



Audit and Governance Committee

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MEMBERS: Councillor Swansborough (Chairman); Councillor Sabri (Deputy-Chairman); Councillors Choudhury, Di Cara, Dow, Holt, Smart and Taylor

Agenda

- 1 Minutes of the meeting held on 23 September 2015 - Previously circulated.**
- 2 Apologies for absence.**
- 3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**
- 4 Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 Contract Procedure Rules. (Pages 1 - 36)

Report of the Senior Head of Projects, Performance and Technology.

8 Annual Audit Letter 2014/15. (Pages 37 - 46)

Report of External Auditors BDO.

9 Treasury Management Mid-year Review. (Pages 47 - 54)

Report of Chief Finance Officer.

10 Internal Audit Report to 30th September 2015. (Pages 55 - 74)

Report of Internal Audit Manager.

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

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Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by

the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

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Agenda Item 7

Body:	AUDIT & GOVERNANCE COMMITTEE
Date:	2 December 2015
Subject:	Contract Procedure Rules
Report Of:	Henry Branson, Senior Head of Projects, Performance and Technology
Ward(s)	All
Purpose	To seek approval in principle of new contract procedure rules
Recommendation:	Members are asked to approve the draft new contract procedure rules in principle and make recommendation to Full Council to adopt them into the council's constitution
Contact:	Henry Branson, Senior Head of Projects, Performance and Technology Email: henry.branson@eastbourne.gov.uk or Celia Cullen, Procurement Lawyer Email: celia.cullen@lewes.gov.uk

1.0 Introduction

- 1.1 The contract procedure rules (CPRs) form part of the council's constitution and determine how officers contract with external bodies. The CPRs ensure lawfulness and best practice in terms of the procurement of services, supplies or works. Clear and up-to-date CPRs play a key role in ensuring that best value is achieved for the authority and that the council is not exposed to risk.
- 1.2 Local authority procurement is an evolving area which is subject to scrutiny and challenge. The current CPRs were approved in 2009 and need to be fully revised now to ensure they reflect current law, best practice and the environment in which the council is now operating.

2.0 Contract Procedure Rules Revisions

2.1 Reasons for revisions

There are three key reasons for revising the CPRs at this time:

1. To reflect the Public Contract Regulations 2015
2. To achieve a standard set of CPRs for Eastbourne Borough Council, Lewes District Council and Eastbourne Homes Ltd.
3. To enable a modern and responsive approach to procuring works, supplies and services.

2.2 Public Contract Regulations 2015

The Public Contracts Regulations 2015 (PCR 2015) implement the 2014 EU Public Sector Procurement Directive and a range of other reforms. They largely apply to public contracts that exceed certain value thresholds. PCR 2015 came

into force earlier this year.

The PCR 2015 outline a number of standard procurement procedures for public bodies to follow. They also mandate the use of Government portals such as Contracts Finder for the advertising of certain contracts and place greater emphasis on electronic availability of procurement documents.

As is the case with previous PCRs, there are a number of exemptions and exceptions defined within the regulations which contracting authorities may choose to exercise, with appropriate care and legal advice.

The revised CPRs reflect the important changes contained with the PCR 2015.

2.3 Standardisation of CPRs

Eastbourne Borough Council (EBC) is on a path of ever closer partnership working. The 'Eastbourne Homes in Partnership' approach adopted by the Eastbourne Homes Board in 2014 saw much closer working between EBC and Eastbourne Homes Limited (EHL). This has resulted in integration of back office services, co-location at 1 Grove Road and shared management arrangements.

EBC is already sharing a range of services with Lewes District Council (LDC), in addition to shared senior management roles, and in October 2015 both EBC and LDC Cabinets approved the outline business case for wider integration of services and workforces.

It is clear that the future will entail staff working across multiple organisations to deliver shared and closely integrated services. It is therefore important that staff can work to a set of common policies, rules and procedures in key areas, and therefore the revised CPRs will be put forward for adoption by EHL and LDC as well as EBC.

2.4 Modernisation of CPRs

In order to respond effectively to the economic constraints facing local authorities, and continue to deliver the wide range of statutory and non-statutory services we do, EBC has needed to become more modern, agile and entrepreneurial, as well as working more effectively in partnership.

Our CPRs are a key enabler of this modern approach, and aspects of the current rules are now out of step with the way we need to do business. The PCR 2015 encourage a more electronic approach to procurement and this, amongst other changes, is reflected in the revised rules.

2.5 Summary of revisions

The full revised CPRs are attached as Appendix One. The most significant changes are summarised in the table below.

Current CPRs	New CPRs	Reason for Change	Controls
Different rules for EBC, LDC and EHL	One set of rules for all three organisations.	Makes compliance easier for staff working across all three organisations	Staff from all three organisations have been consulted and have agreed on the changes.
No discretion to appoint contractors direct, even for lower value procurements – three quotes always required.	Officer discretion to make direct award under £25k.	A blanket requirement for three quotes is inflexible and often inefficient, for the council and for contractors. It is appropriate to allow a level of discretion to appoint specialist or trusted contractors for lower value work. Most councils will have such a provision.	Any direct awards (i.e. without competitive quotes) must be agreed with the Accountable Officer, usually a member of the Corporate Management Team. Regular reviews of spend against aggregation rules will prevent this from being used year on year to award work to the same contractor.
Requires that contract opportunities over £50,000 are advertised.	Services and Supplies: Requires that contract opportunities over £100,000 are advertised. Works: Requires contract opportunities over £1,000,000 are advertised In all cases the advert must appear on the Government portal Contracts Finder.	An unlimited number of suppliers can respond to advertised opportunities, which can create significant extra work and delays in appointing contractors. The PCR 2015 require the use of Government portal for contracts advertised where the value is above £25,000.	At least three quotes must be sought to demonstrate best value. For works contracts below £1,000,000 the parties invited to quote must be selected from Constructionline which is a Government endorsed register for pre-qualified local and national contractors. Officers may still choose to advertise lower value contracts.
All tenders must be submitted in hard copy to the Town Hall,	Tenders can be submitted electronically via an e-tendering	To reflect the modern, agile and electronic approach to working	The e-tendering system will provide a rigorous audit trail for

recorded in a tender opening book and opened with a councillor present.	system	adopted by EBC, LDC and EHL	every procurement and prevent tenders from being opened before the closing date
No mention of disposal of land	Clear rules stating that disposal of land via sale or lease must only happen after auction, invitation of tenders or expressions of interest following public advertisement, in at least one newspaper circulating in the District, unless specifically authorised by Cabinet	There is an obligation to demonstrate best value in respect of land disposals and this isn't addressed in the current rules.	This offers greater clarity and control than the current rules.

3.0 Resource Implications

- 3.1 The goal of the revised CPRs is that they are applied consistently across EBC, LDC and EHL, thus making it easier for staff working across the organisations to carry out compliant procurements. Less staff time will be spent learning different CPRs in each organisation.

A training and awareness programme will be developed for staff who are likely to carry out procurement exercises to ensure they understand and can apply the new rules. The new CPRs refer to further guidance being available in a Contract Manual. LDC has an existing manual and EHL has some existing guidance on good practice. A new Contract Manual will be developed for use by all three organisations reflecting the new Regulations and CPRs.

4.0 Legal Implications

- 4.1 The new CPRs have been drafted by the Legal team and are compliant with EU law, including the new PCR 2015.

The CPRs form an important part of the council's constitution. Changes of substance to the constitution will only be approved by the full Council after consideration of the proposal by the Monitoring Officer and, where appropriate, the Audit and Governance Committee.

Members of the Audit and Governance Committee are therefore asked to recommend the draft new CPRs for approval by full Council.

5.0 Summary

- 5.1 The existing CPRs were approved in 2009 and although some amendments were made in 2015 to reflect essential changes from the PCR 2015, they are now out of step with aspects of the modern approach taken in the PCR 2015 to elements of procurement, as well as the council's increasingly entrepreneurial and partnership approach to service delivery. The new rules provide for a lawful approach to procurement, at the same time as allowing the council to take advantage of contemporary procurement options and providing a consistent approach to procurement at EBC, LDC and EHL.

Henry Branson
Senior Head of Projects, Performance and Technology

Appendix One: Revised Contract Procedure Rules

Part 4

CONTRACT PROCEDURE RULES

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1. INTRODUCTION

1.1. BASIC PRINCIPLES

Contracts for the supply of works, goods, services and disposal of assets have a high profile in terms of public accountability. Not only does the public expect that the *Organisation* achieves best value from its procurement and contractual arrangements, but it also expects fair competition, the highest standards of honesty and integrity from those involved, and transparency in respect of all decisions made as part of this process.

Accordingly, all procurement or the disposal of assets carried out by the *Organisation* must:

- a. Achieve best value.
- b. Be consistent with the highest standards of integrity.
- c. Ensure fairness in allocating public contracts or disposal of assets.
- d. Comply with all legal requirements.
- e. Support the *Organisation's* corporate and departmental aims and policies.
- f. Comply with the *Organisation's* Procurement Strategy where there is a current one in place.

A contract is a legally enforceable agreement which gives rise to new rights and duties those who agree to its terms. A contract is formed when the following key elements coincide:

- Offer.
- Acceptance.
- Consideration.
- Intention to create legal relations.
- Certainty of terms

This can include purchase orders, emails, letters and other forms where the above criteria are met.

1.2. OFFICER RESPONSIBILITIES

1.2.1. All officers responsible for purchasing or disposal must comply with these Contract Procedure Rules and the *Organisation's*:

- a. Financial Procedure Rules;
- b. Contract Manual;
- c. Code of Conduct; and
- d. all UK and European Union binding legal requirements.

Where there is a conflict between the *Organisation's* internal rules, codes and policies and these Contract Procedure Rules, then these Contract Procedure Rules will take precedence.

1.2.2. Officers must ensure that agents, consultants and contractual partners acting on the *Organisation's* behalf must also comply with the matters listed in 1.2.1.

1.3. MEMBERS RESPONSIBILITIES

Members should refer to the Code of Conduct at their Organisation. They should also have regard to the Councillor Protocol for Procurement Annexed to these Rules.

1.4. **WHERE TO GET ADVICE**

- 1.4.1. These Contract Procedures Rules are divided into two sections to cover the situations where the *Organisation* is acting either as a "purchaser" (when public procurement rules will apply) or as a "seller" or generating an income (when other regulatory requirements will apply).
- 1.4.2. *Officers* who are uncertain as to whether or not the Rules apply, or how the Rules apply, should seek advice from their *Procurement Team* and/or *Legal Services* at an early stage.

2. **COMPLIANCE AND EXCEPTIONS**

2.1. **COMPLIANCE**

Every contractual arrangement entered into by the *Organisation* shall comply with these Contract Procedure Rules unless an *exception* or *waiver* applies.

2.2. **NON-COMPLIANCE**

- 2.2.1. Any non-compliance with any of these Contract Procedure Rules must be notified to the *Chief Finance Officer* and the *Monitoring Officer* at the earliest opportunity.
- 2.2.2. Failure to adhere to these Contract Procedure Rules could result in disciplinary proceedings.
- 2.2.3. If these Contract Procedure Rules are not complied with, this will not invalidate any contract entered into by the *Organisation*, except where European or English law provides to the contrary.

2.3. **EXCEPTIONS**

- 2.3.1. These Rules do not apply to:
 - a. Public services contracts which are excluded from the application of the PCR 2015 under Regulation 10 (Specific exclusions for services contracts) and Regulation 12 (Public Contracts between entities within the public sector).
 - b. Public contracts excluded from the application of the UCR 2006 under Regulation 6 (General exclusion).
 - c. Contracts of employment making an individual a direct employee of the *Organisation*.
 - d. Contracts for the acquisition or rental, by whatever financial means, of land, existing buildings or other immovable property, or which concerns interests in or rights over any of them (other than those situations covered by Section 2 of these Rules).
 - e. Unconditional grants; for example, for community services. When deciding if a grant is subject to procurement rules, officers must consider the project as a whole. It is possible that an arrangement referred to as a grant could actually meet the definition of a contract set out in the PCR 2015. Whatever the nature of the grant, legal advice should always be sought when considering the making of a grant, to determine whether it is in fact a contract.

- f. Contracts made to engage artists, orchestras, shows or similar events or attractions at the *EBC's* theatres and other such performance venues provided by the Council PROVIDED THAT the Senior Head of Tourism and Leisure consults the relevant *Cabinet Portfolio Holder* before agreeing to a contract for seasonal engagement of more than four weeks and that such services fall below the *Applicable Threshold Value* for *Schedule 3 Service Contracts*.

2.4. WAIVERS

2.4.1. Subject to paragraph 2.4.2:

- a. The *Cabinet* has power to waive any requirements within these *Rules* for specific projects, in which case its reasons for doing so shall be recorded in the Minutes of the *Cabinet* meeting;
- b. The *Accountable Officer* has power to waive any requirements within these *Rules* in cases of urgency, after consultation with the *Leader of the Council*. Any necessary resulting action must be reported to the next meeting of the *Cabinet*.
- c. The *Accountable Officer* has power to waive the requirement within these *Rules* that requires the use of *Constructionline* to select those to quote for Works contracts with a value above [£25,000] and not exceeding [£1,000,000].
- d. In cases of contracts above the *Applicable Threshold Level*, the *Accountable Officer* has power to waive any requirements within these *Rules*, so as to allow the use of the negotiated procedure without prior publication in the specific cases and circumstances laid down in Regulation 32 of the *PCR 2015*, after consultation with the *Leader of the Council*.
- e. In cases of contracts below the *Applicable Threshold Level*, the *Accountable Officer* has power to waive any requirements within these *Rules*, so as to allow negotiation with only one potential contractor without prior advertisement, requests for quotations or tenders where:
 - i. the circumstances are analogous to those set out in Regulation 32 of the *PCR 2015* for above the *Applicable Threshold Level* contracts;
 - ii. the contract is one to which Regulation 8 *PCR 2015* (Specific exclusions in the field of electronic communication) applies;
 - iii. the contract is one to which Regulation 14 *PCR 2015* (Research and development services) applies.

As a general principle, waivers should only be authorised where there are objectively demonstrable grounds for doing so.

2.4.2. Where a proposed contract is subject to the provisions of a European Union procurement Directive or UK legislation then there will be no power to waive or depart from the requirements of the mandatory provisions set out in that legislation.

2.4.3. Nothing in these *Rules* prevents the acceptance of a quote or tender, or requires a waiver, simply because less than the minimum number of quotations or tenders have been submitted in response to a procurement process, as long as at least the minimum number of entities were actually requested to quote or tender as required under the *Rules*.

3. AUTHORITY FOR THE CONTRACT

3.1. Sufficient budget approval should be obtained before a procurement process is commenced. No contract for the supply of goods or services or for the execution of any work shall be entered into, nor any order given for such work unless the appropriate financial provision has been made in the capital or revenue estimates,

except pursuant to a specific resolution of the *Organisation* or the *Cabinet*. (See also the Financial Procedure Rules).

- 3.2. The *Designated Officer* will be required to produce confirmation of the authorisation for the contractual arrangement before it is entered into. [(see also the Scheme of Delegations to Officers).]

SECTION 1 PURCHASING

4. PRE-PROCUREMENT CONSIDERATIONS

Officers should appraise the purchase, in a matter commensurate with its complexity and value, taking into account any guidance in the Contract Manual.

It is important that *Officers* have considered the content of these *Rules* and the Contract Manual in advance of undertaking a procurement process to ensure that all the relevant issues have been taken into account and any internal consultation undertaken. There are obligations which impact on purchasing decisions beyond the procurement regulations which may need to be taken into account as appropriate, for example:

- The Public Services (Social Value) Act 2012: how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.
- Local Government Act 1999: best value duty.
- Local Government Act 1988: non-commercial considerations.
- Application of TUPE and pension rules.
- ICT and potential data security issues.
- State Aid

Where *Officers* consider that it may be helpful in undertaking some early **pre market engagement** with potential contractors they should refer to the Contract Manual or *Legal Services* for assistance.

4.1. TYPES OF CONTRACT

More detail can be found in the Contract Manual, but outlined below are the types of contract categories governed by the procurement regulations:

- Public Service Contract
- Public Works Contract
- Public Supply Contract
- Specialist Contracts
 - Design Contests
 - Subsidised Contracts Works and Services Contracts
 - Public Works Concession Contracts
 - Public Services Concession Contracts
 - Framework Agreements
- Dynamic Purchasing Systems
- Innovation Partnership

■ Utilities Contracts

4.2. WHAT IS BEING PROCURED?

Officers planning a procurement process must consider what type of contract is being considered in order to understand and plan the application of these Rules. For many purchases this will be a straightforward matter, however, this can be a complex area in relation to some projects. Further guidance can be found in the Contracts Manual or *Legal Services* should be consulted. In summary, it is necessary to have considered the following questions to determine the procurement rules applicable:

- 4.2.1. If the transaction involves more than one element (e.g. it includes works and services), is the transaction capable of being structured as an indivisible whole? If so what is the main object of the contractual arrangements?
- 4.2.2. Alternatively, are the elements of a mixed contract capable of being structured as stand-alone transactions? If so what are the main objectives of each of the contractual arrangements?
- 4.2.3. Where there is only a single subject matter for the transaction, or if (with regard to 4.2.2) the elements of a mixed transaction can be taken as separate contracts, do they amount to public contracts or concessions under the procurement regime? If so what is the correct classification of each contract and which set of regulations apply? Do the procurement regulations in relation to Utilities apply?
- 4.2.4. If there is a public contract (including a concession or utilities contract), is it one that requires advertisement and competition under the regulations or are there exemptions that apply?
- 4.2.5. In any event is the contractual arrangement one to which the *Treaty* obligations apply? If so, is the opportunity of certain cross border interest and so will require some form of advertisement and competition?
- 4.2.6. Regardless of how the public procurement regulations apply, do these *Rules* apply? Are there any *exceptions* or does there need to be a *waiver*?

5. PUBLIC SECTOR JOINT WORKING, USE OF CENTRAL PURCHASING ARRANGEMENTS AND FRAMEWORKS

- 5.1. In the event that recourse to a *central purchasing arrangement* or *framework agreement* is being considered or any form of joint working with other public sector bodies, then *Legal Services* must be consulted at an early stage. This is to ensure that the proposed arrangements have been established in accordance with the relevant procurement regulations and are available to be used by the *Organisation* in the way intended.
- 5.2. The *Organisation* fulfils its obligations under these Rules when it acquires supplies or services from a central purchasing body offering the centralised purchasing activity. The *Organisation* also fulfils its obligations where it acquires works, supplies or services by:
 - a. using contracts awarded by the central purchasing body;
 - b. using dynamic purchasing systems operated by the central purchasing body; or
 - c. by using a *framework agreement* concluded by the central purchasing body offering the centralised purchasing activity.

5.3. Call-off contracts entered into under a *framework agreement* must be awarded under the terms set out in the *framework agreement*. These may include a mini-competition between those contractors on the framework or the award of a contract to one contractor without re-opening competition. Where the *framework agreement* terms for call-offs are complied with then competitive quotations or tenders are not required under these *Rules*.

5.4. Where the Council is procuring through joint working with other contracting authorities, the procurement must be compliant with these *Rules* or those of the lead authority. In so far as that is the case and the process followed is compliant with the public procurement regulations, then the process will be deemed to comply with these *Rules*.

5.5. It should be noted that *Constructionline* is not a framework agreement.

6. SUMMARY OF THRESHOLDS AND PROCEDURES REQUIRED

6.1. The estimated value of a contract should be calculated at the moment at which the procurement procedure is to be commenced. The Public Contract Regulations 2015 and Utilities Contracts Regulations 2006 contain detailed rules as to how the estimated value of a contract is calculated and when the value of one contract has to be aggregated with contracts awarded by the Council as a whole to see whether it is over the threshold for the Regulations to apply. Guidance is attached at Annexure 2 but further clarification should be sought from *Legal Services* or the *Procurement Team* if needed.

Estimated Value of the Contract (excluding VAT) Service and Supplies	Estimated Value of the Contract (excluding VAT) Works	Minimum Requirement	Advertisement
Contracts Below [£25,000]	Contracts Below [£25,000]	Obligation to consider best value but no obligation to go out for a particular number of quotes. However consideration should always be given to whether three quotes should be sought. <i>Officer</i> discretion. Reason for direct award should be agreed with <i>Accountable Officer</i> and recorded by <i>Designated Officer</i> .	No requirement to advertise. IF advertised then NO requirement to also advertise in <i>Contracts Finder</i> .
Contracts exceeding	[£25,000] and not exceeding	Seek minimum three written quotes.	No requirement to advertise.

Estimated Value of the Contract (excluding VAT) Service and Supplies	Estimated Value of the Contract (excluding VAT) Works	Minimum Requirement	Advertisement
[£25,000] and not exceeding [£100,000]	[£1,000,000]	Must use <i>constructionline</i> to select those to be invited to quote for Works contracts unless waiver given.	IF advertised then MUST also advertise in <i>Contracts Finder</i> .
Contracts exceeding [£100,000] but under <i>Applicable Threshold Value</i> (EU)	Contracts exceeding [£1,000,000] but under <i>Applicable Threshold Value</i> (EU)	Seek minimum four written tenders. No pre-selection stage for services/supplies contracts (so number of contractors invited to tender cannot be limited in this way) but suitability questions can be asked. Use of <i>constructionline</i> optional for PQQ process for works contracts.	Requirement to advertise in all cases. Advertise in <i>Contracts Finder</i> in all cases.
Above <i>Applicable Threshold Value</i> (EU)	Above <i>Applicable Threshold Value</i> (EU)	EU regulated process to be followed unless an <i>exception or waiver</i> applies. Consult <i>Legal Services or Procurement Team</i> .	Requirement to advertise in all cases. Advertise in <i>Contracts Finder</i> .
Where appropriate, any contractor properly nominated under section 20 of the Landlord and Tenant Act 1985 must also be invited to tender.			

7. SUMMARY OF ADVERTISEMENT RULES AND REQUIREMENTS

- 7.1. Where a proposed contract meets or exceeds European Union thresholds, (*Applicable Threshold Value*) a public contract notice or a Prior Indicative Notice (depending on the procedure) must be placed in the Official Journal of the European Union (OJEU) if and when required under the applicable Regulations
- 7.2. Any *national advert* should not be published until the OJEU advert has been published or after 48 hours of confirmation of receipt by OJEU of the notice.

- 7.3. Where procurement is commenced through a contract notice to the OJEU then the *Designated Officer* must also ensure that the contract is advertised on *Contracts Finder* within 24 hours of the time when the *Organisation* can publish a national advert (see above).
- 7.4. Where the *Organisation* chooses to advertise an opportunity to be awarded a below threshold contract (regardless of how specific that opportunity is) to which the Public Contracts Regulations 2015 would apply if it were above the *Applicable Threshold Value*, then if the estimated value of the contract opportunity is £25,000 or more, the *Designated Officer* must also advertise the opportunity through *Contracts Finder*. The information must be published in *Contracts Finder* within 24 hours of the time when it first advertises the award opportunity in any other way.
- 7.5. The contract is not 'advertised' for the purpose of triggering a requirement to advertise in *Contracts Finder* if the invitation to quote is only made available to a number of particular contractors who have been selected for that purpose either ad hoc or by virtue of their membership in some closed category such as a framework agreement.
- 7.6. *Officers* should also assess the need for wider advertisement in:
- relevant newspapers;
 - any national or trade journal applicable to the industry.

8. CONTRACTS BELOW [£25,000]

- 8.1. The *Designated Officer* has an obligation to consider securing best value for these contracts, but is under no obligation to go out for a particular number of quotes. However consideration should always be given to whether three quotes should be sought.
- 8.2. Where a decision is taken not to seek quotes in any particular situation then the reason for direct award should be agreed with *Accountable Officer* and recorded by the *Designated Officer*.

9. CONTRACTS EXCEEDING [£25,000] AND NOT EXCEEDING [£100,000] OR [£1,000,000] FOR CONTRACTS FOR WORKS

- 9.1. Where the appropriate *Designated Officer* estimates a contract is likely to fall within this category they shall, wherever practicable, obtain at least three competitive quotations in writing. Where practicable, at least one quote shall come from a local supplier.
- 9.2. It is not the intention that there should be any advertisement when obtaining quotations, but it should be noted that where the value of the contract is estimated to be £25,000 or more and the *Organisation* chooses to advertise then the requirements set out in paragraph 7.4 must be observed.
- 9.3. The procurement regulations provide that you cannot have pre-selection stage for a contract above £25,000 but below the *Applicable Threshold Value*. For this purpose

only, the threshold that applies to works contracts is the same as for services/supplies contracts.

- 9.4. An invitation to supply a quotation shall, as a minimum, comprise the following information (which may, at the discretion of the *Designated Officer*, be bound within a composite letter):
- a. Instructions for return.
 - b. The basis on which a quotation will be assessed and on which the winning quotation will be accepted.
 - c. Terms and conditions under which the works, goods or services are to be provided.
 - d. Specification of the works, goods or services to be provided.
 - e. Pricing schedule or similar from which the bid price can be readily ascertained.
 - f. A statement that the Council is under no obligation to accept any quotation.
- 9.5. The *Designated Officer* must keep a record of:
- a. All contractors that were asked to provide a quotation
 - b. The reasons why those particular contractors were selected to provide a quotation.
- 9.6. Where practicable, quotations shall be returned through the electronic tendering system of the *Organisation*. Where this is not possible contractors should be asked to provide quotations by a specified date in plain envelopes/packages which have been securely sealed and marked with the word "Quotation" followed by the contract or subject to which it relates. Telephone quotes are not to be considered. Email quotes may only be accepted if a separate email account is set up for the purpose of the quotation which cannot be accessed until after the deadline for return has passed.
- 9.7. Quotations should not be accessed or opened until after the deadline for return has passed. They should be opened in the presence of the *Designated Officer* plus one other *Officer*. The *Designated Officer* must record the following details on the Quotation Control Form or within the electronic tendering system:
- a. The name of the company.
 - b. The value of the quote.
 - c. The date the quote was received.
 - d. The form in which it was received from the company.
 - e. The recommendation as to which quote if any to accept.
- 9.8. The *Designated Officer* shall seek the written authority of the *Accountable Officer* to authorise the recommendation by the *Designated Officer*. All documents relating to the quotation exercise shall be provided to the *Accountable Officer* by the *Designated Officer*. The *Accountable Officer* shall certify the acceptance of the quote on the Quotation Control Form or within the electronic tendering system. The Quotation Control Form can be found in the Contract Manual.
- 9.9. A quotation may be accepted on the basis on which it was indicated in the invitation to quote that the winning quotation would be identified i.e. either:

- a. The lowest price quotation; or
- b. The highest scoring quotation where evaluated against acceptance criteria previously disclosed to those participating in the competition.

No quotation which exceeds the approved budget provision shall be accepted until approval to further expenditure has been obtained.

10. CONTRACTS EXCEEDING [£100,000], OR [£1,000,000] IN CASE OF A CONTRACT FOR WORKS, BUT UNDER APPLICABLE THRESHOLD VALUE (EU)

- 10.1. All tendering procedures from planning to contract award and signature must be undertaken in a manner so as to ensure:
 - a. Sufficient time is given to plan and run the process;
 - b. Equal opportunity and equal treatment;
 - c. Openness and transparency;
 - d. Probity; and
 - e. Outcomes that deliver sustainability, efficiency and whole life costing.
- 10.2. Contract opportunities should be advertised by public notice, which may take the form of a notice or advertisement on a readily accessible website or other electronic media and/ or in the press, relevant trade journals or Official Journal of the EU (as appropriate). The *Designated Officer* may choose to place one or more public notices. Where the *Organisation* advertises an opportunity to be awarded a below *Applicable Threshold Value* (regardless of how specific that opportunity is) to which the Public Contracts Regulations 2015 would apply if it were above the *Applicable Threshold Value*, then if the estimated value of the contract opportunity is £25,000 or more, the *Designated Officer* must also advertise the opportunity through *Contracts Finder*. The information must be published in *Contracts Finder* within 24 hours of the time when it first advertises the award opportunity in any other way.
- 10.3. It should be noted that the procurement regulations provide that you cannot have pre-selection stage for a contract above £25,000 but below the *Applicable Threshold Value*. For this purpose only, the threshold that applies to works contracts is the same as for services/supplies contracts. It is possible to ask suitability questions and further guidance on this is in the Contract Manual.
- 10.4. Were a works contract is above the *Applicable Threshold Value* the pre-selection stage can use the Crown Commercial Services standard Pre Qualification Questionnaire or the industry-standard *PAS 91* for public contracts for Works. Constructionline PQQs are aligned to *PAS 91* and so can be used for this purpose.
- 10.5. The invitation to tender shall (unless otherwise agreed by *Legal Services*) state that no tender will be considered unless it is received by the date and time stipulated in the invitation to tender. No tender delivered in contravention of this clause shall be considered.
- 10.6. An invitation to tender shall (unless otherwise agreed by *Legal Services*), as a minimum, comprise the documents listed below:
 - a. Form of tender, which must include a statement that the *Organisation* is under no obligation to accept any tender

- b. Certificate that the tender is bona fide
- c. Instructions to tenderers, including notification that where electronic means are not used that no tender will be considered unless it is enclosed in a sealed envelope or container which bears the word "Tender" followed by the subject to which it relates to but no other name or mark indicating the sender.
- d. Form of contract including contract conditions.
- e. Specification of the works, goods or services to be provided
- f. Bill of quantities or pricing schedule (as necessary)
- g. Award criteria for the selection of the successful tender.

11. ABOVE APPLICABLE THRESHOLD VALUE (EU) CONTRACTS

- 11.1. Whilst the rules set out in clause 10 also apply to EU procurements, additional steps must also be taken in accordance with the law and relevant guidance. For this reason, additional time must be allowed at an early stage of project planning
- 11.2. Where the EU Procurement Rules apply, the *Accountable* or *Designated Officer* must consult with *Legal Services* in the very early stages of project planning, to determine the appropriate method of conducting the purchase and to ensure the correct procedures are followed.
- 11.3. Where EU Procurement Rules apply to a contract there are four main procedures available. These are the open, restricted, competitive dialogue procedures and competitive procedure with negotiation.
- 11.4. The *Accountable* or *Designated Officer* must consider the minimum time frames which apply to EU procurement projects and consult *Legal Services* at the outset.
- 11.5. Where the Public Contract Regulations 2015 or Utilities Contract Regulations 2006 require a prior indicative notice (PIN) or public contract notice to be placed in the Official Journal of the European Union (OJEU) then any *national advert* should not be published until the OJEU advert has been published or after 48 hours of confirmation of receipt by OJEU of the notice. Where a procurement exercise is commenced through a contract notice to the OJEU then the *Designated Officer* must also ensure that the contract is advertised on *Contracts Finder* within 24 hours of the time when the *Organisation* can publish a *national advert*.

12. EXTENSIONS AND CHANGES TO EXISTING CONTRACTS

- 12.1. No variation or extension must be made to a contract without an agreed budget.
- 12.2. Variations to existing contracts will normally be permitted **only** where all of the following criteria are met:
 - a) The change is not so materially different from the scope of the original contract that a new procurement exercise needs to be run having regard to the provisions in Regulation 72 of the Public Contracts Regulations 2015;
 - b) Value for money can be demonstrated; and
 - c) The extension is approved by *Legal Services*.
- 12.3. Delegated authority to authorise extensions and variations are as follows:

- a) any extension or variation to a contract resulting in an increase of more than 10% of its total value or duration, to a maximum value of £50,000, must be authorised by the relevant Chief Officer;
- b) any extension or variation resulting in an increase of more than £50,000 must be authorised by the relevant Cabinet Portfolio Holder;
- c) where the extension or variation would lead to a significant change in the level of service or have cost implications for future years outside of the *Organisation's* overall budget framework, *Organisation* approval must be given.

12.4. In **exceptional** and/or **extremely urgent** circumstances, extensions may be granted by the *Chief Officer* after consultation with the *Leader of the Council*. Any necessary resulting action must be reported to the next meeting of the *Cabinet* and if necessary, *Council*.

12.5. Where any variation or extension results in a need for budget virement, this will be subject to the virement provisions in the Financial Procedure Rules.

13. RECEIPT AND OPENING OF TENDERS

13.1. *Officers* should ensure that contractors who may tender are aware of the rules relating to the tendering process set out.

13.2. A tender should only be considered if received in accordance with the *Organisation's* tendering protocols set out in the invitation to tender or where otherwise agreed in consultation with *Legal Services*.

13.3. Where not submitted electronically through the approved procurement portal, the *Accountable Officer* or his or her nominated officer will keep the tenders securely. Tenders, however received, must not be opened or accessed until expiry of the time limit for submission and the time appointed for their opening.

13.4. Tenders must be opened in a fair and secure fashion in the presence of the *Designated Officer* and at least one other officer. The presence may be virtual where the electronic approved procurement portal is used.

13.5. The *Designated Officer* must record the following tender details:

- a) The names of those present during the Tender opening
- b) The date and time the Tenders were opened
- c) The name and estimated value of the contract.
- d) The *Accountable Officer* instigating the contract.
- e) The closing date and time for tenders to be received.
- f) The name of each invited tenderer.
- g) The tender amount. In the event of the value of the tender being unclear e.g. dependent upon further calculation or based on a schedule of rates, the Tender amount should be recorded as "To be assessed".
- h) In the event that an invited tenderer fails to tender, the tender sum should be recorded as "No Tender Received".
- i) With regard to tenders received after the specified date and time, the tender sum should be recorded as "Received Late" with the actual date and time received.

13.6. The *Designated Officer* must retain a copy of each tender in accordance with the *Organisations* Document Retention & Disposal Schedule.

- 13.7. Where information or documentation to be submitted by a tenderer is or appears to be incomplete or erroneous, or where specific documents are missing, the *Organisation* may request the tenders concerned to submit, supplement, clarify or complete the relevant information or documentation within an appropriate time limit, provided that such requests are made in compliance with the principles of equal treatment and transparency.
- 13.8. This will generally mean that a request must not in reality lead to the submission of a new tender. In particular it relates to the identification of any obvious errors, ambiguity and incompleteness which might prevent the *Organisation* from being able to undertake the evaluation process and in particular those which are capable of simple explanation and can be easily resolved.
- 13.9. A request for clarification should not appear unduly to have favoured or disadvantaged the tenderer or tenderers to which the request was addressed.
- 13.10. A request for clarification of a tender should be made only after the *Organisation* has looked at all the tenders. Furthermore, that request must be sent in an equivalent manner to all undertakings which are in the same situation, unless there is an objectively verifiable ground capable of justifying different treatment of the tenderers in that regard, in particular where the tender must, in any event, in the light of other factors, be rejected.
- 13.11. In addition, a request should relate to all sections of the tender which are imprecise or which do not meet the technical requirements of the tender specifications if the *Organisation* wishes to raise queries or reject the tender because of them.
- 13.12. The *Accountable Officer* must accept a tender on the basis on which it was indicated in the invitation to tender that the winning tender would be identified i.e. either:
- a) The lowest priced tender; or
 - b) The tender that scores highest when evaluated against the acceptance criteria previously set by the *Accountable* and disclosed to those participating in the competition.
- 13.13. A tender that is not the lowest priced or highest scoring tender can only be accepted by the *Cabinet*, in respect of those functions that are the functions of *Cabinet*, after considering a report by the *Accountable Officer*.
- 13.14. Tenders exceeding the approved estimate may only be accepted once approval to further expenditure is obtained. This may be approved by the relevant budget holder within delegated limits. Otherwise, approval by *Cabinet* or *Council* in accordance with the Constitution is required.

14. CONTRACT AWARD

- 14.1. *Designated Officers* or *Accountable Officers* have delegated authority to authorise contracts within their approved budget.
- 14.2. Contracts with a value greater than that allocated within the relevant budget must be authorised by *Cabinet*.
- 14.3. Any contract over £75,000 must be authorised by an *Accountable Officer* and executed as a deed or under seal. The Council seal is held by *Legal Services* and will only be used once *Legal Services* receives the necessary authorisation from the *Accountable Officer* to bind the *Organisation* to the contract.

14.4. The award of a contract over £25,000 (including under a framework agreement) must be published in accordance with the Public Contracts Regulations 2015 and in *Contracts Finder*. Awards of contracts under the UCR 2006 must be published in accordance with those Regulations.

15. FINANCIAL CHECKS

15.1. In the case of contracts to be awarded which either have an estimated value in excess of £25,000, or where the *Accountable Officer* considers that the failure of the contractor to perform would result in a high risk to the *Organisation*, the *Accountable Officer* must request that the *Chief Finance Officer* carry out a financial status check on all applicants.

15.2. The financial status check will take into account the financial viability of the applicant, their ability to deliver the contract in financial terms and the current level of contractual relationship with the applicant.

15.3. The *Accountable Officer* may authorise a tender to be invited from a contractor whose financial status is not favourable, where to do so is necessary in order to secure a bid for the works, supplies or services and the risks associated with contract failure have been assessed and in his/her opinion are within acceptable limits. In such an event, the *Accountable Officer* must justify such a decision and maintain all records accordingly.

15.4. The financial checks will be carried out in compliance with the provisions of the Public Contracts Regulations 2015 (in particular Regulations 107 and 111 and associated guidance) depending on the value and type of public contract.

16. CONTRACT TERMS

16.1. **Every contract that exceeds £25,000 in value or contains a potentially significant risk must be in writing in a form approved by *Legal Services*.**

16.2. Note: *Legal Services* may also determine the format of any contract for a lesser value.

16.3. Other than in exceptional circumstances, and where the written consent of *Legal Services* has first been obtained, all contracts must be concluded formally in writing **before** the supply of any goods, service or the commencement of any work. The issue of an award letter or letter of intent is not acceptable for this purpose.

16.4. Every contract must include details of:

- a) The works, goods or services to be provided, supplied or carried out;
- b) The price to be paid, with a statement of discounts or deductions;
- c) The time or times within which the contract is to be performed;
- d) Where appropriate, provision for the payment of liquidated damages where the contractor fails to complete the contract within specified timescales;
- e) A clause empowering the *Organisation* to cancel the contract in circumstances of corruption and/ or collusion and to recover any loss resulting from such cancellation;
- f) A clause requiring appropriate insurance cover;

- g) Where appropriate a requirement for the provision of a bond, parent company guarantee or other sufficient security for due performance of the contract. Where the contract value exceeds £1,000,000 the contract shall contain such a provision unless the *Chief Finance Officer* determines otherwise;
- h) Specific provision as to sub contracting where appropriate;
- i) A clause enabling termination in accordance with Regulation 73 of the Public Contract Regulations 2015 if it is above the *Applicable Threshold Value*; and
- j) A clause containing suitable provisions (having regard to guidance issued by the Minister for the Cabinet Office) to comply with the requirements of Regulation 113 of the Public Contract Regulations 2015 in relation to the payment of undisputed invoices within 30 days to contractors and sub-contractors.

16.5. The Safeguarding of Children and Vulnerable Adults and the relevance of other Council policies noted in the Corporate Procurement Policy.

16.6. In any contract where a contractor or subcontractor will have contact with members of the public, the *Designated Officer* is responsible for ensuring that it is a condition of the contract that the contractor, or subcontractor, will comply with the *Organisations 'Safeguarding Children and Vulnerable Adults Policy'* ('Safeguarding Children and Vulnerable Adults Policy'). The *Designated Officer* is responsible for ensuring that the contractor has a copy, or has access to a copy, of this policy.

16.7. These Rules must moreover be read in conjunction with the *Organisations Corporate Procurement Policy*. This Policy provides details of those other *Organisation* policies (such as those relating to Equalities and other supplier responsibilities) which ensure that all procurement activity reflects the *Organisation's* corporate standards and objectives.

17. RECORDS

17.1. The following records must be kept by the *Designated Officer*:

- a. forms of tender received from all tenderers
- b. all documentation from the three highest scoring tenderers until the end of the contract when the second and third tenderers documentation can be destroyed
- c. communication with unsuccessful tenderers
- d. the award criteria
- e. for above threshold contracts the information required for reporting and documenting in Regulation 84 of the Public Contracts Regulations 2015 including why an above threshold contract has not been divided into Lots. For below threshold contracts information may be required by the Cabinet office for reports to the Commission.

17.2. Signed contract documentation must be provided to and will be retained by *Legal Services*.

17.3. The documents detailed must be kept for at least six years after the end of the contract, or as specified by any Document Retention Policy approved by the *Organisation*.

SECTION 2 SELLING

18. DISPOSAL OF INTERESTS IN LAND

- 18.1. No sale or lease by the *Organisation* of land (where the value exceeds £50,000 or £25,000 if amenity land; or in the case of a lease, the estimated rent exceeds £25,000 per annum) shall be made except after auction or the invitation of tenders or expressions of interest following public advertisement, in at least one newspaper circulating in the District (or other appropriate means of advertising), unless specifically authorised by *Cabinet*. This shall not apply to the renewal of a lease made pursuant to the Landlord and Tenant Act 1954 or to the sale of *Organisation* dwellings under the right to buy scheme.
- 18.2. The *Designated Officer* shall record the power under which land or an interest in land is disposed which is likely to be one of the following:
- 18.2.1 Local Government Act 1972 – Section 123 Disposal power in relation to land not held for planning or housing purposes
- 18.2.2 Town and Country Planning Act 1990 - Section 233 Disposal power in relation to land held for planning purposes
- 18.2.3 Housing Act 1985 – Section 32 Disposal power in relation to land held for purposes of Part II of the Housing Act 1985
- 18.3. The disposal of land or interests in land shall comply with the rules on State Aid.
- 18.4. Consideration should be given to the circumstances in which a public contact may be created through a disposal of land. *Legal Services* and/or guidance contained in the Contract Manual should be consulted.

19. DISPOSAL OF ASSETS

- 19.1. Assets for disposal must be sent to public auction except where better value for money is likely to be obtained by inviting quotations or tenders. (These may be invited by advertising on the *Organisation's* internet site or other appropriate means of advertisement). Quotations or tenders will not be required where an expert valuation has confirmed that an alternative method of disposal (such as where there is a *Special Purchaser*) will secure market or above market value. The method of disposal of surplus or obsolete assets other than land must be formally agreed with the *Chief Finance Officer*.

20. INCOME GENERATING CONTRACTS

- 20.1. The *Designated Officer* shall consult with *Legal Services* in relation to contracts where the *Organisation* is proposing to generate an income or receive a payment. Such contracts may include joint venture arrangements or concessions contracts. A concession contracts may include contracts for the provision of works and services where the consideration under the contract includes the right to exploit the works or services to be provided. These may be governed by the public procurement rules.
- 20.2. Matters to consider will include:
- 20.2.1. Powers,

- 20.2.2. State aid,
20.2.3. Best value.

21. PURCHASE OF INTERESTS IN LAND

- 21.1. The *Designated Officer* shall record the power under which land is purchased.
21.2. The purchase of land shall comply with the rules on State Aid.

DEFINITIONS

22. DEFINITIONS

Word or Phrase	Meaning
Accountable Officer	For EBC and LDC this means the Chief Executive or Senior Head of Service responsible for the particular project. For EHL this means the Chief Executive or Managing Director as appointed by the Board.
Applicable Threshold Value	The threshold in relation to the estimated value of the contract as set out in the relevant procurement Directive above which an OJEU process must be followed. For the <i>Organisations</i> these are currently: Works: £4,322,012 Supplies/Services: £172,514 Schedule 3 service contracts for social and other specific services: £625,050 These are reviewed every 2 years to convert the Euro figures in to GBP. The next update is due 1 January 2016. The GBP values can go down.
Cabinet	For EBC and LDC this is the Cabinet of the Council. For EHL this is (1) the Board of Directors appointed in accordance with the Articles and Memorandum of Association or (2) a Committee, where the matter relates to a function delegated to that Committee in both cases after considering a report from one or more of the Executives.
Cabinet Portfolio Holder	For EBC/LDC the member of the Cabinet designated as the lead member for the relevant function or service and if none the Leader of the Cabinet. For EHL any of the Executives as appropriate to the matter being considered.
central purchasing arrangement	This is an arrangement involving a "central purchasing body". A "central purchasing body" means a contracting authority which provides centralised purchasing activities and which may also provide ancillary purchasing activities. Contracting authorities

Word or Phrase	Meaning
	may acquire supplies, services, or works through a central purchasing body offering a centralised purchasing activity.
Chief Finance Officer	For EBC and LDC the person designated as the responsible officer under section 151 of the Local Government Act 1972; for EHL the Director Finance and Corporate Services.
Chief Officer	For EBC and LDC these are the Chief Executive, the Deputy Chief Executive, the Directors, the Senior Heads, the Monitoring Officer and the Chief Finance Officer. For EHL these are the Executives.
Code of Conduct	Employee and/or staff code of conduct or the Code of Conduct for Councillors, as applicable.
Constructionline	Constructionline is a national register of pre qualified local and national construction and construction related contractors and consultants. It is owned by Capita PLC and endorsed by the Department of Business Enterprise and Regulatory Reform (formerly the DTI). The Council uses this register as its selection method for construction related contracts. Firms or contractors who are not registered on Constructionline can apply to join it. Information on how to register, application rules and forms can be found at www.constructionline.co.uk
Contracts Finder	Contracts Finder is an electronic procurement portal and is the responsibility of the Crown Commercial Service (CCS) and the new Contracts Finder portal can be found at www.gov.uk/contracts-finder . The Council has issued guidance notes on how to use the portal.
Council	For EBC and LDC this is the Council meeting. For EHL this is the Board of Directors.
Designated Officer	The Officer designated by the Chief Officer to deal with the procurement process in question.
EBC	Eastbourne Borough Council.
EHL	Eastbourne Homes Limited.
exception	A circumstance set out in paragraph 2.3 (Exceptions) of the Contract Procedure Rules.
Executives	For EHL this means the Chief Executive or Managing Director and the Services Directors (being the Director of Finance and Corporate Services and the Director of Operations).

Word or Phrase	Meaning
Financial Procedure Rules	For EBC/LDC these are the Financial Procedure Rule that form part of the Constitution. For EHL these are the Financial Regulations.
Framework Agreement	An agreement between one or more contracting authorities and one or more economic entities, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.
LDC	Lewes District Council.
Leader of the Council	For EBC and LDC this is the Leader of the Council as appointed under their respective Constitutions. For EHL this shall be the Chairman of the Board.
Legal Services	for LDC this means the Council's senior legal officer or a specialist lawyer in that officer's team; For EBC/EHL that means the Lawyer to the Council or a specialist lawyer in that officer's team.
Monitoring Officer	For EBC and LDC the person designated as the responsible officer under section 5 of the Local Government and Housing Act 1989; for EHL the Governance & Compliance Manager/Company Secretary.
national advert	An advertisement of the opportunity other than in OJEU.
Officer or Officers	Any member of staff employed by the <i>Organisation</i> ; any person seconded to or made available to the <i>Organisation</i> ; any agent or consultant acting for the <i>Organisation</i> ; and in the case of EHL, any director of the company.
Organisation	Eastbourne Borough Council ("EBC"); Lewes District Council ("LDC"); Eastbourne Homes Limited ("EHL").
PAS 91	PAS 91 is a standardised pre-qualification questionnaire which has been developed to reduce the need for suppliers to complete a variety of different pre-qualification questionnaires for different, and in some cases, the same clients. A copy is attached to the Contract Manual and can also be downloaded at: http://shop.bsigroup.com/en/Navigate-by/PAS/PAS-91-2013/
PCR 2015	Public Contracts Regulations 2015
Procurement Team	the Officers (if any) with designated responsibility in the relevant <i>Organisation</i> for advising on procurement processes
Rules	The Contract Procedure Rules.

Word or Phrase	Meaning
Schedule 3 Service Contracts	Contracts listed in Schedule 3 of the PCR 2015 for social and other specific services.
Special Purchaser	A particular buyer for whom a particular asset has special value (i.e. an amount that reflects particular attributes of an asset that are only of value to a <i>Special Purchaser</i>) because of advantages arising from its ownership that would not be available to other buyers in a market.
Treaty	Treaty on the Functioning of the European Union
UCR 2006	Utilities Contracts Regulations 2006
waiver	A circumstance set out in paragraph 2.4 (Waiver) of the Contract Procedure Rules.

1. **ANNEXURE ONE: Councillor Protocol for Procurement**

COUNCILLOR PROTOCOL FOR PROCUREMENT

Introduction

- 1** The Council's governance arrangements provide for procurement to be managed in accordance with Contract Procedure Rules, and for Councillors to be guided in their work by the Protocol on Member/Officer Relations and the Code of Conduct for Members of the Council. The Code of Conduct for Members includes the need for Councillors to register their interests in any contract with the Council, but in other respects these documents make only limited reference to the role of Councillors in the specialist area of procurement.
- 2** This protocol is to guide Councillors in procurement procedures and to minimise the risk of any non compliance with UK and EU legislation.

Best Practice Guidance

- 3** A Councillor must not arrange or participate in any meeting or other form of communication with tenderers or potential tenderers for Council contracts that has not been arranged by Council officers.
- 4** A Councillor who is or will be involved in the process that leads to the award of any Council contract must not discuss the matter if they are approached by or on behalf of anyone interested in obtaining that contract.
- 5** A Councillor, who is a representative of an organisation that tenders or quotes for Council work, may not take part in the process that leads to the award of any contract in that area of service or be involved in the subsequent administration of that contract.
- 6** If a Councillor is a representative of an organisation that tenders or quotes for Council work, the organisation can only be awarded Council work through a process of open competition under Contract Procedure Rules.
- 7** The Council will not seek tenders or quotes from an organisation, or place work with an organisation using a schedule of rates or any call off arrangement, if a Councillor who is the Cabinet Member for that area of the Council's service is a representative of that organisation.
- 8** A Councillor must not seek to influence the procurement decisions of officers or do anything that compromises or is likely to compromise the impartiality of officers.
- 9** A Councillor must not pressurise any officer to change his/her professional opinion on procurement issues or give direct instructions to officers.

- 10** A Councillor must not take a proactive part to represent or in any other way advocate on behalf of any tenderer or contractor.
- 11** Any Councillor, who is a representative of an organisation that tenders or quotes for Council work, must declare that interest in the Register of Interests.
- 12** Confidential information relating to any tender, tenderer or prospective tenderer must remain confidential, and a Councillor must ensure that no confidential information is disclosed to unauthorised persons or organisations.

A breach of the above guidance may constitute, depending on the circumstances, a breach of the Code of Conduct for Members.

2. ANNEXURE TWO: GUIDANCE ON CALCULATING ESTIMATED CONTRACT VALUE

The Calculation

Calculation of the estimated value of a contract must be based on the total amount payable (excluding VAT). This has to be undertaken at the moment at which the call for competition is sent, or if no call for competition then at the moment at which the Council intends to commence an alternative process to select suppliers e.g. by seeking quotations.

The choice of method used to calculate the estimated value must not be made with the intention of excluding it from the public procurement regulations.

A procurement exercise must not be subdivided with the effect of preventing it from falling within the public procurement regulations unless justified by objective reasons.

The rules require that where there are separate operational units within the Council, the total estimated value of the works, supplies or services for all those units is taken into account when calculating the estimated value. This means the majority of procurements undertaken will need to take account of the overall Council spend.

However where a unit is independently responsible for its procurement or certain categories of its procurement, the values may be estimated at the level of the unit in question. This will apply where the separate operational unit independently runs the procurement procedures and makes the buying decisions, has a separate budget line at its disposal for the procurements concerned, concludes the contract independently and finances it from a budget which it has at its disposal. A subdivision is not justified where the Council merely organises a procurement exercise in a decentralised way.

The value must be estimated by the Council including:

- any form of option in relation to the contract (e.g. where there is an option to include possible additional services)
- any renewals that are provided for in the contract
- any prizes or payments to candidates or tenderers
- any payments that will be made by third parties to the supplier as a result of undertaking the contract

- in the case of insurance services, the premium payable and other forms of remuneration
- in the case of banking and other financial services, the fees, commissions payable, interest and other forms of remuneration
- in the case of design contracts, the fees, commissions payable and other forms of remuneration
- where the contract is or may be divided into lots, account has to be taken of the total estimated value of those lots.
- in relation to framework agreements and dynamic purchasing systems, the value to be taken into consideration is the total for all the contracts envisaged during the term of the framework agreement or system
- in relation to innovation partnerships, the value to be considered is the maximum estimated value of the research and development activities to take place during all stages of the envisaged partnership as well as the supplies and services or works to be developed and procured at the end of the envisaged partnership
- in the case of works contracts, the calculation shall include both the cost of the work and the total estimated supplies and services that are made available to the contractor by the Council where they are necessary for executing the works

Specific Rules for Supply Contracts

In relation to supply contracts relating to the leasing, hire, rental or hire purchase of products, the value to be taken as a basis for calculating the estimated contract value is:

- in the case of fixed-term contracts, where that term is less than or equal to 12 months, the total estimated value for the term of the contract, or, where the term of the contract is greater than 12 months, the total value including the estimated residual value;
- in the case of public contracts without a fixed term or the term of which cannot be defined, the monthly value multiplied by 48.

Specific Rules for Services Contracts

In relation to service contracts which do not indicate a total price, the basis for calculating the estimated contract value is:

- in the case of fixed-term contracts, where that term is less than or equal to 48 months: the total value for their full term;

- in the case of contracts without a fixed term or with a term greater than 48 months: the monthly value multiplied by 48.

Aggregation Rules for Supplies and Services

In the case of supplies and services contracts which are regular in nature or which are intended to be renewed within a given period, the calculation of the estimated value of every contract must be based on one of the following:

- the total actual value of the successive contracts of the same type awarded during the preceding 12 months or financial year adjusted, where possible, to take account of the changes in quantity or value which would occur in the course of the 12 months following the initial contract; or
- the total estimated value of the successive contracts awarded during the 12 months following the first delivery, or during the financial year where that is longer than 12 months.

For this purpose, the notion of similar supplies means products which are intended for identical or similar uses, such as supplies of a range of foods or of various items of office furniture. Typically, a supplier active in the field concerned would be likely to carry such supplies as part of his normal product range. So for example the Council will need a certain amount of printer paper over the year, and it knows from the previous year it spent over the Applicable Threshold Value for that supply. This means that the even if it wanted to buy one packet at a time, that single purchase would have to be treated as an above threshold purchase subject to the full procurement rules. The same concept applies to services contracts.

Lots and Small Lots

Where the contract is or may be divided into lots and the total value of those lots exceeds the Applicable Threshold Value then the full (OJEU) procurement rules apply to awarding a contract for each lot.

The Council may however award contracts for individual lots without applying the full procurement procedures (but under its own CPRs) provided the estimated value of the lot concerned is less than:

- £66,672 for supplies or services
- £833,400 for works

Provided the aggregate value of the lots awarded does not exceed 20% of the aggregate value of all the lots into which the proposed work, services or supplies has been divided.

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EASTBOURNE BOROUGH COUNCIL

Annual Audit Letter 2014/15

13 October 2015

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Agenda Item 8

EXECUTIVE SUMMARY

Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter, and our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP

BDO LLP
13 October 2015

FINANCIAL STATEMENTS

1

We issued an unqualified true and fair opinion on the financial statements on 23 September 2015.

There were a number of presentational corrections and amendments to disclosures made to the financial statements as a result of the audit, including reclassifying £4.391 million for the write down of replaced components on refurbishment of council dwellings that had been classified as an impairment loss rather than a loss on de-recognition of property, plant and equipment. However, these corrections had no impact on the surplus on provision of services or the general fund balance.

There were five audit differences that were not corrected by management that would increase the surplus on the provision of services by £276,000 to £7.393 million.

We noted a number of areas where deficiencies in internal controls should be improved or where the control environment could be strengthened, particularly around journal authorisation, access to the fixed assets register and checking registration for workers paid through a personal service company.

USE OF RESOURCES

2

We issued an unqualified value for money conclusion on 23 September 2015.

There are healthy levels of reserves and balances available to support the Council's services and the savings required are not significantly above the savings that have been delivered in recent years.

Therefore, while there is a recognised funding gap in the MTFs, we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFs.

OTHER MATTERS (REPORT BY EXCEPTION)

3

We have not exercised our statutory powers and have no matters to report.

We issued the audit certificate to close the audit for the year ended 31 March 2015 on 23 September 2015.

GRANT CLAIMS AND RETURNS CERTIFICATION

4

Our review of grant claims and returns is in progress and the results will be reported upon completion of this work.

FINANCIAL STATEMENTS

1

OPINION

We issued an unqualified true and fair opinion on the financial statements on 23 September 2015.

Financial performance

The Council reported a surplus on the provision of services of £7.117 million.

After adjusting for items in the Movement in Reserves Statement, the Council reported a surplus on the General Fund of £611,000 before transfers to earmarked revenue reserves of £399,000, resulting in a net increase to the General Fund balance of £212,000.

The HRA reported a surplus of £557,000 before transfers to earmarked revenue reserves of £111,000, resulting in a net increase to the HRA balance of £446,000.

Financial statements

The draft Statement of Accounts was prepared and provided to us for audit on 30 June 2015, and supporting audit working papers were provided on the first day of the audit.

There were a number of presentational corrections and amendments to disclosures made to the financial statements as a result of the audit. This included one material presentational misstatement relating to £4.391 million for the write down of replaced components on refurbishment of council dwellings that had been classified as an impairment loss rather than a loss on de-recognition of property, plant and equipment. Overall, these corrections had no impact on the surplus on provision of services or the General Fund balance.

There were five audit differences that were not corrected by management that would increase the surplus on the provision of services by £276,000 to £7.393 million:

- £61,000 increase in housing valuations that would reverse impairments charged to the HRA in previous years
- (£89,000) increased expenditure arising from incorrect accounting on revaluations
- £237,000 reduced expenditure for over accrual of NDR levy payable to DCLG
- £105,000 increased income from under accrual of section 31 business rate relief grant
- (£38,000) reduced NDR income due to under accrual of appeals provisions.

We consider that these misstatements did not have a material impact on our opinion on the financial statements.

Significant judgements and estimates

We reviewed the significant accounting estimates and management judgements used to prepare the financial statements, and we were satisfied that these were appropriate and within an acceptable estimation range.

The key movements arising on accounting estimates were:

- Land and buildings valuations increased by £8.9 million mainly due to increases in valuations of council dwellings
- Net pension liabilities increased by £3.2 million mainly due to a reduction in the discount rate on the estimated future cash flows to pay pensions, which has resulted in a significant increase in the present value of the scheme liabilities
- Amounts set aside for the potential non-recovery of amounts due to the Council decreased by £80,000 for housing benefit overpayments, and increased by £81,000 for council tax arrears and £24,000 for NDR arrears.

Internal controls

We noted a number of areas where deficiencies in internal controls should be improved or where the control environment could be strengthened, particularly regarding:

- Journal authorisation below £100,000
- Annual review of fully depreciated assets for continued operational use
- Password controls access to the fixed assets register
- Checking registration for workers paid through a personal service company.

Management has agreed to review and strengthen these internal controls.

FINANCIAL STATEMENTS

Narrative reporting

Local authorities are required to include an explanatory foreword in the Statement of Accounts to provide an explanation of the financial position and to assist in the interpretation of the financial statements.

The Council provided a comprehensive analysis of the performance against budgets for the General Fund, HRA and capital programme, and also the outturn on the collection fund.

The foreword includes an explanation as to why the financial outturn in the foreword differs to how this is presented through the Comprehensive Income and Expenditure Statement and the statutory adjustments through the Movement in Reserves Statement.

The reported outturn performance could be reconciled to within an acceptable level with the performance reported in the Movement in Reserves Statement, although the reader of the report would not be able to readily reconcile this to the surplus on the provision of services reported in the Comprehensive Income and Expenditure Statement.

CIPFA is considering how local authorities can develop its narrative reporting requirements, such as including management commentary or strategic reporting, but has postponed this review until the legislative requirements for the sector are resolved.

However, CIPFA's consultation on 'Telling the Story' will propose introducing a reconciliation from the reported outturn in the financial statements to the Council's management accounts.

Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).

USE OF RESOURCES

2

CONCLUSION

We issued an unqualified value for money conclusion on 23 September 2015.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Financial resilience

The Council originally budgeted for a General Fund surplus of £53,000 after transferring £500,000 to the regeneration reserve (earmarked revenue reserves) to facilitate regeneration projects under the Council's Transformation programme (DRIVE).

While there were some overspends in the year, this was covered by a contingency allowance in the budget. The Council also significantly over performed against some income budgets including housing benefits overpayments recovered, theatres income and crematorium. However, income from NDR was significantly reduced in the year as the Council was required to make a contribution to the collection fund prior year deficit arising on NDR appeals.

Overall, the Council reported a surplus of £611,000, transferring £399,000 to earmarked revenue reserves (slightly down on the budgeted amount), and taking the remaining surplus of £212,000 in the General Fund balance. The General Fund balance at 31 March 2015 was £4.899 million, above the £2 million minimum level recommended by the Chief Finance Officer, and provides sufficient headroom.

The HRA budgeted for a surplus of £308,000, after transferring £500,000 to earmarked reserves. The outturn was a surplus of £446,000 surplus, including £111,000 transferred to earmarked revenue reserves and £1.184 million not required to be drawn from capital resources due to slippage on the capital programme for dwelling improvements. The HRA balance at 31 March 2015 was £3.150 million.

Earmarked revenue reserves increased by £510,000 to £6.351 million.

The Council achieved £587,000 of its efficiency savings target of £608,000 in 2014/15, which included schemes under Phase 1 of the Council's Sustainable service delivery programme (SSDS) programme and schemes related to the waste contract.

The Council has set a balanced budget for 2015/16 with a savings requirement of £2.4 million which it plans to achieve through a combination of efficiency savings of £1 million, income generation schemes of £500,000 and reduced contribution to reserves of £900,000. Budget monitoring to date shows a small overspend of £24,000 to June 2015, but well within the £152,000 contingency allowance.

In light of the recent announcements made by the Chancellor in relation to a change to the convergent rents formula that will be replaced with a formula that requires a 1% decrease in rents each year from 1 April 2016, the Council is considering how this will impact on its HRA Business Plan. It is likely that future HRA surpluses and the capital programme could be significantly reduced.

The Medium Term Financial Strategy (MTFS) was updated and approved by Cabinet in July 2014 to cover the four year period to 2018/19. This identified a base funding gap of £2.7 million over the period, to be met by a combination of savings from the Council's SSDS programme, efficiency savings and procurement savings. The MTFS was updated again in July 2015 to cover the four year period to 2019/20. This indicates that the Council needs to make an average level of savings of £600,000 per annum over the life of the MTFS.

There are healthy levels of reserves and balances available to support the Council's services and the savings required are not significantly above the savings that have been delivered in recent years.

Therefore, while there is a recognised funding gap in the MTFS, we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS.

USE OF RESOURCES

Challenging economy, efficiency, effectiveness

The Council's Corporate Plan 2010-2015 was refreshed in 2014 and builds on the developments of the Customer First programme. It also outlines the investments in Sovereign Harbour, the town centre and proposals around the Devonshire Park site to drive economic growth.

All of the key Corporate Plan actions were either delivered or remain on target. Of the 29 Key Performance Indicators reported in the Corporate Plan at Quarter, 4 were showing as Red, 11 as Green, 5 as Amber and 9 are data only or contextual KPIs.

The KPIs under performing are:

- Marketing campaign value for money cost per response at 63 pence against a target of 60 pence
- Net additional 160 homes provided against a target of at least 228
- Number of completed adaptations (Disabled Facilities Grants) of 87 against a minimum target of 100
- Time taken to process Housing Benefit/Council Tax Benefit new claims and change events at 11.8 days against a target of 10 days due to the system migration in year.

The Audit Commission, and now Public Sector Audit Appointments Ltd, provides auditors with a VfM Profile Tool of comparative financial data for all local authorities.

We have reviewed the reports available with data populated in July 2015, which includes mainly 2013/14 outturn costs, comparing the Council with an all-district council comparative group. The outliers are:

- the net spend per head in 2013/14 in total at £164.17 (versus an average of £124.21), and across a number of key service lines, is high but this can be explained by the Council not being in a parish council area (where their expenditure is excluded from this indicator) and the Council is in receipt of a significant amount of non-ringfenced grants.
- Spend on administration for council tax and housing benefits is above average but the Council does have above average caseload and claimant numbers due its demographics.
- High gross spend on culture and sport reflects the Council's high spend on theatres and galleries and this is offset by the high income also generated by these services.
- Percentage of household waste sent for reuse, recycling and composting is low at 33.48% versus an average 43.78%, and high residual waste at 504kg versus an average of 467kg.

OTHER MATTERS

3

REPORT BY EXCEPTION

We have no other matters to report.

Whole of Government Accounts

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.

The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.

Use of statutory powers

We have not exercised our statutory powers and have no matters to report.

Audit certificate

We issued the audit certificate to close the audit for the year ended 31 March 2015 on 23 September 2015.

GRANT CLAIMS AND CERTIFICATION

4

CERTIFICATION WORK

Our review of grant claims and returns is in progress and the results will be reported upon completion of this work.

Housing benefit subsidy claim

Public Sector Audit Appointments Ltd has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

Our audit of the 2013/14 housing benefits subsidy claim found a number of errors in relation to the following benefit types:

- Non-HRA rent rebates - local allowance housing rates, incorrect tenancy type classification, misclassified overpayments and non-dependant deductions
- HRA rent rebates - non-dependant deductions
- Rent allowances - income assessments, local housing allowance rates and rent amounts
- Modified schemes - war disablement pension uplift.

We also reported that the reconciliation of the total benefit entitlement generated to amounts paid was incomplete.

The errors found, including extrapolated errors on the large populations, suggested that the Council had over claimed subsidy of £31,127.

Our work on the 2014/15 housing benefits subsidy claim is currently in progress and will be completed ahead of the submission deadline of 30 November 2015.

Other claims and returns

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by the Audit Commission or Public Sector Audit Appointments Ltd, and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by DCLG, for the Pooled housing capital receipts return (deadline 30 November 2015).

Our work on this is currently in progress.

APPENDIX

Reports issued

We issued the following reports in respect of the 2014/15 financial year.

REPORT	DATE
Planning letter	24 February 2014
Audit Plan	27 February 2015
Grant Claims and Returns Certification Report (2013/14)	10 March 2015
Final Audit Report	14 September 2015
Annual Audit Letter	13 October 2015

Fees update

We reported our original fee proposals in our Audit Plan issued in February 2015. Our fees to date and any variance to the original proposal are shown below.

AUDIT AREA	PROPOSED FEES £	FEES UPDATE £
Code audit fee	90,374	90,374
Certification of housing benefit subsidy claim	11,062	⁽¹⁾ 11,062
Total fees for audit services	101,436	101,436
Audit related services		
- Pooled housing capital receipts return	1,500	⁽¹⁾ 1,500
Non audit services fees		
- Tax subscription help line service	2,500	2,500

Note 1 - Our work on the assurance reviews of the grant claims and other returns for 2014/15 is in progress and we will report the findings from this work and the final fees separately.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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BODY: **AUDIT & GOVERNANCE COMMITTEE**

DATE: **2 December 2015**

SUBJECT: **Treasury Management Mid-year Review Report**

REPORT OF: **Chief Finance Officer**

Ward(s): All

Purpose: To provide Members with a mid year review of treasury management activity.

Contact: Janet Martin, Senior Accountant
Telephone Number 01323 415983.

Recommendations: Members are asked to note the contents of this report.

1.0 Introduction

- 1.1 Treasury Management is the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management was adopted by Cabinet on 4 February 2015 and requires regular reports to this committee on the Treasury Management activities undertaken.
- 1.3 This mid year report covers the following:
- An economic update for the first six months of 2015/16;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2015/16;
 - A review of the Council's borrowing strategy for 2015/16;
 - A review of any debt rescheduling undertaken during 2015/16;
 - A review of compliance with Treasury and Prudential Limits for 2015/16.

2.0 Economic Update

- 2.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the

US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% year on year) though there was a rebound in quarter 2 to +0.7% (+2.4% year on year). Growth is expected to weaken marginally to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget.

The Bank of England August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. Since then, worldwide economic statistics have been distinctly weak so it would not be a surprise if the next Inflation Report in November were to cut those forecasts.

The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon

There are therefore considerable risks around whether inflation will rise in the near future as strongly as previously expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

2.2 Capita's Interest rate forecast is shown in the table below.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PwLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PwLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PwLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PwLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts on 11 August after the August Bank of England Inflation Report. This latest forecast includes no change in the timing of the first increase in Bank Rate as being quarter 2 of 2016. With CPI inflation now likely to be at or near zero for most of 2015, it is difficult for the MPC to make a start on increasing Bank Rate when the Inflation Report forecast was also

notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings ticking up to 2.9% year on year in the three months ending in July, (as announced in mid-September), this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth meant that net labour unit costs are still only rising by about 1% year on year. The significant appreciation of Sterling against the Euro in 2015 has also acted as a dampening to UK growth while sharp volatility in financial markets since the Inflation Report has depressed equity prices, raised bond prices and lowered bond yields (and PWLB rates).

The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

3.0 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by Cabinet on 4 February 2015. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity.

There are no policy changes to the TMSS.

3.2 The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

3.3 There is still uncertainty and volatility in the financial and banking market globally. In this context, it is considered that the strategy approved on 4 February 2015 is still fit for purpose in the current economic climate.

4.0 The Council's Capital Position (Prudential Indicators)

4.1 Prudential Indicator for Capital Expenditure

The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2015/16 Original Estimate £000	Position as at 30.9.15 £000	2015/16 Revised Estimate £000
General Fund	16,548	4,492	22,921
HRA	9,669	4,150	10,238
Total	26,217	8,642	33,159

4.2 **Changes to the Financing of the Capital Programme**

The table below draws together the main strategy elements of the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2015/16 Original Estimate £000	2015/16 Revised Estimate £000
Total spend	26,217	33,159
Financed by:		
Capital receipts	4,319	4,428
Capital grants	11,049	12,155
Capital reserves	5,264	5,489
Revenue	834	884
Total financing	21,466	22,956
Borrowing need	4,751	10,203

The increase in the revised estimated capital spend in 2015/16 is mainly due to:

- Re-profiling of previously approved schemes;
- new schemes approved relating to Pier Grant and Coastal Communities Grant;
- Eastbourne Housing Investment Co Ltd loan;
- Devonshire Park Project.

4.3 **Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary.**

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

	2015/16 Original Estimate £m	2015/16 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	28.5	33.7
CFR – housing	42.9	43.3
Total CFR	71.4	77.0
Net movement in CFR	3.3	8.8
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	70.4	76.0
Serco Paisa Loans	1.0	1.0
Total debt 31 March	71.4	77.0

The revised estimate has been increased from the original forecast Capital Financing Requirement due to the increased borrowing for Devonshire Project, Sovereign Harbour Innovation Mall, re-profiling of the Investment in Council and changes to the Housing Development schemes.

4.4 **Limits to Borrowing Activity**

One key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2015/16 Original Estimate £m	Position As at 30.9.15 £m	2015/16 Revised Estimate £m
Gross borrowing	54.1	46.0	54.1
Serco Paisa Loans	1.0	1.3	1.0
Less investments	-	(5.5)	-
Net borrowing	55.1	41.8	55.1
CFR (year end position)	71.4	71.4	75.6

No difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It

is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2015/16 Original Indicator	Current Position
Borrowing	85.4	46.0
Other long term liabilities	1.0	1.3
Total	86.4	47.3

5.0 Investment Portfolio 2015/16

5.1 Investment rates available in the market continue at a historical low point. The average level of temporary funds available for investment purposes in the first six months of 2015/16 was £11.3m arising from the timing of precept payments, receipt of grants and progress on the capital programme.

5.2 A full list of investments held as at 30 September 2015 is shown in the table below. All investments are with British Banks and Building Societies:

Counterparty	Term	£000	Rate of Return %
Santander	On Call	4,000	0.80
Lloyds Bank	Current account	459	0.40
Nationwide B-Soc	Fixed Term 7/5-6/11/15	1,000	0.66
Total		5,549	

Approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

5.3 Investment performance against benchmark was as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earnings
7 day	0.35%	0.58%	£32,750

5.4 The authority outperformed the benchmark by 0.23%. The budgeted investment return for 2015/16 is £50,000. Performance for the year to date is above target, but the second half of the year will see a reduction in interest income as temporary investments are utilised in place of borrowing. The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest paid on loans.

5.5 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

6.0 Borrowing

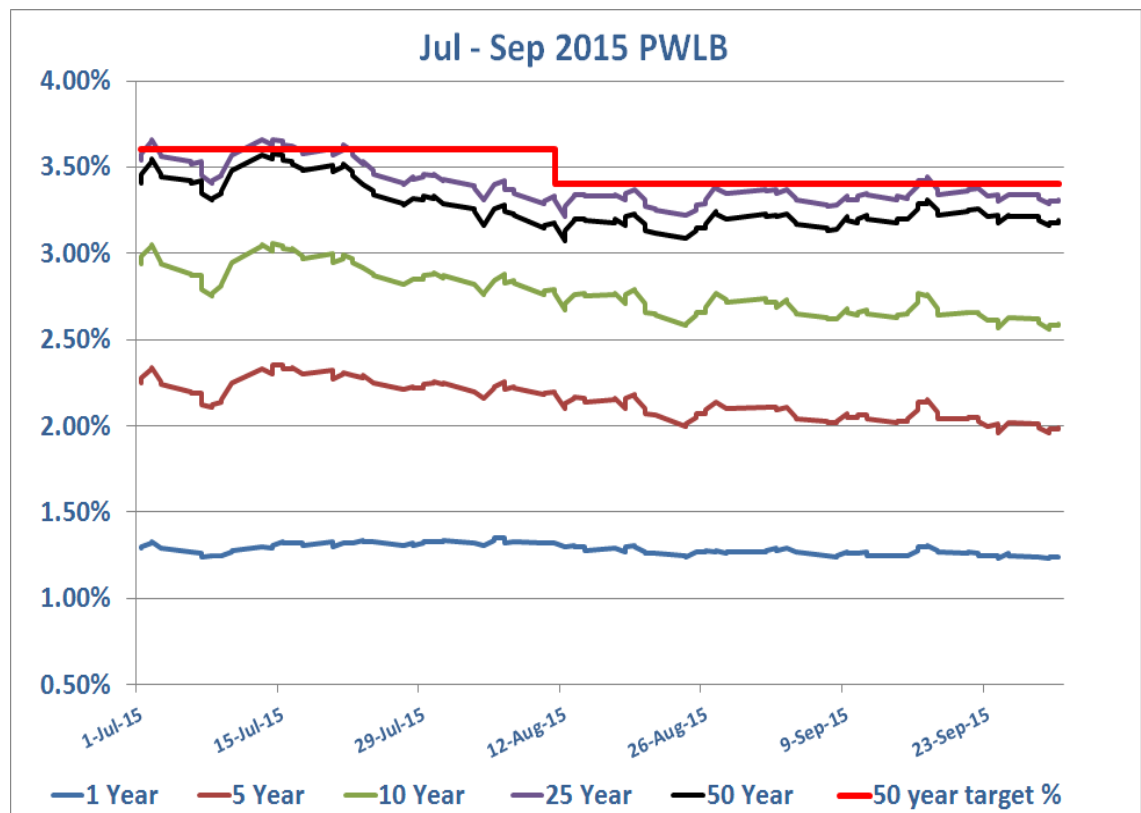
6.1 The following debts were repaid:

Lender	Amount £m	Interest Rate %	Start Date	Repayment Date
PWLB	950,929	10.25	6/8/85	24/9/15
PWLB	266,260	4.875	26/6/00	24/9/15
PWLB	760,743	4.875	27/6/00	24/9/15

No new or temporary borrowing was taken during the first 6 months of the year.

6.2 The Council's revised estimated capital financing requirement (CFR) for 2015/16 is £75.6m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table above at 4.4 shows the Council has borrowings of £47.3m and has utilised £24.1m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

6.3 The graph below shows the movement in PWLB rates for July to September 2015.



7.0 Debt Rescheduling

7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2015/16.

8.0 Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved TMSS.

8.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

9.0 Consultation

9.1 None.

10.0 Resource Implications

10.1 None

Janet Martin
Senior Accountant

Background Papers:

The Background Papers used in compiling this report were as follows:

- CIPFA Treasury Management in the Public Services code of Practice (the Code)
- TMSS Policy
- Annual Investment Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Agenda Item 10

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	2nd DECEMBER 2015
Subject:	Internal Audit Report to 30 th September 2015
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the second quarter of the financial year 2015/16.
Recommendation(s):	That the information in this report be noted and members identify any further information requirement and timescales.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2015/16 was agreed by the Audit and Governance Committee in March 2015.

2.0 Review of work in the second quarter of the financial year 2015/16.

- 2.1 A list of all the audit reports issued in final from 1st April to 30th September 2015 is as follows:

Benefits (Annual 2014/15)	Performing Well
Council Tax (Annual 2014/15)	Performing Well
Housing Rents (Annual 2014/15)	Performing Excellently
NNDR (Annual 2014/15)	Performing Excellently
IT (Annual 2014/15)	Performing Inadequately
Conferences and Group Travel	Performing Adequately
Internet Controls	Performing Adequately
Electoral Computer System	Performing Excellently
Planning System	Performing Adequately
Leasing and Licensing	Performing Adequately
Telephones	Performing Well
Personal Loans	Performing Well
Licences (Entertainment and Taxi)	Performing Inadequately

Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 One report has been issued in this quarter with an assurance level of inadequate. This is explained at 2.5 and appendix C.

2.3 Appendix A shows the work carried out against the annual plan to the end of September 2015. The following comments explain the main points to be noted from the table:

- Some reviews went over the time allocated. These were carried out by new members of staff, one of which only joined the team in May. This is being monitored and feedback given.
- The team was one full time member short during April and the first part of May and training of the new member of staff took place during the second half of May. This put the team behind on the plan but work is continuing to ensure as much of the plan as possible is completed before the work begins on annual reviews in the new calendar year.
- Requests have been made for the postponement of the following reviews:

Performance Management - to be postponed until 2016/17. The reasons given were that with Phase 2 there were changes to the team with one member still not in post, a new Corporate Plan being produced and developing a new performance framework.

Engineering - to be postponed to 2016/17 in view of current maternity leave.

Asset Management - to be postponed until 2017/18 to allow for the implementation of Corporate Landlord.

2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given. NB. These are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed.

- 2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due. Points to note are that no further follow up of HR Management will be carried out as recommendations are reliant of Phase 2 changes. As the original review was carried out some time ago a further full review will be carried out in the future. Also a precis of the issues leading to the "inadequate" assurance level for Licences is given.
- 2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. Appendix D is designated as "Confidential" to reduce the risk of opportunities to commit fraud. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.
- 2.7 There were two reviews noted on Appendix D. One of these, Printing, has had a follow up review carried out recently. Although strictly related to the following quarter the reference to Printing has been removed since all bar one of the recommendations has been addressed. The follow up of Events is ongoing.

3.0 Corporate Fraud

- 3.1 The first exchange of data for matching using the "Who's Home" software commenced in August. 10 reports were produced:

- Tenancy fraud concerns
- Benefit concerns
- Tenancy discrepancies
- Possible deceased
- Inefficient use of stock
- Overcrowded properties
- Financial distress
- Welfare reform concerns
- Direct debit usage
- Direct debit vulnerability

Initially only the Corporate Fraud team will be able to use the first four reports though it is intended that as other teams settle following Phase 2 changes that they will also benefit from using the reports.

- 3.2 Checking the reports so far produced has highlighted that work needs to be undertaken to ensure that data held is accurate and up to date, thus ensuring that maximum benefit is gained from the software. 5,918 matches have so far been received with 216 highlighting issues to be reviewed. Following a review of these 19 referrals have been issued for investigation.
- 3.3 A project has been taken on Right to Buy cases with all those received from August 2015 being reviewed. This work is currently ongoing, however findings to date have led to new processes being introduced, one of which will see the Corporate Fraud team reviewing all applications prior to processing.

- 3.4 A Charity Shop Relief project was undertaken and has been completed. Findings indicated that all shops inspected were selling wholly, or mainly, donated items.
- 3.5 Following closer working with Eastbourne Homes and Housing , the team will undertake pre tenancy checks prior to allocation of new tenancies. The team has undertaken pre allocation checks on new shared ownership applications. Both types of checks have been introduced to help safeguard the social housing system against fraud and irregularities.
- 3.6 Other pieces of work include: undertaking background checks on Houses of Multiple Occupation (HMO) applications and renewals, signing of a data sharing agreement with East Sussex County Council to undertake a joint project and the recovery of one council property following an investigation into abandonment of a property.
- 3.7 Other investigations during the quarter have identified unregistered HMOs, properties unregistered for Council Tax and undeclared second adults in properties claiming Single Person Discount.
- 3.8 Appendix E shows the number of cases worked on, income and savings made by the team along with the cost of the team by the quarter.

4.0 East Sussex Counter Fraud Hub

- 4.1 A governance panel (the Board) has been established for the Fraud hub to ensure that objectives are achieved and higher level decisions are correctly considered and recorded.
- 4.2 Procurement projects for publicity services and a case management system being ongoing. Wealden District Council has signed an agreement to purchase Who's Home and discussions around this software are taking place with Lewes District Council and Brighton and Hove City Council.
- 4.3 Preliminary work is commencing for procurement of ID verification solutions. Such software will allow for photographic ID, e.g. passports, driving licences etc., to be scanned and verified as genuine or forged. It is anticipated that at Eastbourne the scanners would be used in the post room and the contact centre.
- 4.4 The Hub has collated its first performance figures for the first two quarters of 15/16. The figures come from the member authorities; Eastbourne, East Sussex County Council, Wealden, Lewes and Brighton and Hove. The summary can be seen below.

April - September 2015	No of proven cases	Value of proven cases £	Current cases
Reduction in procurement fraud	0	0	2
Social housing tenancy fraud	26	306,000	90
Right to Buy fraud	0	0	0
CTRS fraud	23	17,282	79
CT discount fraud	20	6,930	10
NNDR fraud	0	0	0
Grant fraud	0	0	0
Blue Badge fraud	135	120,000	97
Direct Payments	0	0	2
Totals	204	450,212	280

Figures for savings on social housing tenancy fraud and blue badge fraud are those suggested by the Audit Commission in the Protecting the Public Purse publication. This suggests a saving of £18,000 for each property returned and £500 for each Blue Badge rescinded.

- 4.5 When the performance figures for the Fraud Hub were collated for the first quarter an error appeared in relation to the Blue Badge fraud savings. These were shown as £5,000 per badge instead of £500. This has now been amended.
- 4.6 When the bid for funding from the DCLG was submitted, a forecast of savings had to be included. As none of the authorities had carried out proactive corporate fraud work previously these figures had to be estimated based on the savings suggested in Protecting the Public Purse 2013 "Estimated annual loss to fraud in local government". A lower estimate was given for the first year of work as it was felt that the Hub members would just be testing the water to understand the areas where fraud and inconsistencies could occur.
- 4.7 The projected savings for the Hub in 15/16 and the actual for the first half of the year are shown on Appendix F.
- 4.8 The actual savings are below the forecasted performance. This could be for a number of reasons. Firstly the performance figures used are those suggested in the Protecting the Public Purse publication and therefore are averages for the country and not necessarily reflective of this area. However, the authorities involved in the hub are still only just beginning work on corporate fraud and there are still many cases being investigated which could result in identified fraud and savings as well as some areas of work not yet being started.

5.0 SFIS Update

- 5.1 Since migration in November 2014, 199 Housing Benefit cases have been referred to the DWP for investigation. To date, 43 have been closed – 37 of which were closed as unproven or no action taken. Of the remaining six two resulted in Adpens and four were proven frauds.

6.0 Consultation

6.1 Respective Service Managers and Heads of Service as appropriate.

7.0 Resource Implications

7.1 Financial – Delivered within the approved budget for Internal Audit

7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

8.1 None

9.0 Summary of Options

9.1 None

10.0 Recommendation

10.1 That the information in this report be noted and members identify any further information requirement and timescales.

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

None

			Planned days	Actual days	Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	5.3	14/15 work being completed
	Cash and Bank	Governance	10		
	Council Tax	Governance	10	3.2	14/15 work being completed
	Creditors	Governance	15		
	Debtors	Governance	15		
	Housing Rents	Governance	15	1.6	14/15 work being completed
	Main Accounting	Governance	10	0.1	14/15 work being completed
	NNDR	Governance	10	3	14/15 work being completed
	Payroll	Governance	10		
	Treasury Management	Governance	10	0.1	14/15 work being completed
	IT	Governance	4	4.1	14/15 work being completed
	Theatres Reconciliation	Governance	5	0.2	14/15 work being completed
	Claims work		80	70.2	14/15 work being completed and 15/16 work begun
			209	87.8	

Contingency		25	1.7	
NFI		20		
Special Investigations/advice		30	10.7	
Follow ups re audits carried out in previous year		30	4.8	
Consultancy		25		
		130	17.2	

CARRY FORWARDS FROM 14/15 PLAN	Waste contract	Contract	10	4.5	Ongoing
	Software Compliance	IT	5	1.6	Ongoing
	Internet Controls	IT	10	5.9	Completed
	Change Controls	IT	5		
	CHRIS	IT	5	3.8	In draft
	Electoral Computer System	IT	5	2.9	Completed
	Customer Contact	Review	10	0.1	Ongoing
	Planning System	IT	10	15.5	Completed
	Leasing and Licensing	Review	10	12.8	Completed
	Right to Buy	Review	10	1.9	Ongoing
			80	49	

REQUESTS	IT Systems Resilience and Redundancy	Review	10		
	Building Control	Review	10		
			20	0	

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			Planned days	Actual days	Reason for Variance
HIGH RISK	Open Revenues	Review	10	0.9	Ongoing
			10	0.9	
MEDIUM RISK REVIEWS	Engineering	Review/Contract	10		
	Telephones	Review	10	16.9	Completed
	Personal Loans	Review	10	10.8	Completed
	Seafront Services	Review	15	3.2	Ongoing
	Asset Management	Review	10		
	Licences (Entertainment and Taxis)	Review	10	15.4	Completed
	Procurement	Review	20	18.5	Ongoing
	Business Continuity Planning	Review	10	0.5	
	Cafi Bank Rec	IT	10		
Performance Management	Review	10	1.8	Requested to postpone to 16/17	
			115	67.1	
LOW RISK	IT Contract	Contract	5	0.8	
			5	0.8	
PLAN TOTAL			569	222.8	

APPENDIX B

Reasons for original assurance levels given (below Excellent)

N.B. The issues noted here may have been addressed since the original report was issued.

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Conferences and Group Travel	Adequate	<ul style="list-style-type: none"> • The contract template needs to be reviewed • Retention of documentation needs to be improved • Official names and addresses of businesses were not routinely requested or retained. • The payment terms written into the contracts do not reflect those followed in practice. 	Due Oct
Benefits (Annual 14/15)	Well	<ul style="list-style-type: none"> • Testing showed cases where overpayments were not being highlighted for recovery action 	N/A
Council Tax (Annual 14/15)	Well	<ul style="list-style-type: none"> • The suspense account is not regularly checked and cleared. 	N/A
IT (Annual 14/15)	Inadequate	<ul style="list-style-type: none"> • Some gaps noted in an earlier IT Health check had not been addressed • There is no current Disaster Recovery Plan • There is no current Business Continuity Plan. 	N/A
Licences	Inadequate	<ul style="list-style-type: none"> • No taxi licensing policy is in place. • In some cases the Police had not been informed of suspended premises licences. • In some cases there was no record of the consent form from the Designated Premises Supervisor. • In some cases there was no record of criminal record disclosure checks. • Debt recovery was found to be inconsistent. • A process is not in place to ensure that taxi vehicles over 7 years old have biannual checks. • Some vehicle suitability checks on file were found to have not been correctly completed. 	Due Oct

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

N.B. The issues noted here may have been addressed since the original report was issued.

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Leasing and Licensing	Adequate	<ul style="list-style-type: none"> • One instance where a licensee had been told to stop using a piece of land which was not followed up. • Rent reviews deferred with no reason noted. • Leaseholders insurance details out of date with no process in place for chasing information. 	Due Dec
Internet Controls	Adequate	<ul style="list-style-type: none"> • The list of those with access to systems shows staff known to have left the Council, duplicated entries and 984 entries of unknown names or other identification. • Issues around leavers from agencies or Towner not being notified to IT. • Use of personal drives is not made clear in the IT Acceptable Use Policy. 	Due Jan
Planning System	Adequate	<ul style="list-style-type: none"> • Possible Data Protection issues around data held on the website. • Issues with the current payment process which means applications may not be fully completed. Requires Civica upgrade. 	Due Jan
Telephones	Well	<ul style="list-style-type: none"> • Tariffs need to be reviewed to ensure that the best one is obtained for the authority. • The list of which officers hold which mobiles is out of date. 	Due Jan
Personal Loans	Well	<ul style="list-style-type: none"> • The loans booklet states that managers must liaise with the Exchequer Manager before authorising loans but this is not being complied with. • Wording about repayment is not consistent on forms being used. 	Due Apl

AUDIT	NUMBER OF		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
HR Management	0	4		0	1	New review	Subject to Phase 2 work	Medium
Petty Cash	0	8	Jun-15	-	-	In progress		
Conferences and Group Trav	3	2	Oct-15	-	-	Not Yet Due		
Events	6	3	Sep-15	5	0	Ongoing		High
Printing	5	6	Feb-16	0	1	Not Yet Due	This follow up was carried out in Nov 2015	Medium
Licences	12	2	Oct-15	-	-	Not Yet Due		
Leasing and Licensing	1	5	Dec-15	-	-	Not Yet Due		
Planning System	2	2	Jan-16	2	0	Not Yet Due	Awaiting fix from Civica	Medium
Internet Controls	0	6	Jan-16	-	-	Not Yet Due		
Telephones	0	3	Jan-16	-	-	Not Yet Due		
Personal Loans	0	2	Apl-16	-	-	Not Yet Due		
Shared Sports Facilities	0	5	Apl-16	0	6	Not Yet Due	Actions to be taken post Phase 2 changes	Medium
Car Parking	1	2	Apl-16	0	1	Not Yet Due	Replacing of signage continuing	Medium

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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	QUARTER ONE				QUARTER TWO				QUARTER THREE				QUARTER FOUR				YEAR TOTAL			
	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud
NATIONAL FRAUD INITIATIVE																				
Number of cases open	180				182												362			
Number of cleared cases	1376				273												1649			
Number of errors identified	64				6												70			
Number of frauds identified	0				0												0			
Overpayments identified			35,688.61				6,160.06												41,848.67	
HOUSING BENEFIT MATCHING SERVICE																				
Number of open matches	41				0												41			
Number of closed matches	204				123												327			
Overpayments identified			12,905.57				34,914.29												47,819.86	
Weekly incorrect benefit identified			39,713.28				96,759.36												136,472.64	
OTHER INVESTIGATIONS																				
Number of open investigations	19				52												71			
Number of closed investigations	57				44												101			
Overpayments identified			29,426.44				4,013.61												33,440.05	
Weekly incorrect benefit identified			39,888.64				29,216.96												69,105.60	
Removal of SPD saving			603.78				569.14												1,172.92	
Increase in Council Tax liability			1,372.37				1,745.33												3,117.70	
Recovery of Council property							18,000.00												18,000.00	
Income from court costs		60.00																60.00		
Income from Adpen collection		3,364.03				2041.95												5,405.98		
TOTALS	1941	£3,424.03	£159,598.69	£31,179.85	680	£2,041.95	£191,378.75	£24,090.73	0	£0.00	£0.00		0	£0.00	£0.00		2621	£5,465.98	£350,977.44	£55,270.58

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	FIRST HALF OF YEAR			FULL YEAR		
	Forecasted performance 15/16 (£,000)	Actual performance First half year (£,000)	Variance (£,000)	Forecasted performance 15/16 (£,000)	Actual Performance (£,000)	Variance (£,000)
Reduction in procurement	250	0	-250	500	0	-500
Social housing tenancy fraud	250	306	56	500	180	-194
Right to Buy fraud	37.5	0	-37.5	75	0	-75
CTRS fraud	25	17	-7.8	50	11	-32.8
CT discount fraud	50	6.9	-43.1	100	0.6	-93.1
NNDR fraud	25	0	-25	50	0	-50
Grant fraud	2.5	0	-2.5	5	0	-5
Blue Badge fraud	5	120	115	10	175	110
Direct Payments	0	0	0	0	0	0
	645	450	-194.9	1290	366	-840

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