the requirements of the public sector equalities duty under the Equalities Act 2010, which must be taken into account when procuring goods, works, or services from external providers.

## **8.8 Innovative Procurement/Abnormal Contract Action**

New or different ways of purchasing goods, services or works, which give better value for money, are encouraged. However, any proposals for innovative procurement or abnormal contract action (including the use of another organisation's Contract Standing Orders and E-auctions) must be cleared by the Borough Solicitor to ensure the proposal is legally sound.

## **8.9 Declaration of Interest**

Section 117 of the Local Government Act 1972 provides that, if it comes to the attention of any officer, that the Council has entered or is proposing to enter into a contract in which he or she has "pecuniary" interest, he or she must give notice in writing of that interest to the Authority as soon as is practicable. It is a criminal offence not to comply with this provision.

- a) The register in which the written notice is to be given is held by the Constitutional Services Manager.
- b) "Pecuniary" includes any direct or indirect interest and is defined by reference to Section 95 of the Local Government Act 1972. The Borough Solicitor's advice should be sought in areas of uncertainty.
- c) The requirement to register applies even if the officer is not involved with the Contract.

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<sup>51</sup> Further guidance on how to encourage a diverse and competitive supply market using pre-procurement is available on the internet under Procurement.

## 8.10 Freedom of Information Act (2000)

The Data protection officer or their appointed nominee should be consulted where requests for information on tenders or contracts are received under the Freedom of Information Act (2000).

## 8.11 Security of Performance and Performance Liability

In order to protect the Council from non-performance or poor performance in a contract, the officer should consider whether a performance bond or a liquidated damages clause is required and in what form. These are especially relevant for Works and some Service contracts<sup>52</sup>. The Shared Legal Service Commercial Law Team should be consulted about the type and wording of the bond or liquidated damages clause.

For Works contracts between £500,000 and £2,000,000, the Council may (dependant on risk analysis) require the Supplier to provide a performance bond for 10% of the total contract value. For Works contracts above £2,000,000 the performance bond is usually 5%.

Supplier contracts should be checked carefully for any limitations or liability and advice should be sought from the Shared Legal Service Commercial Law Team. The foreseeable damage to the Council which might arise from the failure on the part of the supplier, any limitation on the contract, liability insurance carried by the supplier (other than public liability cover) and, security for performance, are all interrelated factors and should be considered carefully as a whole.

## 8.12 TUPE and the Best Value Code of Practice on Workforce Matters

If contracting out a service or re-tendering a term contract, the Transfer of Undertakings (Protection of Employment) Regulations (“TUPE”) 2006 may apply. This is a very complex area where legal guidance and trade union consultation must be sought at an early stage.

## 8.13 Health and Safety

Officers should take steps during the procurement exercise and throughout the length of the contract to ensure that health and safety is appropriately covered.

Considerations include:

- Clearly identify all aspects of work to be carried out by the contractor
- Consider the health and safety implications
- Competency to do the job safely?
- How reliant on sub- contractors and sub-sub-contractors?
- Reputation?
- Prosecutions, notices, accident record?
- Ensure contractors know what is expected
- Show SBC safety policy procedures, permit systems, contractor guidance and confirm they have been read and understood
- Whether Works contractors should be SSIP (or equivalent) registered

Consider requiring your Contractor to:

- Outline recent health and safety performance
- List, with evidence, qualifications and skills

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<sup>52</sup> Standard templates and further explanations/guidance for performance bonds and liquidated damages clauses can be found in the High Value Services Contract available from Corporate Procurement

- Provide safety method statement
- Be a member of trade organisation or professional body
- Provide clear information about the risks of the operation
- Provide safety rules and procedures
- Any employee, contractor or sub contractor working on behalf of SBC on SBC premises including tenanted properties must have ID relevant to their employment.

For further guidance, please refer to the Council's Health and Safety Guidance which can be found on the intranet under staff info/hr/health and safety.

#### **8.14 Safeguarding Children<sup>53</sup>**

All services commissioned by the Council must operate within the requirements of the Council's Safeguarding Children Policy and meet the relevant legislative standards. Where appropriate, procuring officers will need to ensure that contractors demonstrate that they meet these requirements. As an indicator, contractors/agencies must have in place the following:

- Senior Management Commitment to Safeguarding
- Clear, Accessible Statement of Responsibility (including Safeguarding Policy, Complaints, Equal Opportunities and Incident Monitoring Procedures)
- Clear mechanisms for identification and investigation/action regarding safeguarding concerns
- Clear Line of Accountability for Reporting Safeguarding Concerns
- Child and Family conscious service planning and delivery
- Staff Training programme for Safeguarding
- Safer Recruitment Policy
- Information Sharing procedure

#### **8.15 Accessibility**

Consider whether what you are buying needs to meet new Accessibility requirements - it could be websites / apps or even pdf/reports/pictures – anything that is published by SBC to the public or to staff<sup>54</sup>

#### **8.16 GDPR**

The Council must have due regard to the requirements of the General Data Protection Regulations 2018. Conduct a Data Protection Impact assessment to perform an assessment of privacy risks of performing data processing activities involving personal data handling.<sup>55</sup>

#### **8.17 Social Value**

The council must have due regard to the Public Services 2012 Social Value Act which requires commissioners to consider securing economic, social, or environmental benefits when buying services above the EU threshold, it is best practice to also apply the considerations to buying goods and works both under and over the EU thresholds . To

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<sup>53</sup> Additional information regarding Safeguarding is available on the Stevenage Borough Council website.

<sup>54</sup> Speak to IT service desk for assistance or <https://www.gov.uk/guidance/accessibility-requirements-for-public-sector-websites-and-apps>

<sup>55</sup> See intranet staff info/data protection.

comply with the Act, commissioners must think about how, what they are going to buy, or how they are going to buy it, could add these benefits, and must also consider whether they should consult on these issues. This can be both in the design of the specification and in the evaluation of the bids.<sup>56</sup>

### **8.18 Modern Slavery**

The council must consider the risk of modern slavery existing within its supply chain. Procuring officers need to research the level of risk that exists in the relevant market. If the risk is medium or high they should consult with Corporate Procurement suitable measures to take above and beyond the questions asked as standard in the SBC quotation and tender templates available via the intranet or Corporate Procurement.<sup>57</sup>

### **8.19 Fraud Prevention**

The council must comply with the Bribery Act 2010 and consider the risk of fraud within its supply chain. Procuring officers need to think about whether their actions could be perceived as fraudulent or favoring a particular supplier and also be alert to possible fraudulent behavior from bidders during the procurement and evaluation process. Within contract management processes consideration needs to be given to preventing fraudulent behavior by contractors or Council officers. Any suspicion of fraudulent behaviour should be reported to the Shared Anti-Fraud Service or use the Councils Whistleblowing policy<sup>58</sup>.

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<sup>56</sup> See information on the intranet under Procurement

<sup>57</sup> See intranet procurement.

<sup>58</sup> See intranet for more information

## Appendix A - Table of Definitions / Terms

Authorised Contract Signatory	The named officer who has been sanctioned via SLT to sign contract with suppliers to a specified contract value. The list of authorised signatories and respective values are maintained by Exchequer Services.
Bond	A bond is a legally enforceable financial guarantee given by a third party (the guarantor) to the Council to guarantee the obligations of a <i>Supplier</i> under a contract. The guarantor agrees to pay the Council a sum of money if the <i>Supplier</i> does not do what has been promised under a contract with the Council (e.g. a bond is often 10% of the total contract value). The purpose of a bond is to help the Council meet the extra expenses to remedy the contract default and/or complete the contract.
CCS	Crown Commercial Services - a local authority approved purchasing consortium, which is an executive agency of the Cabinet Office.
Contracts Finder	Government mandated advertising portal for all contract notices and awards advertised by Local and National Government and it's agencies
CSO	Contract Standing Orders
ESPO	Eastern Shires Purchasing Organisation - a local authority approved purchasing consortium.
Estimated Contract Value	The calculation of the estimated value of a contract shall be based on the maximum total amount payable, excluding VAT, envisaged for the total term of the agreement (including any option for contract extensions). Contracts <b>must</b> not be artificially separated either in structure or duration so as to avoid having to comply with the requirements of the Council's Contract Standing Orders or EU Procurement rules.
EU	European Union.
EU Procedures	The procedures required by the EU where the <i>Total Value</i> exceeds the <i>EU Threshold</i> – see <i>separate additional guidance from Corporate Procurement</i> .
EU Threshold	The contract value at which PCR2015 must be applied, for example, as from 1 <sup>st</sup> January 2020 £189,330 for the supply of goods or services and £4,733,252 for works (building engineering and construction) contracts. These figures are subject to change every two years or possibly more frequently so staff should review the guidance regarding PCR2015 available on the intranet, under "Procurement".
Financial Regulations	The Council's financial regulations set out rules/procedures for financial management and the conduct required of Council staff in dealing with financial matters. They are issued by the <i>Assistant</i>

*Director (Finance & Estates) and form part of the Constitution.*

Framework Agreements	Framework Agreements are non-binding agreements entered into between a contracting authority and one or more <i>Suppliers</i> , setting out the terms and conditions (e.g. pricing mechanisms, quantity and scope of services/supplies/works and duration) under which future purchases (or call offs) can be made throughout the term of the agreement.
Homes England	Homes England is the non-departmental public body that funds new affordable housing in England. It was founded on 1 January 2018 to replace the Homes and Communities Agency.
Insurance cover and indemnity / liability limits	<p>Normally, contracts should require suppliers to indemnify (protect) the Council from public liability and employers liability to an appropriate limit, but products liability and professional liability may be required when relevant to a particular contract. The appropriate limit of indemnity should be judged individually depending on the nature of the contract, risk assessment, size of contracting firm etc. A brief explanation of each type of liability follows:</p> <p><b>Public Liability</b> provides indemnity for damages the insured is legally obliged to pay to a third party who has suffered damage or injury as a result of the insured's action. It does not extend to damage or injury suffered by employees of the insured. It does not include pure financial loss suffered as a result of advice given. The contract may include a co-indemnity or cross-indemnity clause, which effectively extends the supplier's cover to include SBC.</p> <p><b>Employers' Liability</b> provides indemnity for damages the insured is legally obliged to pay to an employee who has suffered damage or injury as a result of the insured's action. The contract should include a wide definition of "employee" so as to include apprentices, work-experience people, and volunteers if appropriate.</p> <p><b>Products Liability</b>, often included as part of general Public Liability Section of a policy, provides indemnity for damages the insured is legally obliged to pay to a third party who has suffered damage or injury as a result of the product for which the insured is responsible.</p> <p><b>Professional Liability (or Indemnity)</b> covers loss or damage (except bodily injury or damage to property) arising from the negligence or accidental error/omission of any official or employee while the Council is acting in a statutory capacity.</p>
In-Tend	The Councils E tendering system software, also known as SupplyHertfordshire
ITT	Invitation to Tender.
Key Decision	Decisions that are defined as Key Decisions in the <i>Constitution</i> . If the purchase is a Key Decision, the Officer must ensure that all appropriate steps have been taken. If the Contract value exceeds £250,000 or the contract will be significant in terms of its effects on communities living or working in the area, then the purchase is likely

	to be a key decision (See Decision Making - Article 11 in the Constitution for further information).
Nominated Suppliers and Sub-contractors	These are sub-contracts specified in the main contract where the Council nominates specific <i>Suppliers</i> or sub-contractors to the main contractor. The main contractor is expected to establish sub-contracts with the <i>Suppliers</i> nominated by the Council.
Novation	The agreed transfer to another <i>Supplier</i> of the full obligations and rights under the contract.
Parent Company Guarantee	The parent company (or holding company) guarantees the proper performance of a contract by one of its subsidiaries (the contractor). The conditions of the parent company guarantee will usually give the parent company the opportunity to remedy any default within a period of notice before the guarantee is called. The liability can take several forms including a financial guarantee of completion of the project itself or the employment of another <i>Supplier</i> to complete the project.
PIN	Prior Information Notice posted to the European Union
Post Tender Negotiation	Post tender negotiation means negotiations with any tenderer after submission of a <i>Tender</i> and before the award of the contract with a view to obtaining an adjustment in price, delivery or content.
PFH	Procurement for Housing – a local authority approved purchasing consortium, more specifically for Housing
Public Contracts Regulations 2015	Public Contract Regulations 2015 (PCR2015) are the legally required processes for UK public procurement which were transposed from EU Procurement Directives 2014 along with some UK specific rules(PCR 2015 is often referred to as EU Regulations)
Quotation	“Quotation” means an offer to supply or purchase goods, or materials, execute works or provide services including consultancy, at a stated price based on terms and conditions agreed with the <i>Supplier</i> . For the purpose of Contract Standing Orders, the Council uses the term ‘Quote’ rather than ‘Tender’ for the more simplistic procurement process to be followed for estimated contract values below £75,000.
SBC	Stevenage Borough Council
Short Listing	Where <i>Suppliers</i> are selected: <ul style="list-style-type: none"> <li>• to quote or bid or</li> <li>• to proceed to final evaluation.</li> </ul>
Supplier	Any person, organisation or economic operator who supplies the Council with Goods, Works or Services. For the purpose of Contract Standing Orders, the term supplier includes contractors, consultants and service providers.
Senior Leadership Team member	The Assistant Directors, Strategic Directors and Chief Executive.

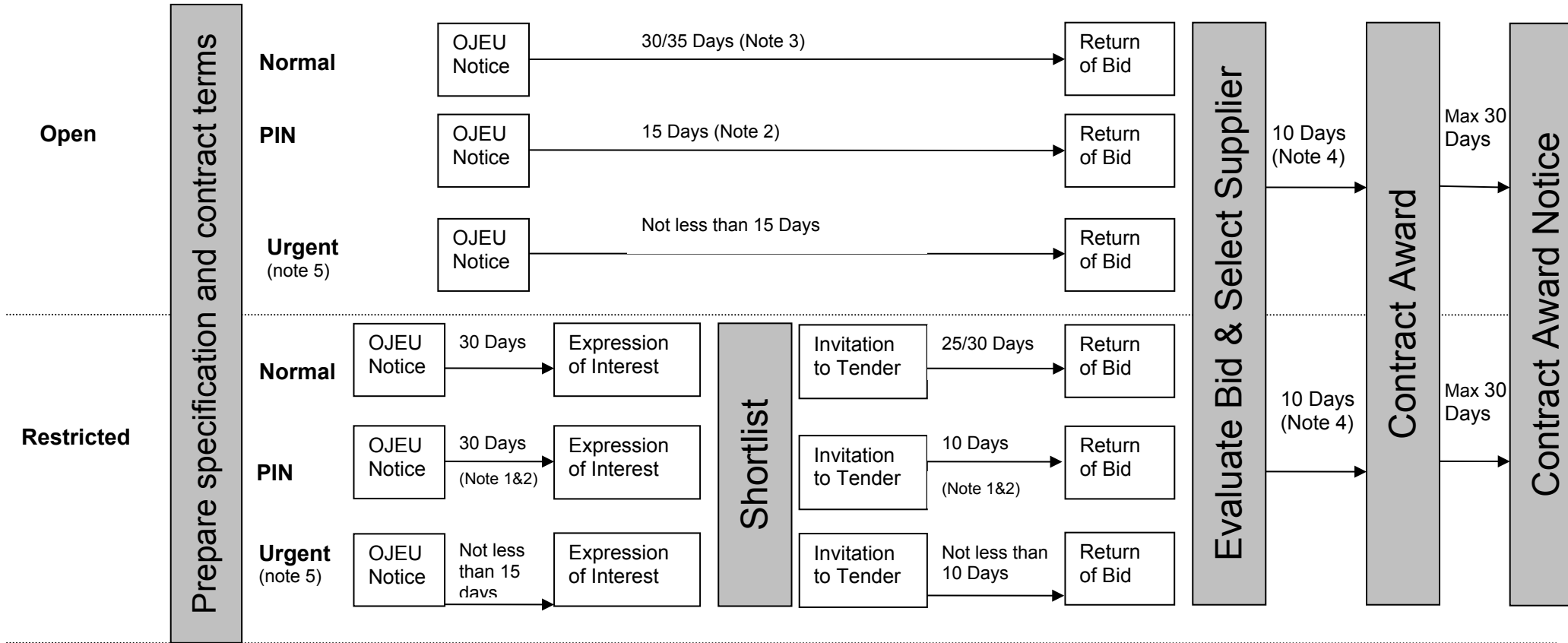


Tender	“Tender” means a formal offer to supply or purchase goods, or materials, execute works or provide services including consultancy, at a stated price based on set terms and conditions. For the purpose of Contract Standing Orders, the Council uses the term ‘Tender’ as opposed to ‘Quote’ for the more complex procurement procedure required for estimated contract values over £75,001.
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
YPO	Yorkshire Purchasing Organisation - a local authority approved purchasing consortium

**Appendix B**

**Minimum Timescales for above EU Threshold Contracts (in calendar days)**

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**Competitive procedure with Negotiation**

**Innovation Partnerships**

**Competitive Dialogue**

These processes may only be used when certain criteria are met – for criteria and timescales please contact Corporate Procurement.

Note 1 Where PIN is used as a Call for Competition in the Restricted procedure, provided PIN published no less than 35 days and no more than 12 months before the despatch of the Contract, the 30 day timescale commences from when the invitation to confirm interest is sent and a separate Contract Notice is not necessary – strict guidelines for publication of PIN.

Note 2 Provided PIN published no less than 35 days and no more than 12 months before the despatch of the Contract Notice

Note 3 Under the new Public Contracts Regulations 2015, where the contracting authority allows electronic submission of tenders, the minimum timescales for receipt of tenders can be reduced by 5 days to 25 days for Restricted / 30 days for Open procedures.

Note 4 Under the Public Contracts Regulations 2015 where notification of intention to award is NOT sent by electronic means the Alcatel (Standstill) period must be 15 days, standstill expires midnight on the 10<sup>th</sup> day after notification (see mandatory standstill document for more information). Standstill must not expire on a non-working day (Saturday, Sunday or bank holiday)

Note 5 Classifying a procurement as Urgent is subject to meeting certain criteria – please check with Corporate Procurement

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## Financial Regulations proposed changes

The latest update incorporates changes that place greater emphasis on Assistant Directors (ADs) to reflect the new senior management structure. The table below details the responsibilities of AD's under the updated Financial Regulations (the regs), these requirements previously sat with the Directors of Services.

<b>Summary of Assistant Director Responsibilities (see section 1.13)</b>
Ensure their staff receive a full copy of the Financial Regulations and receive appropriate training in order for staff to comply with the Financial Regulations.
Individually responsible for financial management of resources allocated to their services including staff, plant and equipment, buildings, budget.
Executive Members are informed of financial implications of all proposals
All expenditure and income is processed in a timely manner and coded correctly on Integra
Outstanding debt is collected as per policy
Names of officers authorised to certify payments are provided to Exchequer
Principles of separation of duties in maintained
Keep VAT records (delegated to Finance) for supplier invoices and sales invoices
Duty to notify s151 officer any suspected irregularities re cash, stores or other property
Duty to notify any new risks that require insurance and to provide details
That officers claiming mileage and/or using vehicles on council business adhere to Council Driver policy
Maintain register of Keys

## Other key updates

**Budget Managers** – new section to include budget manager responsibilities

**Insurance** – Insurance is procured via AD Finance & Estates and any potential claim for loss or liability must be notified to insurance team.

**Budget increases** – Virement limits remain the same. If projected overspends can not be covered by income increases or reduction elsewhere then additional budget can be requested through quarterly monitoring. Cumulative budget increases are delegated to Executive for approval. The delegated limits are approved annually at Feb Council meeting (Jan for HRA).

Virements from salary budgets is prohibited (other than to cover agency costs)

Virements must be within funds ie General Fund or Housing Revenue Account and within revenue or capital budgets.

Where a virement would result in a substantial change to service provision it must be approved by Executive.

**Petty cash limits** – Increased from £30 to £50

**Year end processes** - Reminder that AD's responsible for ensuring expenditure and income recorded in the correct year by completing year end paper work. Stock takes are carried out at year end and note that stores with an average value of over £10K should have a continuous stocktaking system in place.

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**Contract Standing Orders Table of Changes – March 2020**

	<b><u>Description</u></b>	<b><u>Existing Contract Standing Orders</u></b>	<b><u>New Contract Standing Orders</u></b>
1.	<b><i>1.9 Raise the value at which band 2 commences</i></b>	Band 1 Up to £5,000  Band 2 £5,001 - £75,000	Band 1 Up to £10,000  Officers must confirm they have considered if competition would save more than the cost of the competition  Band 2 £10,001 - £75,000
2.	<b><i>Aggregation</i></b>		Explains more clearly aggregation
3.	<b><i>Supplier selection at quote level</i></b>	Encourages Local suppliers to be invited to quote. Silent on the option of using framework agreements at this level	Directs the invitation of a local (Stevenage based or failing that Hertfordshire based) supplier where such exists to quote. Explains that framework agreements can be used at this level
4.	<b><i>Using Framework agreements</i></b>		Explains the use of framework agreements more clearly
5.	<b><i>Sealing levels at band 3</i></b>	A contract must be sealed in the following cases:  a) For all formal construction/ works contracts over £75,000  b) Where an extended limitations period is required ( the normal limitation period is 6 years after the end of the contract)	a) Where an extended limitations period is required ( the normal limitation period is 6 years after the end of the contract)

**Contract Standing Orders Table of Changes – March 2020**

<b>6.</b>	<b><i>Reference to SMB</i></b>		Now changed to SLT
<b>7.</b>	<b><i>Contract Extensions</i></b>		Wholesale re write to distinguish between taking up extension options and an extension that potentially breaches regulations or cso's
<b>8.</b>	<b><i>Special considerations</i></b>		Adding GDPR , Modern Slavery, fraud and social value
<b>9.</b>	<b><i>Reference to Borough Solicitor</i></b>	Phrase Borough Solicitor used for all interactions with the legal team	Borough solicitor reference retained where approval is needed. References changed to the shared legal service commercial team where advice is to be sought

**Meeting:           AUDIT COMMITTEE**

Portfolio Area:   Resources

**Date:               17 March 2020**

## **ANTI-MONEY LAUNDERING POLICY AND ANTI-BRIBERY POLICY**

Authors – Anita Thomas                   Ext No. 2430

Lead Officer – Clare Fletcher           Ext No. 2933

Contact Officer – Anita Thomas       Ext No. 2430

### **1. PURPOSE**

- 1.1. To update Members on the Council's Anti-Money Laundering Policy.
- 1.2. To update Members on the Council's Anti-Bribery Policy.

### **2. RECOMMENDATIONS**

- 2.1. That, subject to any comments from Audit Committee, and following consultation with the Portfolio Holder for Resources and the Chair of the Overview & Scrutiny Committee, delegated authority is given to the Strategic Director (Chief Financial Officer) to implement the Anti-Money Laundering Policy (Appendix A to the report) and Anti-Bribery Policy (Appendix B to the report).

### **3. BACKGROUND**

- 3.1 The Anti-Money Laundering and Anti-Bribery policies, together with the existing policies on Fraud and Whistleblowing support the Financial Regulations to provide a clear framework for Officers and Members. The Financial Regulations and Contract Standing Orders form an essential part of the control framework within which the Council operates.
- 3.2 These policies apply to all employees of the Council and aim to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering or bribery.

### **4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1. Although local authorities are not directly covered by the requirements of The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017, guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.



- 4.2. The Anti-Money Laundering Policy names the Strategic Director (Chief Financial Officer) as the designated Money Laundering Reporting Officer.
- 4.3. The objective of the Anti-Bribery Policy is to provide a coherent and consistent approach to ensuring compliance with the Bribery Act. It will enable all employees and any person who performs services for and on behalf of Stevenage Borough Council (including contractors, subcontractors, volunteers, consultants and elected members) to understand their responsibilities and allow them to take the necessary action.

## **5. IMPLICATIONS**

### **5.1 Financial Implications**

- 5.1.1 It is anticipated that these policies will help to protect the Council and mitigate the risk of fraudulent/bribery activity which may lead to compromising the Council's procurement processes and/or disposal of its assets.

### **5.2 Legal Implications**

- 5.2.1 Although local authorities are not directly covered by the requirements of The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017, guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.
- 5.2.2 The Bribery Act 2010 ('the Bribery Act') aims to promote anti-bribery practices amongst businesses. It applies to both the private and public sectors and so applies to the Stevenage Borough Council. An organisation will commit a criminal offence under the Bribery Act if it fails to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business for the organisation. An individual can also be guilty of an offence under the Bribery Act.

### **5.3 Policy Implications**

- 5.3.1 These are new policies designed to protect the Council and its staff from being exposed to money laundering and/or possible bribery. These policies will sit alongside the Council's policies on Fraud and Whistleblowing.

### **5.4 Equalities and Diversity Implications**

- 5.4.1 The Council must have due regard to the requirements of the public sector equalities duty under the Equalities Act 2010. These policies do not impact on these requirements

### **5.5 Climate change**

- 5.5.1 These policies do not adversely affect the Council's ambition to attempt to be carbon neutral by 2030.

## **6. BACKGROUND DOCUMENTS - none**

### **APPENDICES**

Appendix A – Anti-Money Laundering Policy

Appendix B – Anti-Bribery Policy

# **Anti-Money Laundering Policy**

# Anti-Money Laundering Policy

Stevenage Borough Council will do all it can to protect the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

## 1. Introduction

- 1.1 Although local authorities are not directly covered by the requirements of The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2017, guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.
- 1.2 Stevenage Borough Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- 1.3 This policy has appointed an Anti-Money Laundering Reporting Officer to comply with legislation and to oversee the reporting of suspicious activity and money laundering to the National Crime Agency.

## 2. Scope of the Policy

- 2.1 This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.2 This policy applies to all employees, whether permanent or temporary, Members of the Council, contractors and anyone providing a service for the council. Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council and also places a duty upon them to report suspicious activity and money laundering to the MLRO.
- 2.3 This Policy sits alongside the Council's Policies on Fraud and Whistleblowing.
- 2.4 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them.
- 2.5 Individuals who have a concern relating to a matter outside work should contact the Police

## 3. Definition of Money Laundering

- 3.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 as the following 'prohibited acts':

- a) Concealing, disguising, converting, transferring or removing criminal property from the UK. (s327 The P.O.C.A 2002)
- b) Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person. (s328 The P.O.C.A 2002)
- c) Acquiring, using or possessing criminal property (s329 The P.O.C.A 2002)
- d) Doing something that might prejudice an investigation e.g. falsifying a document (s333 The P.O.C.A 2002)
- e) Failure to disclose one of the offences listed in a) to c) above, where there are reasonable grounds for knowledge or suspicion (s330-332 The P.O.C.A 2002)
- f) Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation. (s333 The P.O.C.A 2002)

3.2 Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of 'failure to disclose' and 'tipping off' do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

3.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

3.4 Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

3.5 Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.

#### **4 Requirements of the Money Laundering Legislation**

4.1 The main requirements of the legislation are:

- To appoint a Money Laundering Reporting Officer (MLRO)
- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures.

#### **5. The Money Laundering Reporting Officer (MLRO)**

5.1 The Council has designated the Strategic Director (Chief Financial Officer) as the Money Laundering Reporting Officer.

**5.2 The key requirement on employees is to promptly report any suspected money laundering activity to the MLRO.** (See 7. Reporting Procedure for Suspicions of Money Laundering, below for further guidance.)

The MLRO can be contacted at;

Name: Clare Fletcher  
Address: Strategic Director (Chief Financial Officer)  
Stevenage Borough Council  
Daneshill House  
Danestrete, Stevenage, SG1 1HN  
Contact Details: **Email:** [clare.fletcher@stevenage.gov.uk](mailto:clare.fletcher@stevenage.gov.uk)

In the absence of the Strategic Director (Chief Financial Officer), the SIAS Audit Manager is authorised to deputise

## **6. Client Identification Procedures**

- 6.1 Although not a legal requirement, the Council has developed formal client identification procedures which must be followed when council land or property is being sold. These procedures require individuals and, if appropriate, companies to provide proof of identity and current address.
- 6.2 If satisfactory evidence is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report must be submitted to the Money Laundering Reporting Officer.
- 6.3 All personal data collected must be kept in compliance with the Data Protection Act and General Data Protection Regulation when enacted.

## **7. Reporting Procedure for Suspicions of Money Laundering**

- 7.1 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. Your disclosure should be made to the MLRO using the disclosure report, the report must include as much detail as possible including;
- Full details of the people involved
  - Full details of the nature of their/your involvement.
  - The types of money laundering activity involved
  - The date(s) of such activities
  - Whether the transactions have happened, are ongoing or are imminent
  - Where they took place
  - How they were undertaken
  - The (likely) amount of money/assets involved
  - Why, exactly, you are suspicious.

- 7.2 Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering, and to enable them to prepare their report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.
- 7.3 If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or legal deadline;
- 7.4 Once you have reported the matter to the MLRO you must follow any directions the MLRO may give you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.5 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of “tipping off”.
- 7.6 Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

## **8. Consideration of the disclosure by the Money Laundering Reporting Officer (MLRO)**

- 8.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. They should also advise you of the timescale within which they expect to respond to you. The MLRO will consider the report and any other available internal information they think relevant, for example:
- reviewing other transaction patterns and volumes
  - the length of any business relationship involved
  - the number of any one-off transactions and linked one-off transactions
  - any identification evidence held.

- 8.2 The MLRO will undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 8.3 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
  - there are reasonable grounds to know or suspect that is the case; and
  - whether they need to seek consent from the NCA for a particular transaction to proceed.
- 8.4 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they have a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 8.5 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then they must note the report accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed.
- 8.6 In cases where legal professional privilege may apply, the MLRO must liaise with the Council's Shared Legal Department to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 8.7 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 8.8 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.
- 8.9 All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 8.10 The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they does not disclose this as soon as practicable to the NCA.

## 9. Training

- 9.1 Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training. Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.
- 9.2 Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

## 10. Stevenage Borough Council Financial Regulations

- 10.1 Although the relevant Regulations relating to money laundering do not, in many cases directly apply to local authorities, guidance from CIPFA states that local authorities should comply with the requirements of these Regulations. All members of staff and those acting on behalf of the Council, must follow the Council's Anti Money Laundering Policy, published on the Intranet.
- 10.2 This Policy sets a limit on payments to the Council in the form of cash; place a duty on members of staff who suspect money laundering activity to report this to the Money Laundering Reporting Officer; and require that officer to make appropriate reports to the National Crime Agency.
- 10.3 The Money Laundering Reporting Officer. The officer nominated to receive disclosures about money laundering activity within the Council is the Strategic Director (Chief Financial Officer), who can be contacted as follows:

The MLRO can be contacted at;

Name: Clare Fletcher

Address: Strategic Director (Chief Financial Officer)  
Stevenage Borough Council  
Daneshill House  
Danestrete, Stevenage, SG1 1HN

Contact Details

Email: [clare.fletcher@stevenage.gov.uk](mailto:clare.fletcher@stevenage.gov.uk)

In the absence of the Strategic Director (Chief Financial Officer), the SIAS Audit Managers are authorised to deputise.

### Extract from the Council's Financial Regulations

- 12.9 No payment to the Council will be accepted in cash if it exceeds £5,000.
- 12.10 Any employee who suspects money laundering activity must make a Disclosure Report reporting their suspicion promptly to the Money Laundering Reporting Officer (MLRO), or to the MLRO's deputy if appropriate, using the Money Laundering Reporting Procedure.
- 12.11 The employee must follow any subsequent directions of the MLRO or deputy, and must not themselves make any further enquiries into the matter.



- 12.12 The employee must not disclose or otherwise indicate their suspicions to the person suspected of money laundering.
- 12.13 The MLRO or deputy must promptly evaluate any Disclosure Report, to determine whether it should be reported to the National Crime Agency (NCA).
- 12.14 The MLRO or deputy must, if they so determine, promptly report the matter to NCA on their standard report form and in the prescribed manner.
- 12.15 The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.
- 12.16 Where the Council is carrying out “relevant business” (accountancy, audit and certain legal services) and, as part of this:
- a) forms an ongoing business relationship with a client; or
  - b) undertakes a one-off transaction involving payment by or to the client of €15,000 (approximately £12,500) or more; or
  - c) undertakes a series of linked one-off transactions involving total payment by or to the client(s) of €15,000 or more; or
  - d) it is known or suspected that a one-off transaction (or a series of them) involves money laundering; then the Client Identification Procedure must be followed before any business is undertaken for that client. This requirement does not apply if a business relationship with the client existed before 1 March 2004.

## 11.0 **CONCLUSION**

- 11.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way that is proportionate to the risk to the Council of contravening the legislation.
- 11.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

## **12. Review**

- 12.1 This policy will be reviewed bi-annually.

APPENDIX 1

**CONFIDENTIAL**

**Report to Money Laundering Reporting Officer**

**To: Money Laundering Reporting Officer**

From: .....  
*[Insert name of employee]*

Directorate: ..... Ext/Tel .....

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address(es) of person(s) involved:**

*[if a company/public body please include details of nature of business]*

**Nature, value and timing of activity involved:**

*[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]*

**Nature of suspicions regarding such activity:**  
*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**

*[Please tick the relevant box]*

Yes

No

**If yes, please include details below:**

**Have you discussed your suspicions with anyone else?**

*[Please tick the relevant box]*

Yes

No

**If yes, please specify below, explaining why such discussion was necessary:**

**Have you consulted any supervisory body guidance re. money laundering? (E.g. the Law Society)** *[Please tick the relevant box]*

Yes

No

**If yes, please specify below:**

**Do you feel you have a reasonable excuse for not disclosing the matter to the SOCA? (E.g. are you a lawyer and wish to claim legal professional privilege?)**

*[Please tick the relevant box]*

Yes

No

**If yes, please set out full details below:**

Are you involved in a transaction which might be a prohibited act under sections 327- 329 of POCA and which requires appropriate consent from the SOCA?

Yes

No

*[Please tick the relevant box]*

**If yes, please enclose details in the box below:**

**Please set out below any other information you feel is relevant:**

Signed: ..... Dated.....

***Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.***

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

**Date report received:** .....

**Date receipt of report acknowledged:** .....

**CONSIDERATION OF DISCLOSURE:**

**Action plan:**

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

**Are there reasonable grounds for suspecting money-laundering activity?**

If there are reasonable grounds for suspicion, will a report be made to SOCA? *[Please tick the relevant box]*  Yes  No

If yes, please confirm date of report to SOCA:

.....

And complete the box below:

<p><b><u>Details of liaison with SOCA regarding the report:</u></b></p> <p>Notice Period: ..... to .....</p> <p>Moratorium Period: ..... to .....</p>
---

Is consent required from SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?  Yes  No

If yes, please confirm full details in the box below:

--

Date consent received from SOCA: .....

Date consent given by you to employee: .....

**If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to SOCA, please set out below the reason(s) for non-disclosure:**

*[Please set out any reasonable excuse for non-disclosure]*

**Date consent given by you to employee for any prohibited act transactions to proceed:**

.....

**Other relevant information:**

**Signed:** .....

**Dated:** .....

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**



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APPENDIX B

# Anti-Bribery Policy

Document Owner : Clare Fletcher  
Version: 1.0  
Last Revision: 07/2020  
Review Date : 07/2022

## Anti-Bribery Policy

Stevenage Borough Council will do all it can to protect the Council and its staff being exposed to bribery.

### 1. Introduction

- 1.1. The Bribery Act 2010 ('the Bribery Act') aims to promote anti-bribery practices amongst businesses. It applies to both the private and public sectors and so applies to the Stevenage Borough Council. An organisation will commit a criminal offence under the Bribery Act if it fails to prevent bribery that is intended to obtain or retain business or an advantage in the conduct of business for the organisation. An individual can also be guilty of an offence under the Bribery Act.
- 1.2. There are four key offences under the Act
  - Section 1 - Bribing another person
  - Section 2 - Taking a bribe
  - Section 6 - Bribing a foreign public official
  - Section 7 - Failing to prevent bribery.
- 1.3. Before the Bribery Act came into force organisations were only likely to be guilty of a bribery offence if senior management were involved. The Bribery Act applies to all staff in the organisation and now an organisation may be guilty of bribery if only the individual offender knew of the bribery.
- 1.4. An organisation will have a defence to the corporate offence if it can demonstrate that it had adequate procedures in place to prevent bribery by or of persons associated with the organisation.
- 1.5. An individual guilty of an offence under sections 1,2 or 6 is liable:
  - On conviction in a magistrates court to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000 or both
  - On conviction in a crown court to imprisonment for a maximum term of ten years or to an unlimited fine or both
- 1.6. Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

### 2. Definition of Bribery

- 2.1. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

## Stevenage Borough Council: Anti Bribery Policy

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### **3. Objective of the Policy**

- 3.1. The objective of the policy is to provide a coherent and consistent approach to ensuring compliance with the Bribery Act. It will enable all employees and any person who performs services for and on behalf of Stevenage Borough Council (including contractors, subcontractors, volunteers, consultants and elected members) to understand their responsibilities and allow them to take the necessary action:
- 3.2. The policy forms part of Stevenage Borough Council's Anti-Fraud and Corruption Framework.

### **4. Scope of the Policy**

- 4.1. The policy applies to all of Stevenage Borough Council's activities including its work with strategic partners, third parties, suppliers, schools and others. In the case of partnership working, the Council will seek to promote the adoption of this policy by its partners.
- 4.2. The policy applies equally to all staff i.e. officers, regardless of grade or whether permanently employed, as well as temporary agency staff, contractors, agents, all elected Members, volunteers and consultants.

### **5. Anti-Bribery Policy**

- 5.1. Stevenage Borough Council is committed to countering bribery and corruption in all forms and will not tolerate it in any of its activities. In particular the Council does not and will not, pay bribes or offer improper inducement to anyone for any purpose. Equally, the Council does not and will not accept any bribes or improper inducements or engage indirectly in or otherwise encourage bribery.
- 5.2. All staff and those working or performing any service on or on behalf of the Council neither accept nor give bribes.
- 5.3. It is unacceptable to:
  - Give, promise to give, or offer payment, gifts or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
  - Give, promise to give, or offer payment, gifts or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
  - Accept payment from a third party that is offered with the expectation that it will obtain business advantage for them, whether known or suspected
  - Accept a gift or hospitality from a third party if it is offered or provided with an expectation that a business advantage will be provided by Stevenage Borough Council in return, whether known or suspected
  - Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
  - Engage in activity in breach of this policy.

# Stevenage Borough Council: Anti Bribery Policy

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## 6. Gifts and Hospitality

- 6.1. This policy is not meant to change the requirements of the Council's gifts and hospitality policy as set out in the Code of Conduct for Officers.

## 7. Responsibilities of staff and others:

- 7.1. Prevention detection and reporting of bribery and other forms of corruption are the responsibility of all those working for Stevenage Borough Council or under its control. All staff including third parties working or performing any service on or behalf of the Council are to avoid activity that breaches this policy, and must:

- Ensure that they read, understand and comply with the policy
- Raise concerns as soon as possible if they suspect that this policy has been breached.
- Act honestly with integrity at all times to safeguard Stevenage Borough Council's resources for which they are responsible
- Comply with the law (both in spirit and in the letter).

## 8. Reporting Procedure

- 8.1. Where you become concerned about an activity that you suspect involves bribery you should share your concerns with the Strategic Director (Chief Financial Officer) who can be contacted as per the details below:

Name: Clare Fletcher  
Address: Strategic Director (Chief Financial Officer)  
Stevenage Borough Council  
Daneshill House  
Danestrete  
Stevenage, SG1 1HN  
Email: [clare.fletcher@stevenage.gov.uk](mailto:clare.fletcher@stevenage.gov.uk)

## 9. Sanctions

- 9.1. Staff who breach this policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 9.2. Under the Public Contracts Regulations 2015 contracting authorities shall exclude a supplier from participation in a procurement where they have established that supplier has been convicted of certain offences, including bribery.

## 10. Monitoring and Review

- 10.1. The Strategic Director (Chief Financial Officer) will be responsible for reviewing this Policy to ensure that it remains compliant with good practice and the needs of Stevenage Borough Council.

## 11. Review

- 11.1 This Policy will be reviewed bi-annually.



**Meeting:** Audit Committee

Portfolio Area: All Portfolio Areas

**Date:** 17 March 2020

## Corporate Governance Arrangements

Author: Suzanne Brightwell Ext: 2966  
Contributors: Assistant Directors  
Lead Officer: Clare Fletcher Ext 2933  
Contact Officer: Suzanne Brightwell Ext. 2966

### 1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2019/20 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2020/21, which will be reflected in the Council's 2019/20 Annual Governance Statement.

### 2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant corporate governance enhancement activity during 2019/20.
- Corporate governance enhancement activity identified for 2020/21, for inclusion in the Council's 2019/20 Annual Governance Statement.

### 3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to ensure the Council runs effectively and can be held to account for its actions.

#### 3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector'.

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

**3.2.2.** The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

**3.2.3.** The CIPFA/SOLACE seven core principles of good governance are:

**A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law**

**B: Ensuring openness and comprehensive stakeholder engagement**

(Principles A and B are considered fundamental and applicable through principles C to G)

**C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

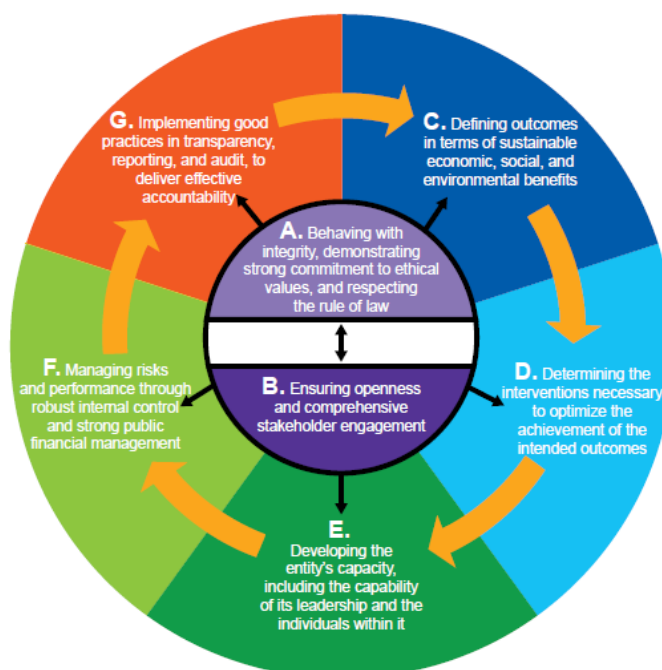
**D: Determining the interventions necessary to optimise the achievement of intended outcomes**

**E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**F: Managing risks and performance through robust internal control and strong public financial management**

**G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.**

The diagram below, taken from the International Framework, Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the above principles of good governance in the public sector and how they relate to each other.



**3.2.4** For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

### **3.3 Local Code of Governance**

**3.3.1** To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the ‘Delivering Good Governance’ Framework. The Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

**3.3.2** The Council’s current Local Code of Governance, revised to enhance the assessment process was last approved by Audit Committee in June 2017. It was agreed at Audit Committee on 15<sup>th</sup> June 2017 that the Local Code will be reviewed every three years. The Local Code is therefore currently under review and will be considered at Audit Committee at its meeting in June 2020.

### **3.4 Legislation and Proper Practice**

The self-assessment of the Council’s corporate governance arrangements against the CIPFA/SOLACE Framework principles forms part of the assurance process for the production of the Council’s Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.



### **3.5 Review of Corporate Governance Arrangements**

- 3.5.1** The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.
- 3.5.2** To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance throughout the year.
- 3.5.3** Significant enhancement activity identified as a result of these reviews is reflected below in Paragraphs 3.6 and 3.7 and also in the appendices to this report. To provide Members with a complete picture of governance enhancement carried out in 2019/20 and scheduled for 2020/21, enhancement activity pertaining to best practice has also been reflected in the Appendices.
- 3.5.4** Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the delivery of outcomes should be addressed.

### **3.6 Significant Governance Enhancement Activity in 2019/20**

- 3.6.1** Progress in relation to significant governance enhancement activity included in the 2019/20 Annual Governance Statement and carried out in 2019/20 is summarised below:

**Housing Asset Management Strategy:** A new five year Housing Asset Management Strategy (2019-2024), with an action plan for implementation of the strategy over the next five years was approved by Executive in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management for the Council and the key strategic projects and programme to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants.

Progress against the five year action plan during 2019/20 is as follows:

- A stock condition survey of the Council's housing stock, including tower blocks, is underway and will help inform the HRA Business Plan.
- The Major Refurbishment Contract is underway for flat blocks and is now entering into Phase 3, along with a number of other significant programmes such as communal heating refurbishment; sprinkler retrofitting and reviewing the compliance contract and lift replacement/refurbishment.
- A new contractor is being procured to deliver the Decent Homes Standard from April 2020.

- Development of effective programmes to deliver the objectives of the Housing Asset Management Strategy and wider Council strategies is complete.
- The Council has agreed to review its acceptable SAP rating in response to the climate change emergency and to understand the associated cost.
- The Aids and Adaptations Service is being reviewed and will be reported back to Executive in March 2020.
- The Repairs and Voids service and the Lettings Team are working closely to carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.

**General Fund Asset Management Strategy:** The General Fund Asset Management Strategy had a key action for the Council to undertake a local asset review of its current land and buildings. The progress has been challenging with the restructure of the Estates section and the change in staffing personnel. The programme has however been recently reinvigorated with the following actions;

- Local Asset reviews of three wards have now taken place
- A Local Asset Review Board which includes officers from different business units and is currently sponsored by AD (Finance and Estates) has been established and now meets monthly.
- Planning colleagues have been consulted to determine viable asset management options and the Local Asset Review Board have recommended options which merit further work.
- New property data management software has been installed.

The current timetable for completion of the Local Asset Reviews is July 2020. The outcome should be a list of high level opportunities to be consulted on and a site disposal list.

**Community Safety Document retention arrangements:** Document retention arrangements in relation to the enforcement of anti-social behaviour action have been reviewed and new procedures implemented to enhance information management arrangements and ensure GDPR requirements are met. This action is now complete.

**Governance of Key Regeneration Projects:** As part of the regeneration programme, the Council has partnered with Mace to deliver a £350m scheme called SG1. To ensure governance and oversight of the project, fortnightly project team meetings and monthly Steering Group meetings between the Council and Mace now take place with issues resolved through the Business Plan.

The Council has also signed a £50m development deal with Reef Estates to redevelop Queensway North. The delivery of this project is supported by a Working Group, a monthly internal Board meeting, and a quarterly Board meeting with Reef. The Housing Development and Regeneration Executive Committee's terms of reference incorporate oversight of this project and Queensway LLP Business Plan. The Council has strategic control and influence over Queensway Properties Limited Liability Partnership and group financial statements have been produced.

Progress on key regeneration projects is reported to Housing Development and Regeneration Executive Committee and internal programme reporting takes place via the monthly FTFC Programme Board. In addition, monthly and quarterly reporting with Hertfordshire LEP takes place together with Stevenage Borough Council financial reporting to track LEP related expenditure.

On 1<sup>st</sup> November 2019, the government issued the Town Fund prospectus inviting 100 towns to develop proposals to benefit from up to £25M funding. The objective of the fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through: regeneration, planning and land use; skills and enterprise infrastructure and connectivity. In December, Executive agreed the approach and governance arrangements to enable the Council to make a Town Fund bid. A Town Fund Board has been set up and its terms of reference have been agreed. The first board meeting was held at the end of January. A workshop has been organised which will be the basis of an officer project group across the partner organisations to guide, advise and support the work plan for the Town Fund Board.

**Corporate Capacity:** Activity to implement the restructure of services through Future Council Business Reviews to improve corporate capacity and deliver sustainable services that meet the needs of customers has taken place:

- There has been a significant amount of work on Future Council Business Unit reviews. The Fourth Tier (roles reporting to Assistant Directors) review is now almost complete across the whole Council.
- Work has commenced to establish a Fourth Tier Leadership forum and work is underway to develop a leadership vision for the Fourth tier and an aligned development programme to support and empower the Fourth tier leadership team to deliver that vision. Wider business unit skill gaps will be assessed once business unit reviews are complete and staff have been recruited for the posts.
- The Council introduced a new Managing Organisational Change policy which is more holistic and considers how to manage change and the impact on our people. Managers also received training on this at the time of launching the new policy. The Leadership Competency Framework was developed and implemented during 2016 to signal to the organisation the expected behaviours and skills that would be valued and during 2019 work has been completed to further develop this framework for Grades 1-9 and is planned to launch later this year.

**Cyber Security and ICT Resilience:** Improvement activity has continued to ensure the Council's ICT and telephone systems continue to provide a secure and high performing ICT environment:

- A new ICT strategy and road map was approved by Executive on 9<sup>th</sup> October 2019. The ICT Strategy articulates the ICT vision and objectives now and in the future. The Partnership vision is to create a modern, secure, resilient and transformational ICT service that drives and supports delivery of joined up services to customers through the effective use of technology. Significant ICT investment has now been approved of £3.6M over two and a half years matched by East Herts Council.
- Migration of the Council's telephone system is now complete.
- A Security and Network Team has now been established.
- New email and website security software has been installed.
- The shared service storage hardware has been replaced and 99% of the Council's systems and data are running on it. The remainder is scheduled to be transferred shortly.
- Work has commenced to upgrade from Windows 7 to Windows 10
- A project to install new network security and reporting tools has commenced.
- Upgrading of Horizon VDI desktops has started and the project to install a microwave link between the data centres at Daneshill House and Cavendish Road is nearing completion.

**Information Management:** Improvement activity has continued to enhance and embed information management arrangements to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.

- Progress has been made with completion of third party information sharing agreements with over 80% of agreements completed.
- The GDPR team are continuing to work with SBC service teams and the Shared Legal Services in requiring lead partners to update relevant protocols and framework that involve the sharing of information to reflect GDPR requirements
- As part of the wider ICT Improvement Strategy, recent notable developments in GDPR related security have taken place regarding emails and internet security to protect Council data.
- Work has commenced to produce a suite of ICT Data Security Policies.
- The Council's Information Governance Manager is working in liaison with the HR team to review the next offering of mandatory e-learning GDPR training to ensure the content is relevant to Council services.
- GDPR tailored bitesize sessions were held for staff covering key topics affecting staff in their everyday working practices.

**Corporate Health and Safety:** Health and safety arrangements have been enhanced by:

- Training requirements appropriate to role have been identified and training is being carried out as required.
- The Health and Safety Team have delivered the IOSH Managing Safety Course for Managers.
- Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.
- Embedding of the Health and Safety framework is being achieved by a process of internal and external audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans.
- Twenty-one Health and Safety Policies were updated.
- SIAS Health and Safety Audit achieved a Good assurance opinion. SIAS concluded that monitoring and recording compliance with health and safety policies is in place. In addition, this has created action plans for teams across the Council to complete. These action plans include controls put in place to mitigate risks identified through the Council's annual risk assessment process. The Health and Safety Team take on board any lessons learnt. Induction and training arrangements are provided to help ensure all processes run smoothly.

**CCTV Partnership:** A thorough review of the governance framework of the CCTV Partnership was carried out and a new suite of governance arrangements, including refreshed company business plan were approved by the CCTV Joint Executive and Company Board of Directors. A follow-up SIAS audit signed all of these actions as complete in November 2019.

**3.6.2** In addition, a wider programme of governance enhancement pertaining to best practice in 2019/20 was delivered and is reflected in Appendix A, together with the significant activity as outlined above.

### **3.7 Significant Governance Enhancement activity planned in 2020/21**

**3.7.1** Significant governance enhancement activity to be reflected in the 2019/20 Annual Governance Statement for delivery in 2020/21 is summarised below:

**Housing Asset Management Strategy:** The Strategy sets out the underlying principles which sit behind excellent asset management for the Council. The key strategic projects and the programme are set out to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenant's. To continue to implement the Housing Asset Management Strategy (2019-2024) actions identified for delivery in 2020/21 the following activity is planned:

- Continue the programme of work to improve our understanding of the Council's housing stock, and its condition to enable effective investment decisions
- Continue the review of asset data to develop understanding of asset performance and deliver a programme of improvements
- Continue with the programme of work to maintain compliance with the Decent Homes standard across the stock.
- Review of the Council's acceptable SAP rating in response to the climate change emergency and to understand the cost associated with this.
- Complete the review of repairs costs and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.
- Implement the recommendations from the HRA funded Aids and Adaptations policy which is being reported back to Executive in March 2020.

**General Fund Asset Management Strategy** To ensure that the Asset Management Strategy can deliver an effective mechanism to manage incoming investment as well as disposal of the Council's assets the following activity is planned:

- Continue the review of the Council's commercial portfolio
- Complete the Locality Asset review of the Council's current land and buildings to identify new opportunities for better use of existing buildings,
- Identify potential sites for release for sale and identify land for the Council's own housing building programme.

**Building Management – General Fund Assets:** To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:

- Evaluation of options to provide compliance contract activities, with the preferred model reported to Executive for consideration
- CIPFA to conduct a high level review of the corporate landlord function through a review of documentation and interviews with key stakeholders. CIPFA's findings will provide options on the structure of a new corporate landlord model.

**Commercialisation:** To ensure that the Council's ambitious commercial agenda can be achieved, a programme of work is required to enhance the capacity, information, financial and legal skills of statutory officers and elected members involved in complex investment or commercial decision making. This will be achieved by:

- Development and approval of a Commercial Strategy
- The appointment of a Commercial Manager.

**Town Centre Regeneration:** To ensure the Council is able to continue to regenerate the town centre and build much needed new housing and create job opportunities the people of Stevenage need and want, a programme of work is required to implement the required governance arrangements to make this happen. This will be achieved by:

- Implementing governance changes required to comply with GD3 restrictions to release government funding
- Complete the acquisition of Homes England Land within SG1 as well as the existing bus station site.
- Continue to implement good governance arrangements in relation to the programme and key projects using Steering Groups and Project Board.

**Corporate Capacity:** Continue to implement the restructure of services through Future Council Business reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers

**IT Resilience, Governance, Policy Framework and Cyber Security:** The Shared IT Service to continue to implement the IT Strategy and Action Plan to enhance IT infrastructure, cyber security, IT resilience and policy framework by:

- Completing the replacement of all the Council's firewalls
- Completing the upgrade from Windows 7 to Windows 10 (including on hosted desktops).
- Installing new network security and reporting tools
- Roll out of Microsoft Office 365
- Updating the ICT Disaster Recovery Plan, ICT policies and Policy Framework
- Introducing Multi Factor Authentication (MFA) for all external access to hosted desktops
- Managing all mobile devices using Intune mobile device management
- Enforcing encryption on all mobile devices

**Herts Home Improvement Agency (HHIA):** The HHIA is a collaborative partnership working between the upper and lower tiers of local government in Hertfordshire providing a centralised service to assist residents to improve or adapt their homes for continued independent and safe living. In response to an audit of the HHIA, a review and associated programme of activity is in progress by Hertfordshire County Council to enhance governance structures, work streams and resources, financial reporting and monitoring, management information systems, the cost recovery model, recruitment and business continuity, site visit arrangements, inspections and post works sign off procedures.

**Health and Safety:** Continue to enhance and embed health and safety compliance and performance by:

- Implementing additional safety measures and new procedures for front line services to minimise the risk of harm to staff and members of the public.
- Commit to training all of SLT in IOSH Leading Safety
- Rolling programme of internal and external audits for medium and high risk services
- Continue the review of fire safety and implement fire safety measures at Cavendish Road

**Facilities Management:** In response to a recent Facilities Management audit, a programme of work has been agreed to enhance facilities and contract management procedures and governance by:

- Reviewing facilities and contract management procedures and documentation
- Delivery of a programme of facilities management training,

**Information Management:** Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed by:

- Completing the review of supplier agreements to ensure relevant compliance requirements are met;
- Completing the review of existing data sharing arrangements with local authority partners and public agencies;
- Installation of a data discovery tool to inform implementation of GDPR processes and procedures.
- Recruitment of staff to help embed records management principles and standards across the Council
- Evaluation and potential implementation of a planned shared information governance service between Stevenage Borough Council and East Herts, where pooled resources and technology will be pooled to allow an effective records management strategy to be implemented.

**3.7.2** In addition, a wider programme of governance enhancement, pertaining to best practice in 2020/21 is reflected in Appendix B, together with the significant activity as outlined above.



## **4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles and identification of significant governance action to facilitate continued compliance with this Framework, forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

## **5. IMPLICATIONS**

### **5.1. Financial Implications**

There are no direct financial implications arising from this report.

### **5.2. Legal Implications**

The governance enhancements identified in this report inform the Annual Governance Statement which will be reported to Audit Committee in June. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

### **5.3. Risk Implications**

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. Weakness in corporate governance arrangements can increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

### **5.4. Other Corporate Implications**

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome delivery, and other agencies with which the Council shares information. External bodies, in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded and a commitment to ensuring effectiveness.

### **5.5. Climate Change Implications**

Climate change will be considered as part of the Council's governance arrangements.

## **6. BACKGROUND DOCUMENTS**

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (15 June 2017)

## **7. APPENDICES**

- Appendix A: Governance Enhancement Activity carried out in 2019/20
- Appendix B: Governance enhancement activity planned for 2020/21.

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## Governance Enhancement Activity carried out in 2019/20

Corporate governance activity included in the peach text boxes below are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks. To provide a complete picture of governance enhancement carried out in 2019/20, activity pertaining to best practice has also been reflected below.

### Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Governance for this principle is currently considered robust. The following governance activity pertaining to best practice has been delivered:

- The Council's Financial Regulations have been reviewed and are due for approval by Audit Committee in March 2020.
- A new Anti Money Laundering Policy has been produced and is due for approval at Audit Committee in March 2020.
- Fraud information for staff is now available on the Council's intranet.
- Fraud e-learning is now available for staff.

### Principle B: Ensuring openness and comprehensive stakeholder engagement

Governance for this principle is currently considered robust. The following governance activity pertaining to best practice has been delivered:

- The Annual Report and Performance Review highlighting the Council's achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website.
- New Customer Feedback Policy approved and published.
- New Freedom of Information e-learning launched.
- Mace held a public consultation to get feedback on the latest proposals for the regeneration of SG1. The event was well attended with over 500 people engaging in the process.
- Stevenage Even Better website and social media was launched and the Regeneration Visitor Centre opened.
- People in the town were asked for their views about the plans to relocate and improve the bus interchange to improve transport and connectivity links in the town.
- Consultation was carried out to seek residents' views about the Council's proposals to improve the Old Town and Roebuck Play Areas.
- Consultations regarding current and future community centre use and facilities took place with over 340 responses recorded and 42 focus group consultations. Executive approved a set of recommendations as part of the Community Centre Review in December 2019.
- Consultation was carried out to inform the creation of a new Housing Older People Strategy.
- Community Neighbourhood Management arrangements in Bedwell and Longmeadow were rolled out.
- The Major Refurbishment Contract has promoted social value by utilising local employment, with over 40% of materials and subcontract labour being supplied by local supply chain partners.
- Proposals on Community Wealth Building approach were agreed by Council.
- Approval was given by Executive to the establishment of six Co-operative Neighbourhood areas. The six teams will form the basis of the Council's strategic approach to delivering localised, responsive, coordinated and collaborative services; working with partners, and engaging with the different communities of Stevenage.
- A series of ward walkabouts with elected members and relevant officers took place. This has informed future projects and celebrated recent successes.
- The procurement process for an integrated digital solution provider was concluded and the supplier has commenced project initiation for the replacement of the existing Customer Relationship Management system. The new software will enable integration between systems, to join up council service delivery and provide better customer facing online service channels.
- A Customer Charter developed in conjunction with the Stevenage Direct Services Change and Action Team was agreed and adopted. Built on the Council's values, the charter sets out how the service will conduct its operations and business and details what customers can expect. The charter also explains how customers can help to deliver effective services.

### Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

#### Progress of significant governance (AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

**Housing Asset Management Strategy:** A new five year Housing Asset Management Strategy (2019-2024), with an action plan for implementation of the strategy over the next five years was approved by Executive in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management for the Council and the key strategic projects and programme to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants.

Progress against the five year action plan during 2019/20 is as follows:

- A stock condition survey of the Council's housing stock, including tower blocks, is underway and will help inform the HRA Business Plan.
- The Major Refurbishment Contract is underway for flat blocks and is now entering into Phase 3
- , along with a number of other significant programmes such as communal heating refurbishment; sprinkler retrofitting and reviewing the compliance contract and lift replacement/refurbishment.
- A new contractor is being procured to deliver the Decent Homes Standard from April 2020.
- Development of effective programmes to deliver the objectives of the Housing Asset Management Strategy and wider Council strategies is complete.
- The Council has agreed to review its acceptable SAP rating in response to the climate change emergency and to understand the associated cost.
- The Aids and Adaptations Service is being reviewed and will be reported back to Executive in March 2020.
- The Repairs and Voids service and the Lettings Team are working closely to carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.

**General Fund Asset Management Strategy:** The General Fund Asset Management Strategy had a key action for the Council to undertake Local Asset reviews of its current land and buildings. The progress has been challenging with the restructure of the Estates section and the change in staffing personnel. The programme has however been recently reinvigorated with the following actions:

- Local Asset reviews for three wards have now taken place
- A Local Asset Review Board which includes officers from different business units and is currently sponsored by AD (Finance and Estates) has been established and now meets monthly.
- Planning colleagues have been consulted to determine viable asset management options and the Locality Review Board have recommended options which merit further work.
- New property data management software has been installed.

The current timetable for completion of the Local Asset Reviews is July 2020. The outcome should be a list of high level opportunities to be consulted on and a site disposal list

**The following governance activity pertaining to best practice has been delivered:**

- Hertfordshire Growth Board commissioned a development programme to help consider the implications of growth in Hertfordshire. This six month supported programme explored how issues relating to housing, infrastructure and funding can be jointly addressed in future and a forward work programme and memorandum of understanding for this has been approved.

#### Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

**Progress of significant governance (AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Community Safety Document retention arrangements:** Document retention arrangements in relation to the enforcement of anti-social behaviour action have been reviewed and new procedures implemented to enhance information management arrangements and ensure GDPR requirements are met. This action is now complete.

**Governance of key regeneration projects:** As part of the regeneration programme, the Council has partnered with Mace to deliver a £350m scheme called SG1. To ensure governance and oversight of the project, fortnightly project team meetings and monthly Steering Group meetings between the Council and Mace now take place with issues resolved through the Business Plan.

The Council has also signed a £50m development deal with Reef Estates to redevelop Queensway North. The delivery of this project is supported by a Working Group, a monthly internal Board meeting, and a quarterly Board meeting with Reef. The Housing Development and Regeneration Executive Committee's terms of reference incorporate oversight of this project and Business Plan. The Council has strategic control and influence over Queensway Properties Limited Liability Partnership and group financial statements have been produced.

Progress on key regeneration projects is reported to Housing Development and Regeneration Executive Committee and internal programme reporting takes place via the monthly FTFC Programme Board. In addition, monthly and quarterly reporting with Hertfordshire LEP takes place together with Stevenage Borough Council financial reporting to track LEP related expenditure.

On 1<sup>st</sup> November 2019, the government issued the Town Fund prospectus inviting 100 towns to develop proposals to benefit from up to £25M funding. The objective of the fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through: regeneration, planning and land use; skills and enterprise infrastructure and connectivity. In December, Executive agreed the approach and governance arrangements to enable the Council to make a Town Fund bid. A Town Fund Board has been set up and its terms of reference have been agreed. The first board meeting was held at the end of January. A workshop has been organised which will be the basis of an officer project group across the partner organisations to guide, advise and support the work plan for the Town Fund Board.

**The following governance activity pertaining to best practice has also been delivered:**

- A new ICT Programme Management Office has been established and is implementing procedures to ensure that ICT projects are delivered to a consistent standard with appropriate governance arrangements.
- An Information Governance Team is being created and is focussing on providing data protection training, policy roll out.
- Development Agreement with Mace was signed in April 2019 and contracts exchanged.
- A new Data Analyst is working with performance measure owners to review the potential to extract performance data automatically from systems and to input it directly into the Council's performance management system.

#### Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Corporate Capacity:** Activity to implement the restructure of services through Future Council Business Reviews to improve corporate capacity and deliver sustainable services that meet the needs of customers has taken place:

- There has been a significant amount of work on Future Council Business Unit Reviews. The Fourth Tier (roles reporting to Assistant Directors) review is now almost complete across the whole Council.
- Work has commenced to establish a Fourth Tier Leadership forum and work is underway to develop a leadership vision for the Fourth tier and an aligned development programme to support and empower the Fourth tier leadership team to deliver that vision. Wider business unit skill gaps will be assessed once business unit reviews are complete and staff have been recruited for the posts.
- The Council introduced a new Managing Organisational Change policy which is more holistic and considers how to manage change and the impact on our people. Managers also received training on this at the time of launching the new policy. The Leadership Competency Framework was developed and implemented during 2016 to signal to the organisation the expected behaviours and skills that would be valued and during 2019 work has been completed to further develop this framework for Grades 1-9 and is planned to launch later this year.

**The following governance activity pertaining to best practice has also been delivered:**

- A Competency Framework for officers graded 1-9 is now in place.
- The Council adopted the charity Mind's Wellbeing Action Plan which helps individuals manage their mental health.
- A Fourth Tier and Senior Leadership Team Development Programme agreed and in place for the year.
- The Council's approach to sickness management was enhanced with the launch of First Care. This nurse led service provides advice and guidance on health concerns and informs managers of any sickness absence.
- Council staff attended fraud awareness training in areas such as procurement and contract fraud, housing/tenancy fraud and identify fraud.
- An e-learning package for staff and Members to raise awareness of fraud as a risk is now available.
- Stevenage Anti-Fraud Service Managers now form part of the Council's Corporate Governance Group and also sit on the Joint Action Group, which is a partnership of police and the council set up to tackle various low level but prolific or persistent offending.

**Principle F: Managing risks and performance through robust internal control and strong public financial management****Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Cyber Security and IT Resilience:** Improvement activity has continued to ensure the Council's ICT and telephone systems continue to provide a secure and high performing ICT environment:

- A new ICT strategy and road map was approved by Executive on 9<sup>th</sup> October 2019. The ICT Strategy articulates the ICT vision and objectives now and in the future. The Partnership vision is to create a modern, secure, resilient and transformational ICT service that drives and supports delivery of joined up services to customers through the effective use of technology. Significant ICT investment has now been approved of £3.6M over two and a half years matched by East Herts Council.
- Migration of the Council's telephone system is now complete.
- A Security and Network Team has now been established.
- New email and website security software has been installed.
- The shared service storage hardware has been replaced and 99% of the Council's systems and data are running on it. The remainder is scheduled to be transferred shortly.
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**Information Management:** Improvement activity has continued to enhance and embed information management arrangements to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.

- Progress has been made with completion of third party information sharing agreements with over 80% of agreements completed.
- The GDPR team are continuing to work with SBC service teams and the Shared Legal Services in requiring lead partners to update relevant protocols and framework that involve the sharing of information to reflect GDPR requirements
- As part of the wider ICT Improvement Strategy, recent notable developments in GDPR related security have taken place regarding emails and internet security to protect Council data.
- Work has commenced to produce a suite of ICT Data Security Policies.
- The Council's Information Governance Manager is working in liaison with the HR team to review the next offering of mandatory e-learning GDPR training to ensure the content is relevant to Council services.
- GDPR tailored bitesize sessions were held for staff covering key topics affecting staff in their everyday working practices.

**Corporate Health and Safety:** Health and safety arrangements have been enhanced by:

- Training requirements appropriate to role have been identified and training is being carried out as required.
- The Health and Safety Team have delivered the IOSH Managing Safety Course for Managers.
- Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.
- Embedding of the Health and Safety framework is being achieved by a process of internal and external audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans
- Twenty-one Health and Safety policies were updated
- SIAS Health and Safety Audit achieved a Good assurance opinion. SIAS concluded that monitoring and recording compliance with health and safety policies is in place. In addition, this has created action plans for teams across the Council to complete. These action plans include controls put in place to mitigate risks identified through the Council's annual risk assessment process. The Health and Safety Team take on board any lessons learnt. Induction and training arrangements are provided to help ensure all processes run smoothly.

**CCTV Partnership:** A thorough review of the governance framework of the CCTV Partnership was carried out and a new suite of governance arrangements, including refreshed company business plan were approved by the CCTV Joint Executive and Company Board of Directors. A follow-up SIAS audit signed all of these actions as complete in November 2019.

**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

**Governance for this principle is currently considered robust.**

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## Governance Enhancement Activity to take place in 2020/21

Corporate governance activity included in the peach text boxes are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks.

To provide a complete picture of governance enhancement planned for 2020/21 activity pertaining to best practice is also reflected.

### Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

To enhance existing governance arrangements the following activity pertaining to best practice has been identified:

- Officer and Member Codes of Conduct to be updated to reflect new working practices, in particular incorporation of social media protocols
- Review of the Council's Anti-Fraud and Corruption Strategy
- Review the arrangements in place for decision making (Scheme of Delegation) for Executive functions.
- Publication of a new Anti-Money Laundering Policy
- IT Acceptable Use Policy to be rolled out to staff
- New Procurement Strategy to be written and agreed.

### Principle B: Ensuring openness and comprehensive stakeholder engagement

To enhance existing governance arrangements the following activity pertaining to best practice has been identified:

- Implement and embed the council's new Community Engagement Framework
- A new Communications and Marketing Strategy to be developed and published.
- New Stevenage Borough Council website to be launched which will provide a portal for new customer online services.
- Residents survey to be carried out to inform future priorities and service delivery
- Following the pilot of a real time digital employee engagement tool in HR during 2019, SLT agreed that we should move away from the large bi-annual staff survey and work to introduce a real time digital staff survey tool. We are currently completing market appraising to inform costings and will look to implement Council wide by end of 2020/21.

### Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

#### Significant Governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework

**General Fund Asset Management Strategy:** To ensure that the Asset Management Strategy can deliver an effective mechanism to manage incoming investment as well as disposal of the Council's assets, the following activity is planned:

- Continue the review of the council's commercial portfolio
- Complete Local Asset reviews of the Council's current land and buildings to identify new opportunities for better use of existing buildings
- Identify potential sites for release for sale and identify land for the Council's own housing building programme.

**Housing Asset Management Strategy:** The Strategy sets out the underlying principles which sit behind excellent asset management for the Council. The key strategic projects and the programme are set out to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants. To continue to implement the actions identified for delivery in 2020/21 the following activity is planned:

- Continue the programme of work to improve understanding of the Council's housing stock, and its condition to enable effective investment decisions
- Continue the review of asset data to develop understanding of asset performance and deliver a programme of improvements
- Continue with the programme of work to maintain compliance with the Decent Homes standard across the stock.
- Review of the Council's acceptable SAP rating in response to the climate change emergency and to understand the cost associated with this.
- Complete the review of repairs costs and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.
- Implement the recommendations from the review of the Aids and Adaptations Service which is being reported back to Executive in March 2020.

In addition, ongoing monitoring and review is planned in mitigation of the following on-going risks:

- The Housing Revenue Account (HRA) Business Plan is under ongoing review to ensure a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to support the council's Housebuilding and Acquisitions Programme. A programme of increased open market acquisitions has been created to mitigate above average one for one receipt expenditure requirements. This is also designed to provide homeless accommodation and reduce spend on bed and breakfast accommodation. A review of service and support charges to tenants and leaseholders is underway. The review of options for HRA investment in light of the removal of the HRA debt cap is now complete.



- The Medium Term Financial Strategy and Capital Programme are under ongoing review to ensure finances remain robust in the long term and ensure the council can deliver the ambitions set out in the Future Town Future Council Programme; deliver a once in a generation investment in the town, through town centre regeneration, housing development and investment in neighbourhoods and become financially self-sufficient. The draft Capital Programme reported to January 2020 Executive highlighted that available capital resources as at 31 March 2021 are not deemed sufficient and an action plan has been included in the report for consideration by Members. The report also provides an update on the Commercial property investment situation. There has been a lack of investment purchases to meet the Council's financial expectations in 2019/20. This has been caused by: the staffing capacity in the Estates section, their focus on regeneration activity during 2019/20; an increase in PWLB rates available to Local Authorities and a lack of available suitable property investments. The CFO has recently sought Counsel's opinion on investing in property inside and outside the Stevenage boundary and the strategy in relation to the scope of investments is being reviewed. The draft General Fund budget report to the January 2020 Executive provides an update on the savings gap and sets out the revised target for 2021/22-2023/24. The report advises that transformation of the approach to achieving further savings is required as the level of efficiency type savings has diminished.

**To enhance governance further the following activity pertaining to best practice has been identified:**

- New five year Corporate Plan to be produced and agreed.

**Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

**Significant governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Building Management – General Fund Assets:** To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:

- Evaluation of options to provide compliance contract activities, with the preferred model reported to Executive for consideration
- CIPFA to conduct a high level review of the corporate landlord function through a review of documentation and interviews with key stakeholders. CIPFA's findings will provide options on the structure of a new corporate landlord model.

**Commercialisation:** To ensure that the Council's ambitious commercial agenda can be achieved, a programme of work is required to enhance the capacity, information and financial and legal skills of statutory officers and elected members involved in complex investment or commercial decision making. This will be achieved by:

- Development and approval of a Commercial Strategy
- Appointment of a Commercial Manager.

**Town Centre Regeneration:** To ensure the Council is able to continue to regenerate the town centre and build much needed new housing and create job opportunities the people of Stevenage need and want, a programme of work is required to implement the required governance arrangements to make this happen. This will be achieved by:

- Implementing governance changes required to comply with GD3 restrictions to release government funding
- Complete the acquisition of Homes England Land within SG1 as well as the existing bus station site.
- Continue to implement good governance arrangements in relation to the programme and key projects using Steering Groups and Project Board.

**Ongoing monitoring is planned in mitigation of the following on-going risk:**

- Risks associated with the impact of Welfare Reform on the community and Council have been identified. The Council is continuing to assess potential impacts through business insight.

**To enhance governance further the following activity pertaining to best practice has been identified:**

- Protocols and governance arrangements to be developed and approved in preparation for transition of Council services to a new public sector hub.
- New Digital Strategy to be produced and agreed
- New Procurement Strategy to be produced and agreed.

**Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**Significant Governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework:**

**Corporate Capacity:** Continue to implement the restructure of services through Future Council Business reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers.

**In addition, to enhance governance further the following activity pertaining to best practice has been identified:**

- New Learning and Organisational Development Strategy to be agreed and road map to be developed.
- Implementation of a network of fully trained/accredited coaches across the Council with ongoing support through an established internal Coaching Pool and coaching supervision sessions

- New ways of working to be developed in readiness for transition to the Public Sector Hub
- New Health and Wellbeing Strategy which meets the guidelines of the Well-being Charter to be produced, agreed and implemented.

**Principle F: Managing risks and performance through robust internal control and strong public financial management**

**Significant governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework**

**IT Resilience, Governance, Policy Framework and Cyber Security:** The Shared IT Service to continue to implement the IT Strategy and Action Plan to enhance IT infrastructure, cyber security, IT resilience and policy framework by:

- Completing the replacement of all the Council's firewalls
- Completing the upgrade from Windows 7 to Windows 10 (including on hosted desktops).
- Roll out of Microsoft Office 365
- Installing new network security and reporting tools
- Updating the ICT Disaster Recovery Plan, ICT policies and Policy Framework
- Introducing Multi Factor Authentication (MFA) for all external access to hosted desktops
- Managing all mobile devices using Intune mobile device management
- Enforcing encryption on all mobile devices

**Herts Home Improvement Agency (HHIA):** The HHIA is a collaborative partnership working between the upper and lower tiers of local government in Hertfordshire providing a centralised service to assist residents to improve or adapt their homes for continued independent and safe living. In response to an audit of the HHIA, a review and associated programme of activity will be carried out by HCC to enhance governance structures, work streams and resources, financial reporting and monitoring, management information systems, the cost recovery model, recruitment and business continuity, site visit arrangements, inspections and post works sign off procedures.

**Health and Safety:** Continue to enhance and embed health and safety compliance and performance by:

- Implementing additional safety measures and new procedures for front line services to minimise the risk of harm to staff and members of the public
- Commit to training all of SLT in IOSH Leading Safety
- Rolling programme of internal and external audits for medium and high risk services
- Continue the review of fire safety and implement fire safety measures at Cavendish Road.

**Facilities Management:** In response to a recent Facilities Management audit, a programme of work has been agreed to enhance facilities and contract management procedures and governance by:

- Reviewing facilities and contract management procedures and documentation.
- Delivery of a programme of facilities management training.

**Information Management:** Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed by:

- Completing the review of supplier agreements to ensure relevant compliance requirements are met;
- Completing the review of existing data sharing arrangements with local authority partners and public agencies;
- Installation of a data discovery tool to inform implementation of GDPR processes and procedures.
- Recruitment of staff to help embed records management principles and standards across the Council
- Evaluation and potential implementation of a planned shared information governance service between Stevenage Borough Council and East Herts, where pooled resources and technology will be pooled to allow an effective records management strategy to be implemented.

**In addition, to enhance governance further the following activity pertaining to best practice has been identified:**

- A business continuity desk top exercise to be launched to be used by business units to test and validate their business continuity arrangements.
- Roll out of new Data Protection training to Stevenage Borough Council and East Herts Council.

**Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

**Governance for this principle is currently considered robust and no further governance activity is scheduled at this stage.**

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