

**Democratic Support**

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AUDIT COMMITTEE

Thursday 15 March 2018
2.00 pm
Council House, Plymouth

Members:

Councillor Sam Leaves, Chair
Councillor Parker-Delaz-Ajete, Vice Chair
Councillors Sam Davey, Dr Mahony and Mrs Pengelly.

Independent Members:

Mr R Clarke
Mr I Stewart

Members are invited to attend the above meeting to consider the items of business overleaf.

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Tracey Lee

Chief Executive

Audit Committee

Agenda

1. Apologies

To receive apologies for non-attendance submitted by Committee Members.

2. Declarations of Interest

Members will be asked to make any declarations of interest in respect of items on this Agenda.

3. Minutes (Pages 1 - 4)

To confirm the minutes of the meeting held on 7 December 2017.

4. Chair's Urgent Business

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

5. Strategic Risk and Opportunity Register - Monitoring Report (Pages 5 - 14)

The committee will receive the Strategic Risk and Opportunity Register - Monitoring Report.

6. Integrated Commissioning Risk Register Report (Pages 15 - 24)

The committee will receive the Integrated Commissioning Risk Register Report.

7. Insurance Claims Handling Audit (Pages 25 - 40)

The committee will receive the Insurance Claims Handling Audit report.

8. Treasury Management Practices, Principles and Schedules 2018/19 (Pages 41 - 98)

The committee will receive the Treasury Management Practices, Principles and Schedules 2018/19.

9. Internal Audit Charter and Strategy 2018/19 (Pages 99 - 114)

The committee will receive the Internal Audit Charter and Strategy 2018/19.

10. Internal Audit Plan 2018/19 **(Pages 115 - 136)**

The committee will receive the Internal Audit Plan 2018/19.

11. Planning Report (March 2018) (External Auditor) **(Pages 137 - 156)**

The committee will receive the Planning Report (March 2018) (External Auditor).

12. Grant Claims and Returns Certification (External Auditor) **(Pages 157 - 164)**

The committee will receive the Grant Claims and Returns Certification (External Auditor).

13. Contract Standing Orders **(Pages 165 - 226)**

The committee will receive the report outlining the changes Contract Standing Orders.

14. Transfer of Corporate Fraud Team to Devon Audit Partnership **(Pages 227 - 238)**

The committee will receive the report outlining the Transfer of Corporate Fraud Team to Devon Audit Partnership.

15. Work Programme **(Pages 239 - 244)**

The committee will consider the Work Programme.

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Audit Committee

Thursday 7 December 2017

PRESENT:

Councillor Sam Leaves, in the Chair.
Councillor Parker-Delaz-Ajete, Vice Chair.
Councillors Sam Davey, Dr Mahony and Mrs Pengelly.

Co-opted Representatives: Mr Clarke and Mr Stewart.

Also in attendance: Andrew Hardingham (Interim Joint Strategic Director for Transformation and Change), Mike Hocking (Head of Assurance Services) and Julie Hosking (Corporate Risk Advisor) , Chris Flower (Finance Business Partner), David Curno (Devon Audit Partnership) and Brenda Davis (Audit Manager), Matthew Hepenstal (BDO)

The meeting started at 2.00 pm and finished at 3.30 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

31. **Declarations of Interest**

The following declaration of interest was made in accordance with the Code of Conduct –

Name	Subject	Reason	Interest
Councillor Sam Leaves	NEW Devon CCG	Employee of NEW Devon CCG	Personal

32. **Minutes**

Agreed the minutes of the meeting held on 14 September 2017 as an accurate record.

Under this item Councillor Mrs Pengelly raised the issue of data protection breaches discussed at the previous meeting and her expectation that an update would be provided to this meeting. Members were advised that this would be covered by the Strategic Risk Register update and the current position would be presented to Members in March 2018.

33. **Chair's Urgent Business**

Under this item, Councillor Dr Mahony raised concerns regarding several letters, containing the Council's logo, which were sent to several students in the city, advising them of their legal requirement to register to vote and the possibility of a fine of £80 being imposed if this was not done. It was considered that the letters had a bullying tone and clarification was requested from Officers as to whether the statements contained in the letter were true.

Agreed that –

- I) Andrew Hardingham (Interim Joint Strategic Director for Transformation and Change) would seek clarification if it was a legal requirement for students to register to vote and if the Council had the authority to charge £80; Members would be updated via email;

- 2) an update regarding the Elections Review, detailing key points from the independent investigation and the resultant changes to the service, would be submitted to the next Audit Committee; an officer from electoral services to be present at the meeting.

34. **Operational Risk and Opportunity Management - Update Report**

Mike Hocking (Head of Assurance Services) and Julie Hosking (Corporate Risk Advisor) presented the Operational Risk and Opportunity Management Update Report.

The report provided a summary of the latest monitoring exercise covering the position as at November 2017. Members were advised that the total number of operational risks now reported remained at 112, comprising of 71 medium (amber) risks and 41 low (green) risks. There were no high (red) operational risks to report.

Agreed that the Audit Committee note and endorse the current position with regard to operational risk and opportunity management.

35. **Mid-Year Treasury Management Report 2017/18**

Chris Flower (Finance Business Partner) presented the Mid-Year Treasury Management Report 2017/18.

Members were advised that the aim of the report was to provide the Audit Committee and the Council with a mid-year review of the Council's treasury management activities for the first 6 months to 30 September 2017. This was a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an Annual Investment Strategy.

Under this item Members were advised that from 3rd January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities would be treated as retail clients who could "opt up" to be professional clients, providing that they met certain criteria. Plymouth City Council met the conditions to opt up to professional status and intended to do so in December 2017 in order to maintain their current MiFID status.

Agreed that –

- 1) a 'good news' statement should be written advising that the Council's money lost to Iceland had all been secured, including interest.
- 2) the Audit Committee note the mid-year Treasury Management Report 2017/18.

36. **Treasury Management Strategy 2018/19**

Chris Flower (Finance Business Partner) presented the Treasury Management Strategy 2018/19.

Members were advised that it was a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council had adopted the CIPFA Code of Practice for Treasury Management.

Agreed that the Audit Committee recommends the Treasury Management Strategy 2018/19 (incorporating the authorized limits, operational boundaries and prudential indicators) to the Cabinet for approval.

37. **Internal Audit Half Year Report 2017/18**

David Curno (Devon Audit Partnership) and Brenda Davis (Audit Manager) presented the Internal Audit Half Year Report 2017/18.

Key areas of questioning from Members related to:

- housing benefit overpayment recovery rates;

- the feasibility and benefits of joining South West Audit Partnership and Devon Audit Partnership in relation to staffing and economy of scale.

Agreed that –

- 1) the current recovery rate of housing benefit overpayment would be provided to Members;
- 2) the Audit Committee note that based on work performed in the first half of 2017/18, the internal audit opinion is that of 'significant assurance' on the adequacy and effectiveness of the authorities internal control framework.

38. **External Audit Progress Report**

Matthew Hepenstal (BDO) provided a brief overview of the External Audit Progress Report.

Under this item Paul Looby (Head of Financial Planning and Reporting) advised Members that due to the changes in accounting timescales, an Audit Committee was requested to take place at the end of July 2018.

Members noted the update.

39. **Annual Audit Letter**

Matthew Hepenstal (BDO) provided a brief overview of the Annual Audit Letter highlighting the aim to summarise the key issues arising from work carried out by the External Auditor in respect of the year ending 31 March 2017.

Members noted the Annual Audit Letter.

40. **Integrated Commissioning - Finance Assurance Review Group - Annual Report 2016/17 including ASW Audit Programme for CCG**

Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change) presented the Integrated Commissioning – Finance Assurance Review Group Annual Report.

It was queried why, on page 109 of the agenda pack, that recommendation 2 said 'disagree'; it was considered that further context and detail was required as to why the response was to disagree.

Agreed that –

- 1) in a situation whereby there was a view to disagree with recommendations contained within the report, that further detail is provided to add context;
- 2) Members noted the report.

Under this item Councillor Mrs Pengelly praised Plymouth City Council and Western Locality Devon CCG officers for being awarded the national Public Finance Innovation Award.

41. **Analysis of Local Government Ombudsman Annual Report**

Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change) presented the Analysis of Local Government Ombudsman Annual Report.

Key areas of questioning from Members related to:

- (a) who in the Council was responsible for co-ordinating and analysing complaints;
- (b) if the Ombudsman ever specified how much money should be paid out to those who should be reimbursed;
- (c) clarification regarding a complaint received regarding a major planning application and the requirement for the Planning Committee to receive independent training.

(Under this item Councillor Mrs Pengelly declared a personal interest as one of her local residents had made a complaint to the Council which was listed in the agenda pack)

42. **Review of Rolling Workplan**

Members agreed the rolling workplan.

PLYMOUTH CITY COUNCIL

Subject: Strategic Risk and Opportunity Register – Monitoring Report

Committee: Audit Committee

Date: 15 March 2018

Cabinet Member: Councillor Darcy

CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)

Author: Mike Hocking, Head of Assurance Services

Contact details Tel: 01752 304967
email: mike.hocking@plymouth.gov.uk

Ref: CRM/MJH

Key Decision: No

Part: I

Purpose of the report:

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period September 2017 to February 2018.

Appendix A to the report provides the revised risk and opportunity register showing the current status of each risk and the movement in risk score compared with the previous monitoring period.

Overall, as a result of the review, the total number of risks now reported on the strategic risk and opportunity register has increased from 15 to 18.

The Corporate Plan 2016 - 19:

The Strategic Risk and Opportunity Register includes links to the Corporate Plan objectives – monitoring of control action for strategic risks therefore contributes to the delivery of the Council's core objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

None arising specifically from this report but community safety, health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

Note and endorse the current position with regard to the Strategic Risk and Opportunity Register.

Alternative options considered and rejected:

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Published work / information:

Plymouth City Council Risk and Opportunity Management [Strategy](#).

Background papers:

None.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn171 8.213	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last reported to this Committee on [14 September 2017](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 28 February 2018.

2.0 Strategic Risk and Opportunity Register – Monitoring Summary

- 2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest review and monitoring exercise was completed in February 2018 with the results discussed and agreed by CMT on 20 February 2018.
- 2.2 Attached to this report at Appendix A is the revised strategic risk and opportunity register showing the current status of each risk and any movement in risk score compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

3.0 Headline Issues

3.1 Risk Score Unchanged

Red Risk SF2 – Medium Term Financial Strategy (MTFS) 2017-2020 - (Row No. 1)

The MTFS was presented to Council in November 2017. This has been updated as at the end of quarter three to reflect the latest budget position and the impact of the Provisional Local Government Settlement. CMT and Members have been actively consulted and involved in the development of the MTFS. The MTFS has been considered as part of the January Scrutiny meetings.

Amber Risk SF4 – Failing to adhere to the Data Protection Act Regulations from May 2018 – (Row No. 5)

The Information Governance Manager has raised awareness at CMT and DMTs and through staff workshops. Delt are conducting an assessment of ICT systems for compliance and an information audit is underway in all departments.

Amber Risk SCE02 – Potential failure to deliver electoral services functions due to inadequate resourcing and processes and lack of qualified staff – (Row No. 6)

The Chief Executive is the Senior Risk Owner and Assistant Chief Executive is the Project Executive. Gateway reviews provide reassurance on delivery of the elections recovery and development programme. All new electoral posts have been appointed, including Head of Electoral Services.

3.2 Risk Score Increased

Amber Risk SF3 - Being unable to deliver Council services within the envelope of the resources provided in 2016/17 – Increased from 16 to 20 - (Row No. 2)

There has been a reduction in the projected forecast overspend as at the end of quarter three to £1.494m which compares to a £1.272m forecast overspend at the same time last year. Whilst the improved position is welcomed the financial challenges faced by the council are acute and should be set in the context of continuing reduction in resources from government and ever increasing pressures, particularly within Social Care due to increasing demands and complexity needs. Whilst all services must contain their expenditure and look for measures to reduce costs wherever possible there is limited time available to reduce the forecast overspend at this late stage of the financial year. If a balanced budget cannot be achieved at year end, any overspend will have to be funded from reserves i.e. the working balances.

3.3 New Risks

Green Risk SHRI – Maintaining Corporate/Senior Leadership Team capacity and resilience to deliver the Council Plan – (Row No. 14)

Organisational Design proposals approved by Council in January 2018 for full implementation by the Summer. Succession Plans being developed for all critical roles.

Green Risk STPI - Risk of not exploiting the opportunity to explore more cost effective shared service delivery models / Supply back office services to potential future partners and customers / Develop our digital capability in order to support customer service improvement – (Row No. 18)

Delt shared services delivery model being developed and other shared service delivery models are also being considered. Mitigation is reviewed at pre-decision Scrutiny Panel and Cross Party Working Group to ensure all known concerns about any proposed transfers are addressed.

3.4 Risk Score Decreased

Amber Risk SSSI (Reduced from 15 to 12) – Risk of non-delivery of a plan for waste that delivers increased recycling levels in Plymouth – (Row No. 9)

Modernisation Plan in place across Street Scene and Waste Department focussing on back office systems and processes which are designed to improve the delivery of frontline services for customers. Measures either delivered or in progress include communications campaigns; utilising other teams in the Council who are engaging with residents to also encourage recycling; improving service request resolution times; optimising crew routes and new technology to transform task allocations and data recording.

Amber Risk STSI (Reduced from 16 to 12) - Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health - (Row No. 10)

Thrive Plymouth framework adopted by Full Council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. The current year 4 focus is on mental wellbeing. Thrive Plymouth is integral to the Plymouth Plan which is

monitored via CMT/Cabinet/Full Council. The Finance and Assurance Review Group review Joint Integrated Commissioning Risk Register quarterly.

4.0 Integrated Assurance

- 4.1** I reported to this committee in December that joint working is underway with Performance Advisors in the Chief Executive Office to enhance performance and risk reporting.
- 4.2** Performance scorecards continue to be reviewed against risk registers to identify any gaps in reporting by the Corporate Risk Advisor attending monthly Performance Service Overview meetings.
- 4.3** The Performance Advisor responsible for Education, Participation and Skills undertook a review of key performance indicators together with the Assistant Director for the service to identify key themes which was then used to identify risks.
- 4.4** Both the Performance Advisor and Corporate Risk Advisor attended the SMT meeting with the department Risk Champion so that the draft risks could be discussed in more detail by the senior management team.
- 4.5** This level of engagement was well received and ongoing review of both KPI and risk information will continue to inform discussion at monthly SMT meetings.
- 4.6** This format will be used by the Performance Team working with the Corporate Risk Advisor and rolled out across the organisation.

5.0 Summary and Conclusion

- 5.1** The Council's success in dealing with the risks that it faces can have a major impact on the achievement of key promises, objectives and ultimately therefore, the level of service to the community.
- 5.2** Risk management is not a stand-alone activity that is separate from the main activities and processes of the organization. Risk being formally aligned and working alongside other compliance functions helps to promote a joined-up approach to all aspects of governance.
- 5.3** This aligned approach acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council's strategic objectives and plans.
- 5.4** The next formal review of the Strategic Risk and Opportunity Register will take place in August 2018.

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ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MANAGEMENT CONTROLS AND INTERNAL CONTROL MEASURES (Business improvement actions, controls and reporting on progress)	ASSURANCES ON CONTROLS / MITIGATION (Where we can gain evidence that our controls on which we are placing reliance are effective)	PREVIOUS RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
				First Line of Defence - Management Actions	Second & Third Line of Defence - Oversight Functions / Audit and Regulator Reviews / KPI Metrics	Aug-17			Feb-18									
						P	I		P	I								
14	SHR1 On HSW	Maintaining Corporate/Senior Leadership Team capacity and resilience to deliver the Council Plan. Potential for adverse impact on the citizens of Plymouth and the Council's reputation if strategic workforce plans are not effectively implemented. Risk Category: SERVICE DELIVERY / REPUTATION	<i>Corporate Plan Performance Framework Outcome - Pioneering</i> We take responsibility for our actions, care about their impact on others and expect others will do the same. Critical success factors; attraction, recruitment, development and retention of senior leaders; organisational design which is fit for purpose to deliver our statutory duties and Council objectives; Senior Leaders reporting they feel safe, happy and thriving at work with appropriate arrangements in place to support resilience	Organisational Design proposals approved by Council in January for full implementation by Summer 2018. Organisational Restructure toolkit in place. CMT/SLT leadership development programme under evaluation; Team Plymouth quarterly events in place; Multi-agency coaching network in place; Occupational Health and Employee Assistance Programme in place; Succession Plans being developed for all critical roles.	People Strategy 2016-20 endorsed by Cabinet May 2017 (Talent, Leadership & Culture). Organisation Development proposals approved by Full Council Jan 18; Agile HR policies and procedures available on Staffroom, Workforce data; Sickness absence and staff turnover. Agency/interim spend controls	New			2	5	10	G	Organisational Development Phase 2 Action Plan for the Senior Leadership Team to be implemented to include: Strategic workforce plans for the Senior Leadership Team. New Senior Leadership Team structure to be appointed. Implementation of 'The Way We Work' transformation programme (technology, information management, accommodation) to enable the right conditions for success.	Sickness absence due to stress, anxiety or depression; performance against Council's objectives; delivery of People Strategy; staff survey; wellbeing and resilience survey; safety climate survey; senior leadership staff turnover; exit interviews	Implementation 01/04/2018 with 6 month review	Andrew Hardingham	Tracey Lee	Aaron Perrin
15	SSPI2	Risk of failing to deliver the range of housing to meet Plymouth's need via The Plan for Homes and not realise the ambition to deliver 5,000 new homes over the next 5 years <small>The Plan for Homes was launched in November 2013 to speed up housing supply by delivering a range and mix of well-designed greener homes to meet the city's needs</small> Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i>	Plan for Homes regularly reviewed. Plan for Homes refresh 2016-2021 completed through the Housing Needs Working Group and approved by Cabinet in February 2016. Review of partnerships and partners to manage delivery and ensure capability. We are working with Homes England to achieve a fair share of the national funding	Growth Board; GAME Programme Board;	3	3	9	3	3	9	G	Plan for Homes refresh 2016 to 2021 with 20 initiatives to further support housing delivery. This includes a more direct intervention approach to housing delivery for establishing a fund for acquiring sites; tackling stalled and lapsed sites; creating a new housing company directly to deliver new homes. Ensuring the modernisation of Government funding opportunities to support new homes e.g. Starter Homes and Care and Support funding. To develop further innovation to improve upon the proactive and fast track approach to planning. Starter Homes Land Fund Partnership Authority to work the HCA to bring forward a portfolio of stalled, lapsed and brownfield sites to unlock delivery and accelerate new homes in what is becoming a highly competitive environment for government funding	Regular reports to Housing Needs Working Group and Portfolio Holders. New homes delivery for first two years of monitoring Plan for Homes (14/15 - 15/16) are 2,215 homes; currently on target to meet 5,000 commitment.	Annual delivery monitoring year end and on going	Paul Barnard	Paul Barnard	Gill Peele
16	SSPI3	Risk of not delivering sustained and accelerated economic and population growth in line with the Council's Corporate Plan and vision for the City which could lead to higher unemployment and lack of the right labour skills to match the needs of businesses. <small>The city's Local Economic Strategy seeks to concentrate efforts on the things that will generate the greatest returns to our economy. It recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets.</small> Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i>	We have put in place a series of economic development measures including for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge. Place regeneration we have undertaken direct development (Hearder Court), started on-site at Oceansgate, signed a City Deal, embarked on Plymouth Science Park phase 5 now open. Inward investment - continued support, two new landings in the city - the Ship (Sittel) and at Turnchapel. Supporting Babcock to grow. Business Support we have set out a £2.5m social enterprise investment fund, supported the Gain Growth Fund, attended trade shows and reworked the inward investment guide/website. Secured £69.9m of external and grant funding. Other developments - Oceansgate phase 1 topping out ceremony, completion of Plymouth Science Park phase 5, Langage Phase 2, The Box, Roborough Eco Village, Drake Circus Leisure. Combined efforts are also having economic impact with a jobs pipeline of over 3000, over 3500 apprenticeships starts in 2017, GVA growth and continue low unemployment. Employers such as Thales, Sitel, Becton Dickinson, Dartmouth Foods, Burts Crisps, Babcock, Princess Yachts, Crowne Plaza and Premier have all made significant investments in Plymouth.	Growth Board; GAME Programme Board;	3	3	9	3	3	9	G	Future plans include: Business Support - development of the marine/blue tech sector, co-ordinating inward investment, leveraging off the LEP to improve connectivity and exploiting the Mayflower to reposition the city at the centre of celebrations. In 2018 we will be developing Nuclear and Marine national deals linked to the HotSW Productivity Plan further building on our strengths. Brexit element of this risk will be considered in line with corporate Brexit risk template. Series of business support projects (growth hubs, start up and advice) commissioned. Launched new STEM strategy. The future development pipeline is now standing at over £500m with more major milestones in 2018. Work is shortly to start in site for the following developments; The Range HQ Derriford, 1620, Colin Campbell Court/Bath Street, Plymouth Railway Station, Oceansgate Phase 2	Monitor:- Weekly wage rates, Gross Value Added per hour worked. Job Seeker Allowance claimants. Youth Job Seeker Allowance claimants, Business births, employee numbers, visitor numbers, growth in jobs	Ongoing	David Draffan	David Draffan	Gill Peele
17	SF6	Risk of data loss and/or compromise of connected national infrastructure due to vulnerable infrastructure or attacks via standard hacking methods, phishing emails or malware infection. <small>An information security incident occurs when there is a compromise, potential compromise or unauthorised use of Plymouth City Council data or physical assets. Poor education and training, misuse, and breach of security controls of information systems may result in data and information being put at risk, may be used to misrepresent the Council and result in the ineffective use of Council resources</small> Risk Category: OPERATIONAL/SERVICE DELIVERY	<i>Corporate Plan Performance Framework Outcome - Pioneering</i>	Annual IT Health Check Regular vulnerability scans carried out IT Infrastructure patching policy in place Pro-active protective monitoring by Babcock	External Compliance assessment; Management of Information Security (MISF) monitor incidents; Senior Information Risk Owner (SIRO)	2	4	8	2	4	8	G	Implement compliance requirements into Delt business as usual - This is a work stream of the information management project Ensure vulnerability scans are conducted and reported to PCC The 2017 IT Health Check has been completed and all vulnerabilities will be addressed by February 2018 in order to meet compliance requirements.	Transformation programme monitoring Build into service level reporting	Ongoing Ongoing	John Finch	Andrew Hardingham	Aaron Perrin
18	STP1	Risk of not exploiting the opportunity to explore more cost effective shared service delivery models / Supply back office services to potential future partners and customers / Develop our digital capability in order to support customer service improvement. Risk Category: OPERATIONAL/SERVICE DELIVERY	Corporate Plan Performance Framework Outcome - Pioneering	Delt Shared Services delivery model being developed; Other Shared Service delivery models are also being considered; Risks being tracked through project management process to ensure all known concerns about any proposed transfers are addressed with suitable mitigations;	Review mitigation at pre-decision Scrutiny Panel and Cross Party Working Group Regular project accounting reports to the Transformation Portfolio Review Group.	New			2	4	8	G	Ensure continuous engagement with Trade Unions, Cabinet and Shadow Cabinet to stay on top of issues that might prevent decision making	Review risks of transfer prior to submission of proposals to democratic processes and following Cabinet decisions on proposals	23/02/2018	Peter Honeywell	Andrew Hardingham	Aaron Perrin

PLYMOUTH CITY COUNCIL

Subject: Integrated Commissioning Risk Register Report

Committee: Audit Committee

Date: 18 March 2018

Cabinet Member: Councillor Darcy

CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change, PCC)
Hugh Groves (Chief Finance Officer, CCG)

Authors: David Northey, Head of Integrated Finance, PCC
Ben Chilcott, Chief Finance Officer, NEW Devon CCG

Contact details: david.northey@plymouth.gov.uk Tel: 01752 305428
ben.chilcott@nhs.net Tel: 01752 398765

Ref: CRM/MJH

Key Decision: No

Part: I

Purpose of the report:

This report provides a summary of the Integrated Risk Management Framework between Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG).

Appendix A to the report provides the latest integrated commissioning risk register.

The Corporate Plan 2016 - 19:

The Integrated Commissioning Risk Register includes links to the Corporate Plan objectives – monitoring of control action for risks therefore contributes to the delivery of both organisations core objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety
and Risk Management:**

None arising specifically from this report but community safety, health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

Note and endorse the current position with regard to the integrated commissioning risk register.

Alternative options considered and rejected:

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Published work / information:

Plymouth City Council Risk and Opportunity Management [Strategy](#).
Commissioning an Integrated System for population Health & Wellbeing.
Joint Integrated Commissioning Risk Management Framework.

Background papers:

None.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

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Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1** As part of the Integrated Health and Wellbeing Programme, Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015.
- 1.2** The Integrated Health and Wellbeing programme provides a collaborative, integrated and strategic approach to how NEW Devon CCG and Plymouth City Council commission and deliver services, with the aim of improving patient/service user experience and improving outcomes for residents in Plymouth from the resources available.

2.0 Background

- 2.1** A key component to the governance of the integrated health and wellbeing programme and the integrated fund has been the implementation of a formal Finance and Assurance Review Group (FARG) which meets on a monthly basis working to the terms of reference, as approved by the Integrated Commissioning Board.
- 2.2** An Integrated Risk Management Framework has been drawn up between the partner organisations, overseen by FARG, to ensure there is an integrated approach to the management of risk and to integrate risk into the overall arrangements of the pooled fund.

3.0 Integrated Commissioning Risk Register

- 3.1** NEW Devon CCG's Head of Governance and Plymouth City Council's Corporate Risk Advisor have carried out a review of the risks contained within their respective organisational risk registers which is shown at Appendix A.
- 3.2** The risk register was reviewed by the FARG joint working technical group on 26 February 2018.
- 3.3** Any risk relating to integrated health and wellbeing commissioning strategy with a risk appetite score in the amber and red category from either organisation's risk register will be included in the integrated risk register for review by FARG.
- 3.4** FARG will then consider whether further assurance is required as part of their formal governance role which has been approved by the Integrated Commissioning Board.
- 3.5** The integrated risk register continues to be reviewed by FARG on a quarterly basis.

4.0 Finance and Innovation Awards 2018

- 4.1** The Public Finance Innovation Awards which are open to members of CIPFA and the wider public finance community are to be held in London on 25 April 2018. The Awards recognise the people, products and services that demonstrate excellence and originality within public finance.

4.2 Members of FARG have been shortlisted for an award under the category of 'Innovation in Risk Management' for the collaboration work between the council and NEW Devon CCG to implement a joint integrated risk management framework.

4.3 This shortlisting provides an opportunity to gain invaluable recognition for forward-thinking performance and the chance to share information with peers.

5.0 Conclusion

5.1 Both Partners have embedded risk management strategies in place that support the integrated approach to managing risks to the shared fund and will ultimately include risks to the wider commissioning and operational areas.

5.2 Risk management is an integral part of good corporate governance. This framework provides the foundation and a common infrastructure for delivering, maintaining and governing risk management within the integrated commissioning function.

	REF	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES	CONTROLS	PROBABILITY	IMPACT	RISK SCORE	PROBABILITY	IMPACT	RISK SCORE	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE
					Previous Residual Risk Score			Current Residual Risk Score							
I	PCC SRR Updated Feb 18	<p>Inability to meet the longer term target budgets given the size of the resource reductions and increasing cost pressures as detailed in our Medium Term Financial Strategy 2017-2020. This would result in a negative impact on budgets, loss of reputation, negative impact on front line services and a negative VFM opinion from external audit</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus.</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>The Council set a balance budget in 2017-18 following the identification of additional efficiencies. The MTFS will be updated quarterly. PCC Finance and People Directorate SMT continue to work in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. An Officer Working Group is meeting regularly to advance the MTFS with a detailed timetable in place. CMT and Cabinet continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action. Finance and Assurance Review Group; Integrated Health & Wellbeing Board; Joint Integrated Commissioning Risk Register; Internal Audit Reviews by DAP and Audit SW</p>	4	5	20	4	5	20	<p>The MTFS was presented to Council in November 2017. This has been updated as at the end of Quarter 3 to reflect the latest budget position and the impact of the Provisional Local Government Settlement. CMT and Members have been actively consulted and involved in the development of the MTFS. The MTFS has been reviewed by Scrutiny and will be reconsidered as part of the January Scrutiny meetings. Modelling has taken into account the impact of Business Rates revaluation and the impact of new business rates appeals rules. Council Tax base assumptions have been updated. Work is ongoing with Arlingclose (our treasury management advisors) to fully understand the treasury management impact of Britain's exit from the European Union and other treasury management opportunities.</p>	<p>Continued development and review of MTFS is a key priority for CMT.</p> <p>All savings plans have been through a robust challenge process by CMT, SMTs and Members.</p> <p>Protect PCC's funding entitlements and maximise its position under the pilot scheme through careful monitoring.</p> <p>Develop countermeasures and alternative investments</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	Paul Looby	Andrew Hardingham
I.1	NEW Devon CCG 371 Updated Feb 18	<p>Overall corporate risk of achieving the CCGs revised plan for 17/18 of a £57.1m deficit.</p> <p>Risk Category: FINANCIAL</p>	<p>Objective: 1. Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total); Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21</p>	<p>(1) Detailed 17/18 CCG internal planning process to ensure robust assessment of expenditure requirements (2) joined up system ways of working with a system wide savings plan (3) intention to agree block contracts with the main acute and mental health providers to bring certainty to in year expenditure</p>	4	4	16	4	4	16	<p>(1) Detailed 17/18 CCG internal planning process to ensure robust assessment of expenditure requirements (2) joined up system ways of working with a system wide savings plan (3) intention to agree block contracts with the main acute and mental health providers to bring certainty to in year expenditure</p>	System leaders sighted on issue and are collectively responding to challenge that avoids any surprises.	Mar 18 (qtrly reviews)	Kevin Wheller	Hugh Groves
I.2	NEW Devon CCG 317 Updated Feb 18	<p>There is a risk that the CCG will breach delivery of the 2020 Sustainability and Transformation Plan (STP) if agreement cannot be reached on the budget allocations which will impact on the CCG's financial plan and assurance status.</p> <p>Risk Category: FINANCIAL</p>	<p>Objective: Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total); Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21</p>	<p>The CCG continues to engage with the STP and lead the system wide financial planning process to ensure that adequate plans are in place to deliver the level of system change required to achieve financial sustainability by 2020. Progress will continue to be monitored against plan so the improvement trajectory is clearly understood and actions taken as necessary to ensure delivery</p>	3	4	12	3	4	12	<p>STP Plan in place and due for refresh during 2017/18. System signed MOU in place confirming commitment to system ways of working and STP. Consolidated and aligned system wide operational plans in place for 2017/18 and continued negotiations on going with regulators regarding approval.</p>		Quarterly reviews	Hugh Groves	Hugh Groves

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					Previous Residual Risk Score			Current Residual Risk Score							
2	PCC Op and SRR Updated Feb 18	<p>Being unable to deliver Council services within the envelope of the resources provided in 2017/18 leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.</p> <p>There has been a reduction in the projected forecast overspend as at the end of quarter 3 to £1.494m which compares to a £1.272m forecast overspend at the same time last year.</p> <p>Whilst the improved position is welcomed the financial challenges faced by the council are acute and should e set in the context of continuing reduction in resources from government and never increasing pressures, particularly within Social Care due to increasing demands and complexity needs.</p> <p>Whilst all services must contain their expenditure and look for measures to reduce costs wherever possible there is limited time available to reduce the forecast overspend at this late stage of the financial year.</p> <p>If a balanced budget cannot be achieved at year end, any overspend will have to be funded from reserves i.e. the working balances.</p> <p>The Council is embarking on a large Transformation Programme. The scale of change and the benefit realisation required to achieve the Council's plan as a Co-operative Council and address funding/income shortfall by 2017/18 carries significant risk on its capability to achieve this result.</p> <p>Risk Category: FINANCIAL</p>	Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus. One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	<p>Rag ratings have been identified for all savings and cost pressures that emerge during the year.</p> <p>Higher profile of Council's finances at both CMT and Cabinet.</p> <p>Budget presented to senior officers and members in scoreboard format, delivering greater transparency and challenge.</p> <p>Budget sessions and DMTs MTFS working group meets regularly to manage the budget process. CMT have the MTFS as a standing agenda item.</p> <p>Portfolio fact cards have been produced for each portfolio member setting out areas of responsibility and saving targets and efficiencies</p>	4	4	16	4	5	20	<p>Treasury Management diversification of portfolio to increase income.</p> <p>Investment in income earning assets.</p> <p>Ambitious capital programme and strategic investments from income earning assets.</p> <p>Cross-department strategy on grant maximisation.</p> <p>Continue the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to the customer.</p> <p>Significant savings are focussed in the following key programmes:-</p> <p>Growth, Assets and Municipal Enterprise (GAME2);</p> <p>Integrated Health and Wellbeing;</p> <p>Transforming the Corporate Centre.</p> <p>Identification of new revenue funding sources to support the budget e.g. use of section 106 income in current and future years.</p> <p>To mitigate against this risk all options and innovative solutions will continue to be explored in the final two months of the year so further reductions can be made to the forecast overspend.</p>	<p>Better return on the investment portfolio.</p> <p>Income generation monitored via revenue budget.</p> <p>Improved efficiency and reduced costs.</p> <p>Increase in successful bids.</p> <p>Reduced contract costs.</p>	<p>Ongoing.</p> <p>Qtly MTFS updates</p> <p>Ongoing</p> <p>Qtly reviews ongoing</p>	Paul Looby / Helen Cocks	Andrew Hardingham / Dawn Auger
3	PCC Op Updated Nov 17	<p>Failure to protect Vulnerable Adults or Children from risk of harm, resulting in a significant incident</p> <p>Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING</p>	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children & Young People / Community One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	<p>Quality Standards built into contracts.</p> <p>Learning from Serious Case Reviews. Plymouth Safeguarding Adults Board (PSAB) Action Plan, Safeguarding training</p>	4	4	16	4	4	16	Annual PSAB Action Plan to be updated	Performance Reporting (Quarterly) at PSAB	Quarterly	Craig McArdle / Gary Walbridge	Carole Burgoyne
4	PCC Op Updated Nov 17	<p>Failure to support people made homeless as a direct result of the Local Housing Allowance and Welfare Reform changes leads to distress of those affected.</p> <p>Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING</p>	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way	<p>Continue to work with partners to supply services to customers in Housing Options.</p> <p>Temporary accommodation action plan. Use of Homelessness prevention fund to mitigate changes</p>	4	4	16	4	4	16	<p>Temporary Accommodation Plan.</p> <p>Housing Service Delivery Plan to provide further mitigation.</p> <p>Working with rough sleep strategy group to explore additional work to support rough sleepers off the streets</p>	<p>Delivery Performance</p> <p>Financial Results. Budget monitoring Scorecard</p>	Ongoing	Matt Garrett	Carole Burgoyne
5	PCC Op Updated Nov 17	<p>Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources</p> <p>Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING</p>	Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it Integrated Commissioning System Design Group - Children & Young People One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	<p>Service redesign implemented including invest to save case for increase in number of Social Workers. This should result in embedding Plymouth best practice standards to see sustained reduction in numbers of children in care and subject to a Child Protection Plan</p>	4	4	16	4	4	16	The development of a Regional Youth Justice Board and closer working relations between the YOT's will allow for the development of more efficiencies in preparation for the 18/19 and potential budget restraints	Delivery Performance		Alison Botham	Carole Burgoyne

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					Previous Residual Risk Score			Current Residual Risk Score							
6	PCC SRR Updated Feb 18	<p>Risk to vulnerable children, young people and families by not delivering early intervention and prevention and responding as soon as possible to their needs and promote better long term life outcomes.</p> <p>Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Children and Young People</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</p>	<p>Plan for Child Poverty 2016-2019</p> <p>The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design group.</p>	4	4	16	4	4	16	<p>Child Poverty Action Plan 2016-2019 aims to provide a renewed focus for where the city's attention and resources should be directed to ensure we have the most impact on our most vulnerable families, who are most likely to be experiencing child poverty</p>		Ongoing	Tracey Green / Siobhan Wallace	Alison Botham / Judith Harwood
7	PCC SRR Updated Feb 18	<p>Risk of increased poverty/hardship as a result of the impact of Welfare Reform and reduced funding for discretionary welfare funds</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Respecting people's wishes; Confident - Council decisions driven by citizen need</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p> <p>Integrated Commissioning System Design Group - Wellbeing</p>	<p>Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed and quarterly welfare dashboard produced.</p> <p>Plans implemented and strategies in place to create jobs.</p> <p>Support continues to Credit Unions and other financial inclusion initiatives.</p> <p>Commissioning advice services.</p> <p>Local support agreement for Universal Credit claimants</p> <p>Adoption of the Child Poverty Action Plan in October 2016</p>	4	4	16	4	4	16	<p>Review and recommission advice services.</p> <p>Regular review of local Council Tax Support Scheme.</p> <p>Support for implementation of Universal Credit and those affected by the benefit cap.</p> <p>Create jobs and widening access to employment market.</p> <p>Reduce use of costly loans.</p> <p>Review and implementation of the Child Poverty action plan.</p>	<p>Contract monitoring of commissioned Advice Services.</p> <p>Customer Satisfaction Rates/Welfare dashboard.</p> <p>Economic Performance Monitoring arrangements.</p> <p>Child Poverty Action Plan</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Annually</p>	<p>Rachel Silcock</p> <p>Emma Rose</p> <p>Emma Rose</p> <p>David Draffan</p> <p>Darin Halifax</p> <p>Darin Halifax</p>	Giles Perritt
8	PCC Op Updated Nov 17	<p>Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need.</p> <p>As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Community / Enhanced & Specialised Care</p> <p>One Budget - Adopt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>2016/17 Measures in place with actions built into PCH contract.</p> <p>Budget containment Action Plan</p>	4	4	16	4	4	16	<p>Risk to be continued to be monitored and additional measures to be brought forward in year if risk materialises</p>	Financial reporting (Monthly)	Monthly	Craig McArdle / Gary Walbridge	Carole Burgoyne
9	PCC Op Updated Nov 17	<p>Failure to deliver public health commissioned services within the reduced public health grant allocation, requiring a £1,293 million savings plan in year and uncertainty at present on level of funding through the Public Health Grant that will be available in 18/19 and going forward (if grant allocation follows recent patterns then cut of 2.5% each year could be anticipated)</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>Close contract and budget monitoring</p>	4	4	16	4	4	16	<p>Negotiating reduced contract values with current service providers and working collaboratively to co-design services to move forward to deliver prioritised outcomes.</p> <p>Majority of budget savings have been contractualised.</p> <p>Outstanding risk of £142,000 due to non-delivery of savings originally allocated against substance misuse/complex needs. Meet in current year from reserve and look to contractualise in 17/18. Not pursued in year due to increased drug related deaths and vulnerability of primary care services.</p> <p>Further savings likely to be needed from contracts to meet cut in PH Grant</p>	<p>Reduced contract costs.</p> <p>Maintained improvement in health of population.</p> <p>Monthly reviews.</p>	Ongoing	Sarah Lees	Ruth Harrell

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					Previous Residual Risk Score			Current Residual Risk Score							
10	PCC Op Updated Nov 17	Failure to maintain appropriate Children's Social Care caseloads Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system	Overall we have seen a reduction in caseloads that we expect to be maintained. However, in one service area - PRAS we have now identified a number of issues in relation to the approach and detail of how changes were implemented that has resulted in an increase in caseloads. Detailed review work has been undertaken and a plan is now in place to ensure reduction in caseload in PRAS.	3	4	12	4	4	16	Overall invest to save case and post transformation implementation continues to see impact. A specific action plan has been agreed for PRAS with evaluation at the end of Q1 to inform any further necessary action	Delivery performance	Ongoing	Alison Botham	Carole Burgoyne
11	PCC ORR New Nov 17	Increase in demands and pressures within the system may result in failure to meet key performance indicators principally related to Patient Flow in the Urgent Care System. Not achieving these indicators is very likely to lead to a number of key risks:- a) Individuals not receiving services to the standards expected; b) Negative publicity around Health and Adult Social Care provision; c) Potential loss of income via the Improved Better Care Fund (BCF) should the targets not be met. Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Standard - Deliver safe, effective, caring, responsive and well led	Current performance has not yet reached the required levels and actions are in place aimed at driving improvement. System Improvement Board (SIB) established and attended by all key partners and meets fortnightly has identified a number of key Service Improvement Areas.	4	4	16	4	4	16	Action Plan in place. CQC Review in December may help to inform us of other areas of development	SIB and People Directorate Adult Social Care Performance Dashboards monitor these key metrics e.g. Delayed Transfers of Care Reablement Performance. Acute admissions. SIB also monitoring and driving action plans aimed at improving performance	Ongoing	Craig McArdle	Carole Burgoyne
12	PCC SRR Updated Feb 18	The organisation not meeting its obligations to keep citizen data secure, or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the organisation which will affect the ability of the organisation to work efficiently and effectively with the public, contractors or partner organisations Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus One Standard - Deliver safe, effective, caring, responsive and well led	Staff awareness training has been rolled out to staff Incident reporting and management in place Escalation of breaches to MISF and SIRO	5	3	15	5	3	15	Roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk Ensure full corporate attendance for MISF Improved contract management with partners Implement greater reporting consistency within directorates Implement improved incident analysis within the Service Desk Ensure full corporate attendance for MISF. Standardised breach management processes distributed to key staff. 2017 saw a decrease in breaches, however 2017/18 has seen an increase in escalations to the ICO.	Reports from HR training detailing completion statistics Improved breach reports distributed to directorates Detailed breach reports for partners and escalation at contract management meetings Reporting of non-attendance to directors	Ongoing	John Finch	Andrew Hardingham
13	NEW Devon CCG Risk 328 Updated Feb 18	There is a risk that the CCG will fail to meet its requirements to have its assurance status restored due to non-delivery of one or more of the NHS England components, which will impact on the CCG's reputation and public confidence. Components include: Domain 1 - Better Health Domain 2 - Better Care Domain 3 - Sustainability Domain 4 - Leadership Risk Category: LEGAL, COMPLIANCE & SAFEGUARDING	5 - Deliver measurable results - CCG Assurance Status Restored	Action plans are monitored, maintained and updated quarterly (as a minimum) and performance against assurance requirements are presented to Governing Body no less than quarterly.	3	4	12	3	4	12	We have regular quarterly meetings in place with NHS England.	Assurances are provided to Governing Body through regular reports following NHS England updates. Recent report states that the CCG is improving - directions aim to be lifted by June 2018 as anticipation that CCG will achieve compliance before this date.	30/06/2018	Clare Doble	Annette Benny
14	NEW Devon CCG 321 New Nov 17	There is a risk that the CCG will not maximise its benefit of integrating services through community provision which will impact on the effective distribution of BCF pooled funds Risk Category: FINANCIAL	Deliver integrated, personalised responses - 'Progress Partnership Working and Integration'	Improvement / Recovery plans are in place for each provider setting out the actions required to improve performance. These include actions relating to demand reduction through providing alternative services or clarifying access criteria, and to addressing capacity gaps especially for staff or physical capacity. Senior CCG leads have been identified for each key target.	3	3	9	3	3	9	Improvement / Recovery plans are in place for each provider setting out the actions required to improve performance. These include actions relating to demand reduction through providing alternative services or clarifying access criteria, and to addressing capacity gaps especially for staff or physical capacity. Senior CCG leads have been identified for each key target.	Performance against national targets is regularly reviewed by the Governing Body and through a system-wide performance assurance process. Separate dedicated groups look at specific target areas, for instance the system-wide A&E Delivery Board, chaired by a provider Chief Executive, reviews and challenges progress against plans to improve A&E 4-hour wait performance and delayed transfer of care.	Ongoing	Debbie Whiting	Rob Sainsbury

Residual Risk Level	Low	Low/Med	Medium	High	Very High
Plymouth City Council Residual Risk Score	1-10	12	15-16	20	25

	REF	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES					CONTROLS			PROBABILITY	IMPACT	RISK SCORE	PROBABILITY	IMPACT	RISK SCORE	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE
											Previous Residual Risk Score			Current Residual Risk Score							
Risk Category		NEW Devon CCG Residual Risk Score	1-3	4-6	8-12	15-20	25														
		Strategic																			
		Change																			
		Legal, Compliance & Safeguarding																			
		Financial																			
		Operations																			
		Information & Technology																			
		People																			
		Reputational																			

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PLYMOUTH CITY COUNCIL

Subject: Insurance Claims Handling Audit
Committee: Audit Committee
Date: 15 March 2018
Cabinet Member: Councillor Darcy
CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)
Author: Mike Hocking, Head of Assurance Services
Contact details Tel: 01752 304967
email: mike.hocking@plymouth.gov.uk
Ref: CRM/MJH
Key Decision: No
Part: I

Purpose of the report:

This report provides a summary of an external audit review undertaken by Gallagher Bassett on behalf of the Council's insurance provider, in relation to in-house insurance liability claims handling carried out by the Corporate Risk and Insurance Team.

The Corporate Plan 2016 - 19:

The work of the Corporate Risk and Insurance Team assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The Team also has a role in promoting risk reduction controls.

Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
-

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

The accuracy and effectiveness of claims processing is paramount for controlling insurance costs and meeting customer expectations. In addition, the ability to gain a deeper insight into risk exposure helps to determine optimal insurance reserves.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

Detecting and avoiding unnecessary claim payments helps to reduce risk exposure to fraud and control losses.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

Note and endorse the current position with regard to the claims audit report.

Alternative options considered and rejected:

Not Applicable.

Published work / information:

None.

Background papers:

Gallagher Bassett Audit Report.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn171 8.212	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1** Gallagher Bassett are Third Party Administrators who were instructed by the Council's liability insurers, QBE, to conduct a due diligence and file handling audit of Public Liability and Employer's Liability claims handled in-house by the Corporate Risk and Insurance Team.
- 1.2** The audit took place on 1 December 2017 and consisted of a review of 21 claims which were selected at random by Gallagher Bassett.

2.0 Background

- 2.1** The Council has a self-insured retention (SIR) level of £250,000 which means all claims that fall within this amount are paid from Council funds and not by our insurance provider.
- 2.2** The in-house insurance team currently handle all Employers Liability and Public Liability claims up to a value of £100,000. Our Insurers are notified of any claims that are reserved in excess of £100,000 or that meet the Insurer's reporting requirements.

3.0 Claims Audit

- 3.1** A copy of the audit report is attached. It consists of a summary of findings for different areas of the claims handling process plus an action plan of corrective actions for any areas for improvement.
- 3.2** The overall assessment was rated at 98.7% and measured as 'Exemplary' which is the highest measurement level attainable.
- 3.3** Previous years audit results are provided below for information:-

Year	Total Claims Received	Result
2016	271	97.4% Exemplary
2015	360	90.7% Satisfactory
2014	614	91.4% Satisfactory

4.0 Insurance Fraud Detection and Prevention

- 4.1** One area that has been developed is closer working with colleagues in the Corporate Fraud Team in order to curb the growth of fraudulent claims and the rise in premium costs that may result from them.
- 4.2** In the claim filing phase we discourage fraudulent practices by making the claimant aware of the consequences of submitting a false statement (which in particular could be liable to prosecution) and/or an incomplete statement. To this end, a statement of truth is included in the claim form which refers to the appropriate law that addresses the filing of fraudulent or incomplete claims.

- 4.3** The statement also advises claimants that cases may be randomly selected for a home or accident site meeting with the Council's Compliance Officer from Corporate Fraud in order to confirm details and/or request further information.
- 4.4** The Council is now a registered member of the Claims and Underwriting Exchange (CUE) which is a database established by the insurance industry in 1994 to help fight insurance fraud. It works by enabling insurers to access details of incidents and claims on an industry-wide basis which makes it harder to successfully commit claims fraud or misrepresent claims history. Ultimately, this helps to keep down the cost of insurance for honest policyholders.

5.0 Summary and Recommendation

- 5.1** The Council's philosophy is that 'all claims will be dealt with in a firm but fair and equitable manner'. Ensuring that claims are handled efficiently and that payment is made for valid claims helps to protect the self-insurance fund and protects the Council's reputation.
- 5.2** The Audit Committee is recommended to note the contents of the claims audit and endorse the work of the Corporate Risk and Insurance Team.



Audit For Plymouth City Council

Completed by:

Philip Peers - Claims Adjuster

1st December 2017

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Audit Summary

The Corporate Risk and Insurance Team at Plymouth City Council (PCC) is headed up by Mike Hocking, Head of Assurance. The Team consists of Paul Cotter Claims Inspector 0.8 FTE, Julie Steer Insurance Manager, Lynne Skelton Senior Liability Claims Officer 0.8 FTE, Debby King Liability Claims Officer 0.4FTE and Craig Brindle Liability Claims Officer.

Cases are not allocated to individual claims handlers however all Employers Liability claims are handled exclusively by Paul Cotter who also handles Public Liability claims and assists with motor claim investigations. The team deal with up to 700 Public Liability claims and up to 25 Employer's Liability claims per year.

Plymouth City Council have a SIR of £250,000 and currently handle all Employer's Liability and Public Liability claims in house up to £100,000. Gallagher Bassett are to be notified of any claims that are reserved in excess of £100,000 or that meet the Insurers reporting requirements.

The review consisted of a file audit of 21 cases which were selected from claims listing which details all claims received and handled in house between 1 April 2006 and 29 September 2017. The data provided within the claims listing was found to be mostly accurate when compared to the data contained on the files selected for review. Due to the time lapse between the audit taking place and the data capture date a number of files were closed when the data stated they were still open.

None of the claims reviewed fell outside the in house handling arrangement.

The measurement key used consists of 5 ratings:-

Measurement Key	
97% or above	Exemplary
93% - 96.99%	Merit
88% - 92.99%	Satisfactory
85% -87.99%	Cautionary
Less than 84.99%	Requires Improvement

Summary of Findings

New Claim		Exemplary
<p>New claims received via the daily post are identified by the Insurance Manager and dealt with in date order unless a formal letter of claim is submitted. Any formal letters of claim are prioritised using the acknowledgement deadline date applicable.</p> <p>Best practice is that claims received via the claims portal are dealt with as soon as they are notified. Claims submitted under the Highway Act 1980 are often first received in the highways department where an investigation can begin prior to the claim being forwarded to the insurance section. All other claim types are directed to the insurance section promptly.</p> <p>It is noted that all claims had a summary sheet on the front of the file which contained such information as the reserve, date the claim was set up, handler, brief description of the accident and dates for protocol deadlines. This sheet has further been adapted to include the reserve breakdown sheet, and the Key Fraud Indicators sheet.</p> <p>Additionally the memo sheet to the highways department contains the required disclosure list and the date it is required by.</p> <p>Claims were set up in a timely manner, usually within 24 hours from date of receipt of the CNF or Highway Incident Report Form.</p>		
Policy Coverage and DAL		Exemplary
<p>All of the claims reviewed had been set up under the correct policy and period, were covered under the policy and were being handled within the scope of the agreed in house claim handling arrangement.</p>		
Key Evaluation		Exemplary
<p>The decision making process was documented on all claims. This was written in the form of a typed memo for all claim coverages.</p> <p>All liability decisions made were considered to be correct and resilient though there are risks to some defences such as audit 17 where there is no risk assessment or specific training.</p> <p>There were no issues with the speed of the investigations with all liability decision being reached within the MOJ investigation period where applicable.</p> <p>Plymouth CC also clearly considered prospects of seeking contributions where possible, see audit 17 as an example of contributory negligence being pleaded.</p> <p>There were no real delays in the setting up of claims and MOJ claims in particular were set up promptly and investigations commenced. There is an issue with EL claims being sent through to QBE rather than PCC but this is the fault of Thompsons Solicitors and PCC are making endeavors to change this behavior.</p>		

Investigation		Exemplary
<p>All claims are investigated internally. Paul Cotter undertakes site visits on Employers Liability claims (or where a conflict arises Lynne Skelton).</p> <p>For Public Liability claims this is carried out by the Highways department.</p> <p>There was evidence of good quality and detailed yet proportionate investigations being carried out on all of the files reviewed, in particular on the Employer's Liability claims seen.</p> <p>The investigation includes obtaining documentation, taking witness statements, site visits to take photographs, meetings with departmental employee's, requesting photographs and maps from the claimant and researching case law.</p> <p>Feedback is provided to the relevant departments concerned about risk control measures that could be implemented.</p> <p>There was no issue with handling claims within the protocol deadlines with no Pre Action Disclosure Application's even threatened. MOJ claims where Plymouth CC wanted to settle were all kept within the portal process, audit 18 is an example.</p>		

Validation of quantum and accident causation		Exemplary
<p>There was no evidence on files that the client was pro-actively requesting quantum evidence or draft special damage schedules to substantiate the claims and further enable them to hold case specific reserves. It is noted however that even if this information was requested it is highly unlikely to be forthcoming with claimant solicitors working to fixed fees with no incentive to interact with the defendant.</p> <p>When quantum was being considered in respect of making offers PCC were clearly scrutinising the evidence disclosed and in the case of audit 4 would make reasonable reductions were possible.</p> <p>No claims reviewed during this year's audit contained stage 2 packs or other medical reports to value or make offers on.</p>		

Communications and Disclosure		Exemplary
<p>All letters and emails to claimants, representatives and those sent internally were professionally drafted.</p> <p>PCC were keeping the CNF response packs on file which makes file administration significantly easier and provides a clear audit trail for supervision and handling by other team members.</p> <p>Denial letters to representatives were well constructed clearly setting out the facts and legal position and the client's response to each allegation of negligence or breach of duty individually.</p> <p>Disclosure was being provided to the claimant solicitors with the issuing of a denial of liability in all</p>		

claims and the documents disclosed were listed on the letters.

Data Protection Act FON notices were supplied on claim forms given to claimants and the MOJ process has this notice inbuilt into the portal system. FON notices are also contained on the bottom of the PCC headed paper.

Offers

Exemplary

Offers had been made on six of the claims that were reviewed. All offers were considered to be realistic, properly calculated and had been made promptly with causation considered.

None of the claims audited were at the MOJ stage 2 process.

PCC showed evidence of making reductions where possible on bills submitted, see audit 4 and 10 as examples and could properly control when to make offers see audits 13 and 3.

Reserves

Satisfactory

Best practice is that reserves are realistic based upon the evidence presented at the start of the claim. They are then reviewed following any material developments such as medical evidence being received or proceedings being issued.

Repudiated claims are diarised for six weeks to reduce the reserve by 50% if the repudiation is not challenged.

Two claims audited were considered to have reserves that were initially incorrect as they were reserved at higher than the actual claim submitted, see audits 16 and 14.

The reserves are in a broken down format on the summary sheet so it can be determined how the reserve has been arrived at.

There were some instances of reserves not being updated when a material development occurs such as audits 10 and 13.

CRU

Exemplary

Registering claims for personal injury compensation is the client's legal duty under The Social Security (Recovery of Benefits) Act 1997.

There is evidence that claims are being registered promptly now and Plymouth CC can now do this through the CACHE PI system as they are now a registered subscriber.

PCC is registering all injury claims with CRU and the vast majority of claims reviewed had up to date certificates on file however there were a couple of exceptions but this was due to the certificate expiring the day before the audit and where CRU were not providing the certificate despite it being requested, see audits 15 and 19.

Portal Compliance		Exemplary
<p>There was good evidence of claims being investigated promptly and a decision being communicated within the portal process for denial and admissions of liability. No claims exited the MOJ portal process unnecessarily.</p>		
Supply Chain		Exemplary
<p>PCC showed a willingness to engage with their legal supplier to obtain ad-hoc legal advice on liability issues where required. This was obtained at no cost and enabled PCC to make a credible and resilient decision on liability, see audits 17 and 18 as examples. Advice was provided by Mark Fowles at DWF.</p>		
Motor Claims Only		
<p>Motor claims did not form part of the audit.</p>		
Insurer Reporting		Exemplary
<p>Only one claim audited was required to be notified to Gallagher Basset which was audit 16 which was an Officials Indemnity claim and was notified at the outset of the claim.</p>		
Supervision		Exemplary
<p>All claims handlers handle claims up to £100,000. All correspondence is signed off by either the Head of Corporate Risk or the Insurance Manager and decisions will be queried as and when felt necessary.</p> <p>There is a referral system between the Claims Officers and the Senior Liability Claims Officer / Claims Inspector.</p> <p>There was evidence of this referral and supervision system on the audited files.</p>		
Recovery and Sharing		
<p>No claims audited were relevant to this criteria.</p>		
Litigation		
<p>No claims audited were within the litigation process.</p>		
Fraud Process		Exemplary
<p>The claims handling system (LACHS) has an automatic checking facility for matches and identifying duplicate or multiple claims. The panel solicitors used by Plymouth City Council have facilities which the claims handling team can access to investigate potentially fraudulent claims and carry out 'fraud washing'.</p> <p>PCC also liaise with their in house Corporate Fraud Team to make checks on suspected fraudulent</p>		

claims, I was further advised that a member of this corporate fraud team would on an ad-hoc basis visit unrepresented claimants to further scrutinise the claims presented, though there was no evidence on the files of this at this stage.

PCC now check claims against key fraud indicators which is an extension of their initial claim summary form.

PCC is now a registered member of the CACHE PI database and can further check the claims histories of claimants via this method.

Audit 15 was identified as potentially fraudulent by PCC following an investigation though no referral was made to the in-house corporate fraud team or a panel solicitor but the decision to repudiate the claim was only taken 6 weeks prior to the audit and it would be reasonable to await a response from the claimant solicitor prior to taking the matter further.

Rehabilitation		Requires Improvement
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Rehabilitation is a good tool for mitigating the cost of employer's liability claims regardless of the liability position as it can help get the employee back to work sooner and reduce lost productivity. With respect to public liability claims where liability is admitted again this is a good opportunity to mitigate potential claim costs by providing rehabilitation that if taken up will reduce the injury lifecycle and therefore the PSLA claim or if not taken up will provide PCC with very clear negotiation arguments that the claimant has failed to mitigate their losses.

There are further tangible benefits to this approach and it is considered best practice for this approach to be taken.

It was noted that on no claims was rehabilitation offered to the claimant and this has not changed since the last audit. See audit 21 where the offer of rehabilitation even if not taken up could help reduce the cost and/or lifecycle of the claim.

Closure		Requires Improvement
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Best practice is that repudiated claims have the reserve reduced at six weeks if unchallenged and the file closed after three months if property damage only and six months for personal injury claims.

Most claims had been closed in a timely manner and in line with the internal closure policy. There were a couple of exceptions where there appeared to be a delay in closing files after a final payment was made, see audit 4 as an example.

Key Values		Exemplary
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The majority of claim files were considered to be tidy. There was however still very little separation of correspondence from disclosure or quantum evidence, and this appears to mainly only occur on Highway Act claims where the disclosure will have its own folder due to the size of the disclosure file.

Some correspondence was not bound at all and was loose and not in chronological order.

Many notes were handwritten making them hard to read and all phone calls appeared to be handwritten often on post-it notes or written directly onto other letters.

Best practice would be separate folders within files for correspondence, disclosure and medical/quantum evidence.

This position has not changed since the last audit however it is not causing any deterioration of the performance of the claims handling team.

Governance	Exemplary
<p>There was evidence of claims being reviewed 6 weeks after a denial of liability and to keep CRU certificates in date.</p>	
<p>There is evidence of the financial sanctions list being checked on the file where a payment had been issued and whether the claimant was a US citizen.</p>	

Overall Assessment

98.7%	Exemplary
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Areas for Improvement

- Rehabilitation should be offered proactively on suitable cases, rather than considered reactively, with a detailed file note recording the decision-making process.
- The internal closure policy should be adhered to consistently on all files.

Mandatory Corrective Actions

- Reserves should be set on a realistic basis and then reviewed and updated to reflect material developments throughout the life of the claim.

Plymouth City Council – Corrective Action Plan

Category	Rating	Actions Required	Evidence Required	Due Date	Comments	Completed
Reserves		Reserves should be set on a realistic basis and then reviewed and updated to reflect material developments throughout the life of the claim.	Internal quality checks to ensure reserves are adequate and reflect the reasonable estimated cost of a successful claim.	01/02/18		
Rehabilitation		Rehabilitation should be offered proactively on suitable cases, rather than considered reactively, with a detailed file note recording the decision-making process.	Internal quality checks to evidence that consideration is given to rehabilitation on all suitable Personal Injury claims.	01/03/18		
Closure		The internal closure policy is to be adhered to consistently	Internal quality checks to evidence that the closure policy is being adhered to on a consistent basis.	01/03/18		

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CITY OF PLYMOUTH

Subject: Treasury Management Practices, Principles and Schedules 2018/19

Committee: Audit Committee

Date: 15 March 2018

Cabinet Member: Councillor Darcy

CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)

Author: Chris Flower (Finance Business Partner – Accountant for Capital and Treasury Management)

Contact details: Tel: 01752 304212
Email: chris.flower@plymouth.gov.uk

Ref: Fin/CAF

Key Decision No

Part: I

Purpose of the report:

The CIPFA Code of Practice on Treasury Management requires the Council to publish its practices, principles and schedules each year. The Treasury Management practices, principles and schedules are in place to ensure the Council's Treasury Management policy is adhered to and that working practices and controls are in place to meet the approved strategy.

The Council Corporate Plan 2016/19

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, and Risk Management:

The current volatility and uncertainty within the global financial markets has had a substantial effect on Treasury Management activities. The risk in the Council's investments and loans will be constantly monitored and acted upon in accordance with the principles and procedures set out in the Council's Treasury Management Practices, Principles and Schedules.

Recommendations & Reasons for recommended action:

To approve the Treasury Management Practices, Principles and Schedules for 2018/19 as set out in this report to ensure compliance with the CIPFA Code of Practice for Treasury Management.

Alternative options considered and reasons for recommended action:

There are no alternative options. The Council has adopted the CIPFA Code of Practice for Treasury Management which requires the Treasury Management Practices, Principles and Schedules to be scrutinised and approved by the Audit Committee .

Published work/information

Treasury Management Strategy 2018/19 (Council 26 February 2018)

Background papers:

None

Sign off:

Fin	PL1718.220	Leg	30054/ LT	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member Andrew Hardingham, Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes, but subject to any recommendations from Audit Committee.													

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES 2018-19



This document has been prepared in the sequence provided by CIPFA. (Please note that this document has been prepared prior to the publication of Guidance Notes for Local Authorities to the 2017 TM Code). For ease of use, the key areas for Plymouth City Council treasury operations are referenced below:

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Introduction

The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year as a requirement of the Council's Treasury Management Strategy.

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally approve the Treasury Management Code, but instead the Council is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as:

The management of the Authority's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.

'Investments' in the definition above covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial returns, including but not limited to investment property portfolios. Such non-financial assets are not managed as part of the Council's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles:

- (1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- (2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

- (1) The Council will create and maintain, as the cornerstones for effective treasury management
 - a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- (1) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- (2) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- (3) The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of treasury management strategy and policies

The Treasury Management Practices (TMPs) comprise:

TMP 1: Risk management

TMP 2: Performance measurement

TMP 3: Decision-making and analysis

TMP 4: Approved instruments, methods and techniques

TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements

TMP 6: Reporting requirements and management information arrangements

TMP 7: Budgeting, accounting and audit arrangements

TMP 8: Cash and cash flow management

TMP 9: Money laundering

TMP 10: Training and qualifications

TMP 11: Use of external service providers

TMP 12: Corporate governance

TMP 13 Non-financial Investments

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

I. TMP I: RISK MANAGEMENT

- I.1 All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.
- I.2 The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in **TMP6 Reporting requirements and management information arrangements**. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below. Accordingly, it will ensure that robust due diligence procedures cover all external investment.
- I.3 **Credit and Counterparty Risk Management:** Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital and revenue resources.
 - I.3.1 **Principle:** *The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in **TMP4 Approved instruments, methods and techniques**, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, as per the Treasury Management Strategy, or with whom it may enter into other financing arrangements.*



1.3.2 Schedule:

<p>Criteria to be used for creating/managing approved counterparty lists/limits</p>	<p>The Section 151 Officer is responsible for setting prudent criteria and the Council's treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by Council.</p> <p>The current criteria are contained in the Treasury Management Strategy.</p> <p>The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council's treasury management advisors will provide a counterparty list based on its criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from main ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institution's balance sheet liabilities, CDS information, the composition of an institution's balance sheet liabilities).</p> <p>Investment limits are set by reference to the lowest long-term rating from the agencies and other relevant factors, including external advice. The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <p>Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.</p>
<p>Approved methodology for changing limits and adding/removing counterparties</p> <p>Risk management : creditworthiness deteriorates below the minimum criteria</p> <p>(a) ratings are placed on review for downgrade</p>	<p>The Section 151 Officer has delegated responsibility to add or delete counterparties and to review limits to the Council's treasury management advisors as detailed above.</p> <p>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> - No new investments will be made; - Any existing investments that can be recalled or sold at no cost will be recalled or sold; - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty. <p>Where a credit rating is placed on 'review' for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.</p> <p>The policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>

Counterparty list and limits	<p>A full individual listing of banking* counterparties based on the criteria will be provided by the Council's treasury management advisors. As credit ratings etc. are subject to change without notice, any changes will be advised by the Council's treasury management advisors.</p> <p>* It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.</p>
Details of credit rating agencies' services and their application	<p>The Council considers the ratings of the main ratings agencies when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.</p> <p>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.</p>
Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment	<p>The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share price.</p> <p>The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.</p> <p>In addition, the Council's officers read the quality financial press for information on counterparties.</p>
Country, sector and group listings of counterparties and overall limits applied to each, where appropriate	<p>Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

1.4 Liquidity Risk Management: Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

1.4.2 Principle: *The Section 151 Officer will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.*

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to fund future debt maturities.

1.4.3 Schedule:

Cash flow and cash Balances	<p>The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a single cashflow forecast to determine the maximum period for which funds may be prudently committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.</p> <p>The Treasury Team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.</p> <p>In order to achieve the maximum return from investments, a daily cash balance of +/- £100,000 is the objective for the Council's bank account.</p>
Short term investments	<p>The Council uses various Reserve Accounts, Call Accounts and Money Market Funds to manage its liquidity requirements. These Accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
Temporary Borrowing	<p>Temporary borrowing up to 1 year through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
Bank Overdraft and standby facilities	<p>The Council has an authorised overdraft limit with its bankers Barclays of £100,000 at an agreed rate of 1% above base rate. The facility is used as a contingency.</p>
Policy in terms of borrowing in advance of need	<p>The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management.</p> <p>The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be 2 years, although linking loans with particular items of expenditure is not required.</p>

1.5 Interest Rate Risk Management: Interest Rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

1.5.2 Principle: *The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.*

1.5.3 Schedule:

Proportions of fixed/variable rate debt/interest	<p>Borrowing/investments may be at a fixed or variable rate.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
Managing changes to interest rate levels	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effect in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the Council's advisors and are closely monitored by the Treasury Management Team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Strategic Treasury Management Board as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
Negative interest rates	<p>Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.</p>

1.6 Exchange Rate Risk Management: The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

1.6.2 Principle: *The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

1.6.3 Schedule:

Exchange rate risk management	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.</p> <p>At the present time statute prevents the Council borrowing in currencies other than Sterling.</p>
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1.7 Inflation risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

1.7.1 Principle

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Investments over one year	Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

1.8 Refinancing Risk Management: The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.8.1 Principle: *The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.*

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

1.8.2 Schedule:

<p>Projected capital investment requirements</p>	<p>Three year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves and any grants or contributions awarded revenue resources or reserves. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.</p>
<p>Debt profiling, policies and practices</p>	<p>The Council will maintain through its treasury system Logotech reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.</p> <p>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' which forecasts the need to borrow over the medium- to longer-term.</p> <p>Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
<p>Policy on LOBO call options</p>	<p>The Council's debt portfolio includes loans borrowed on a LOBO (Lender's Option Borrower's Option) basis.</p> <p>The call dates for each LOBO loan are denoted within the Operations Folder and are referenced to the LOBO documentation.</p> <p>Prior to each call date, the Council will evaluate alternative funding sources for comparable interest rates/maturities. This will be discussed at the regular treasury meeting.</p> <p>If the Lender exercises the call option (directly or via the broker) for a revision to the terms of the loan, the Council will thoroughly evaluate the new terms and additionally seek advice from the Council's advisor.</p> <p>It is important to remain within the timescale for the Council to exercise its option should the call be made, but not be rushed into a decision.</p>
<p>Policy concerning limits on revenue consequences of capital financings</p>	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.</p>

1.9 Legal and Regulatory Risk Management: The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

1.9.1 Principle: *The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMPI(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.9.2 Schedule:

References to relevant statutes and regulations	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council such as:</p> <ul style="list-style-type: none"> ▪ CIPFA's Treasury Management Code of Practice and accompanying Guidance Notes ▪ CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments ▪ CIPFA Standard of Professional Practice on Treasury Management ▪ The Local Government Act 2003 ▪ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments ▪ The CLG's statutory Guidance on Minimum Revenue Provision (MRP) ▪ The CLG's Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) ▪ Council's Constitution including: <ul style="list-style-type: none"> • Standing Order relating to Contracts • Financial Regulations • Scheme of Delegation
Procedures for evidencing the organisation's powers/ authorities to counterparties	<p>The Council's Financial Regulations contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit Committee.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>

Required information from counterparties concerning their powers/ authorities	Investments shall only be made with institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria. The Council will only undertake borrowing from approved sources listed in TMP 4.
Statement on political risks and management of the same	Political risk is managed by: <ul style="list-style-type: none"> • adoption of the CIPFA Treasury Management Code of Practice • adherence to Corporate Governance (TMP 12 – Corporate Governance) • adherence to the Statement of Professional Practice by the Section 151 Officer • the roles of the Audit Committee.

1.10 Fraud, Error and Corruption, and Contingency Management: This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

1.10.1 Principle: *The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.*

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.</p> <p>I. <u>Electronic Banking and Dealing</u></p> <p>(a) <u>Banking</u>: The Council's online banking service provided by Barclays is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Finance Business Partner ○ Principal Technical Accountant ○ Technical Accounting Officers ○ Apprentice <p>Officer access is reviewed at least 6 monthly or as necessary.</p> <p>(b) Access to the Council's <u>treasury management system</u>, Logotech is limited to those officers listed below, each having a separate log-on and password.</p> <ul style="list-style-type: none"> • Within the Treasury Management Department <ul style="list-style-type: none"> ○ Finance Business Partner ○ Principal Technical Accountant ○ Technical Accounting Officers ○ Apprentice <p>These also are reviewed at least 6 monthly or as necessary.</p> <p>(c) <i>Access and use of the online ICD Portal, for our Money Market Funds and iDeal for Arlingclose dealing platform, is listed below:</i></p> <ul style="list-style-type: none"> • For Fund Selection <ul style="list-style-type: none"> ○ Head of Financial Planning & Reporting ○ Finance Business Partner • For Trading, the following members of the Treasury Management team <ul style="list-style-type: none"> ○ Principal Technical Accountant ○ Technical Accounting Officers <p>Full procedure notes covering the day to day operation of the on-line banking system and the treasury management system are documented.</p> <p>2. <u>Standard Settlement Instructions (SSI) list</u> : a list is maintained of named officers who have the authority to transact loans and investments</p> <ul style="list-style-type: none"> • Brokers and counterparties with whom the Council deals direct are provided a copy of the SSI list. • A list of named officers with authority to borrow from the PWLB and invest with the Debt Management Agency Deposit Facility is also maintained with the PWLB/DMA DF. • <u>Payment Authorisation</u>: • Payments can only be authorised by an agreed cheque signatory(ies) of the Council, the list of signatories having previously been agreed with the Council's bank. • Other payments made using online banking system and BACS payments can be authorised by an approved list of signatories. • Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts. • Separate officers will carry out (a) dealing and (b) recording of
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Verification	<p>Loans and investments will be maintained in treasury management system which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.</p>
Substantiation	<ol style="list-style-type: none"> 1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each quarter and at the financial year end. 2. Working papers are retained for audit inspection. 3. The bank reconciliation is carried out monthly from the bank statement to Civica.
Internal Audit	<p>Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See <u>TMP7 Budgeting, accounting and audit arrangements</u>.</p>
Contingency Management	<ol style="list-style-type: none"> 1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by the service provider, DELT, to restore files, if necessary. 2. Temporary off-site working facility: The officers who can avail of this facility following an emergency are The Treasury Management Officers who will individually be made aware of the procedures to follow. 3. Electronic Banking System Failure: The Council's bank including the mode of obtaining balance details and information on inflow/outflow of monies and instructions for CHAPS payments can be made over the phone. Hard copies of contact details and account numbers are held onsite, and work mobile phones will be made available. 4. A Disaster Recovery Policy is held by Plymouth City Council.
Insurance Cover details	<p>The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Corporate Risk and Insurance Team.</p>

1.11 Market Risk Management: This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.11.1 Principle: This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.11.2 Schedule:

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc.)</p>	<p>Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>Additionally the following risk control guidelines are set for each fund as part of the fund management agreement to control market risk:</p> <ul style="list-style-type: none"> (a) Maximum weighted average duration of the fund; (b) Maximum permitted exposure to gilts/bonds; (c) Maximum maturity of any instrument. <p>Pooled Funds with a Variable Net Asset Value (VNAV) – The council may consider VNAV funds, as appropriate, in line with its TMSS and on advice from its treasury advisors.</p>
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<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p> <p>VNAV pooled funds will be treated as Available for Sale Assets. Segregated fund with external managers will be treated as Fair Value through Profit or Loss.</p> <p>Change as necessary: When first adopting IFRS 9, the new accounting standard from FY 2018/19, the Council irrevocably elected to account for individual investments in “equity instruments” at fair value through other comprehensive income (FVOCI), which is very similar to the available for sale accounting. Investments purchased after the transition to IFRS 9 may also be elected to FVOCI upon acquisition. The Council has made / will make the election in the 2017/18 statement of accounts for the 31st March 2018 holdings in strategic bond funds, equity funds, multi asset/diversified funds and property funds.</p> <p>Where pooled funds are classed as capital expenditure, any fair value gains and losses charged to Finance I&E will be reversed out to the Capital Adjustment Account via the MiRS. It might therefore appear that the election to FVOCI is unnecessary, however, since regulations might change in future and the election can only be made on initial recognition or on transition to IFRS 9, the Council has including capital expenditure funds in its election.</p>
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2 TMP 2: PERFORMANCE MEASUREMENT

2.1 Principle: *The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.*

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

2.2 Schedule:

Policy concerning methods for testing value for money	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> ▪ Challenging ▪ Comparing performance ▪ Consulting with other users and interested parties ▪ Applying competition principles <p>In order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
Policy concerning methods for performance measurement	<ul style="list-style-type: none"> • Performance measurement at this Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability. • Prudential Indicators are local to the Council and are not intended as a comparator between authorities. • The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis. <p>Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to</p> <ul style="list-style-type: none"> (i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and (ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments. <p>In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>

<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out as part of the budget monitoring reports to the Treasury Management Meetings throughout the year.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council's Treasury Management advisers review the existing borrowing and investments and they produce a quarterly report to review the Council's position and benchmark this against other local authorities.</p> <p>The Council participates in the Treasury Management Advisor's quarterly investment benchmarking as well as the Treasury Management Advisor's annual Balance Sheet and Debt benchmarking.</p>
<p>Methodology to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the treasury monitoring report to Strategic Treasury Board.</p> <p>The report will include:</p> <ul style="list-style-type: none"> a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR) b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing) c) Average rate on gross borrowing vs weighted average maturity d) The effect of new borrowing and/or maturities on the above e) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period) f) Total investments including average rate and maturity profile g) The rate of return on investments against their indices for internally and externally managed funds h) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period) i) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy j) Daily bank balances: any major deviations from the target bank balances

<p>Benchmarks and calculation methodology with regard to risk and return</p>	<p>Treasury Management Costs – Costs are split into Debt Management, Investment Management and Other. Investment Management is then shown as cost per £m invested, and Debt Management Costs per £m value of debt.</p> <p>Investment returns are compared to 7-day LIBID Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month.</p> <ul style="list-style-type: none"> Externally Managed Investment Returns - the growth (i.e. increase in value of the fund) in respect of the monthly average value of the fund. <p>Debt Management</p> <ul style="list-style-type: none"> Average Rate on external debt borrowed in financial year Average period to maturity of external debt Average period to maturity of new loans in financial year Ratio of PWLB and market debt (beginning and end of period) Ratio of fixed and variable rate debt (beginning and end of period)
<p>Best value</p>	<p>The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations. These require that :</p> <ol style="list-style-type: none"> For placing a contract with a value below £100k, at least 3 quotes are required, for contracts between £100k - £150k 5 quotes are required. Above this a formal tender is required. When placing a contract with a value in excess of £172.5k, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken. If necessary, the Council will also consult with other users of similar services as well as with interested parties. The Council will also evaluate alternative methods service delivery.

3 TMP 3: DECISION-MAKING AND ANALYSIS

3.1 Principle: *The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time.*

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation's future plans and budgets.

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

3.2 Schedule:

Capital expenditure and investment plans	<p>The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Council.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p>
Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> a) Changes to Prudential Indicator(s) during the course of the financial year b) Options Appraisal to determine a funding decision c) raising a new long-term loan / long-term source of finance d) prematurely restructuring/redeeming an existing long-term loan(s) d) investing longer-term (i.e. in excess of 1 year) f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate) g) leasing h) change in banking arrangements i) appointing/replacing a treasury advisor j) appointing/replacing a fund manager
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>A rolling monthly cashflow forecast will be prepared for the ensuing 12 months and will include the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> • applying the strategy on a day to day basis • monitoring the results of the strategy • recommending amendments to the strategy to the Council where applicable during the course of the year.

Delegated powers for treasury management	The Section 151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.
Issues to be addressed, evaluation, authorisation	<p>In exercising these powers, the Section 151 Officer and those to whom the treasury activity have been delegated will</p> <ul style="list-style-type: none"> • have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation; • be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained; • be satisfied that the documentation is appropriate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail; • ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits; • be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive; is this being carried out. • follow best practice in implementing the treasury transaction. <p>In exercising Borrowing and Funding decisions, the Section 151 Officer will with advice from the council's Treasury Management Advisors:</p> <ul style="list-style-type: none"> • evaluate economic and market factors that may influence the manner and timing of any decision to fund; • consider alternative forms of funding, including use of revenue resources, leasing and private partnerships; • consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use; • consider ongoing revenue liabilities created; • where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years. <p>The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.</p> <p>In exercising Investment decisions, the Section 151 Officer will:</p> <ul style="list-style-type: none"> • Determine that the investment is within the Council's strategy and pre-determined instruments and criteria; • consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions; • the credit risk associated with unsecured investments with banks and building societies • consider the alternative investment products and techniques available if appropriate.
Processes to be followed	The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.

Evidence and records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically.</p>
Other	<p>The Council will maintain in its Operating Folder for the call dates for all LOBOs. The Council's Treasury Strategy will also state the maximum exposure to LOBOs being called in that financial year.</p> <p>A LOBO is called; the new interest rate will be reviewed against other borrowing rates, and will be redeemed if necessary.</p>

4 TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1 Principle:** *The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMPI Risk Management**.*

The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate.”

4.2 Schedule:

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> ▪ Managing cashflow ▪ Capital financing ▪ Borrowing including debt restructuring and debt repayment ▪ Lending including redemption of investments ▪ Banking ▪ Leasing ▪ Managing the underlying risk associated with the Council’s capital financing and surplus funds activities. <p>The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> • Public Works Loans Board (PWLB) or its successor • long term money market loans including LOBOs • temporary money market loans (up to 364 days). • bank overdraft • loans from bodies such as the European Investment Bank (EIB) • Stock issues • Deferred Purchase • Government and EU Capital Grants • Plymouth Bond • Lottery monies • Other Capital Grants and Contributions <ul style="list-style-type: none"> ▪ Private Finance Initiative ▪ Operating and finance leases ▪ Hire purchase ▪ Sale and leaseback <p><u>Internal Resources</u></p> <ul style="list-style-type: none"> • Capital Receipts • Revenue Balances • Use of Reserves <p><u>Approved sources of long-term and short-term borrowing include</u></p> <ul style="list-style-type: none"> • Public Works Loan Board (PWLB) and its successor body • Any institution approved for investments • Any other bank or building society authorised to operate in the UK • UK public and private sector pension funds (except PCC Pension Fund) • Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues • UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues • Any other counterparty you intend to borrow from <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).</p> <p>The Council will, where applicable, use the Council's credit criteria.</p> <p><i>examples</i></p> <ul style="list-style-type: none"> ▪ Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities ▪ Term deposits with banks and building societies ▪ Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit) ▪ Certificates of deposit ▪ Callable deposits ▪ Investments in Money Market Funds , i.e. 'AAA' liquidity funds with a 60-day Weighted Average Maturity (WAM) ▪ Treasury Bills ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Sterling denominated bonds by non-UK sovereign governments ▪ Covered bonds (i.e. those with underlying collateral) ▪ Unsecured corporate bonds ▪ Reverse Repurchase Agreements ('reverse repos') ▪ Investments with Registered Providers of Social Housing (i.e. housing associations) ▪ Commercial paper ▪ Floating Rate Notes
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<p>Use of Derivatives</p>	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is unlikely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives: Swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p>
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5 TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

- 5.1 Principle:** *The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.*

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Section 151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the Section 151 Officer in respect of treasury management are set out in the schedule below. The Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

5.2 Schedule:

See Appendix I for Organisation Charts

5.3 Schedule:

<p>Limits to responsibilities at Executive levels</p>	<p>Full Council:</p> <ul style="list-style-type: none"> • receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Cabinet) • receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Audit Committee) <p>The Cabinet:</p> <ul style="list-style-type: none"> • approval of amendments to adopted clauses, treasury management policy statement • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by the Treasury Management Finance Business Partner.</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> • the officers responsible for negotiating and closing treasury management deals also record the transactions in the cash book and completing cheque and bank reconciliations but are completely separate from the officer(s) who authorise the deals and any payments. • all borrowing/investments decisions must be authorised by the Section 151 officer or other nominated authorised officers (see below), depending on authorisation levels.

<p>Statement of duties/ responsibilities of each treasury post Including absence cover arrangements</p>	<p>The Section 151 Officer</p> <ul style="list-style-type: none"> • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance • Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy. • In setting the prudential indicators, be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term. • Establish a measurement and reporting process that highlights significant variations from expectations. • Submit regular treasury management reports as required to the council/cabinet/Audit Committee. • Receiving and reviewing management information reports. • Review the performance of the treasury management function and promote best value reviews. • Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function. • Ensure the adequacy of internal audit, and liaising with external audit. • Recommend on appointment of external service providers in accordance with council standing orders. • Provide regular updates to relevant Cabinet Members. • Delegated authority to approve loans over 1 year and investments up to 10 years. • Delegated authority to approve loan repayments/rescheduling. • The Section 151 Officer may delegate his power to borrow and invest to the Head of Financial Planning & Reporting, Finance Business Partners and relevant Senior Technical Accountants and Technical Accounting Officers as appropriate.
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	<p>Head of Financial Planning & Reporting</p> <ul style="list-style-type: none"> • The responsibilities of this post will include covering the full responsibilities of the Section 151 Officer in their absence. • Delegated authority to approve loans over 1 year and investments up to 50 years. • Delegated authority to approve loan repayments/rescheduling. • Submit budgets and budget variations in accordance with Financial Regulations and guidance. • Establish a measurement and reporting process that highlights significant variations from expectations. <p>Finance Business Partner</p> <ul style="list-style-type: none"> • Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, mid-year and annual Treasury Management report and Treasury Management Practices. • Recommend early repayment of debt over one year and subject to the approval of the Section 151 Officer, or the Head of Financial Planning & Reporting arrange the repayment of these loans. • Prepare budget for capital financing including all treasury management loan and investment activities including MTFS. • Submitting management information reports to the Treasury Management Board, Section 151 Officer and Head of Financial Planning & Reporting. <p>Finance Business Partner and Principal Technical Accountant</p> <ul style="list-style-type: none"> • To provide cover in the absence of the Technical Accounting Officer and to cover the full responsibilities of this post. • Maintaining relationships with third parties and external service providers and reviewing their performance. • Adherence to agreed policies and practices on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Authority to borrow for periods up to 1 year and lending up to 1 month. Lending in excess of 1 month subject to the agreement of the Treasury Management Board and/or the approval of the Section 151 Officer or Head of Financial Planning & Reporting. • Following approval by the Section 151 Officer undertake all borrowing over 1 year and deposits/investments up to 10 year maturity. • Make recommendations on all lending up to 10 years and borrowing over 1 year maturity. • Updating the Treasury Management Board with information on credit ratings, share prices, economic and press news impacting on the credit quality of the Council's deposits. <p>Technical Accounting Officer</p> <ul style="list-style-type: none"> • Negotiates and closes treasury management deals and records the transaction and payments obtaining authorisation as described above. • Carrying out the execution of transactions • Monitoring performance on a day-to-day basis. • Identifying and recommending opportunities for improved practices. • Using the counterparties list provided by the Council's Treasury Management advisers. • Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments. <p>Cover is reviewed at least every 12 months, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p>
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	Cover in the absence of the relevant treasury management officer is provided by (depending on authorisation levels:
Description of the relationships between the chief finance officer, the monitoring officer and the head of paid service.	The Section 151 Officer (Chief Finance Officer) and the Head of Legal Services (Monitoring Officer), report into the Strategic Director for Transformation and Change, who in turn reports into the Chief Executive (Head of Paid Services).

5.4 Dealing

Authorised officers	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Senior Finance Analyst • Finance Business Partner <p>Lending activity:</p> <ul style="list-style-type: none"> • Section 151 Officer • Head of Financial Planning & Reporting • Senior Finance Analyst • Finance Business Partner <p>Authorising payments for borrowing/lending</p> <ul style="list-style-type: none"> • Overnight; <ul style="list-style-type: none"> ○ Technical Accounting Officer • Under 1 year <ul style="list-style-type: none"> ○ Finance Business Partner • Over 1 year <ul style="list-style-type: none"> ○ Section 151 Officer ○ Head of Financial Planning & Reporting <p>Transaction recording:</p> <ul style="list-style-type: none"> • Principal Technical Accountant • Technical Accounting Officer
Dealing limits	<p>Internally Managed Investments:</p> <ul style="list-style-type: none"> • Deposits up to 3 months with unlimited value with the Debt Management Office or £10m with an approved Local Authority or £20m with an approved bank or building society subject to the limits detailed in the Council's Annual Investment strategy and the approved lending list.
List of approved brokers	Brokers used by the Council are named in TMP 11: External Service Providers

Policy on brokers' services	It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers, but not by the Council.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with external pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.</p>
Deal Ticket pro-forma	Deals will be recorded as per the deal ticket pro-forma (pro-forma maintained at operational level)
Settlement transmission procedures	<ul style="list-style-type: none"> • settlements are made by CHAPS. • all CHAPS payments relating to settlement transactions require authorisation by the Finance Business Partners in Finance. • all CHAPS payments require 1 bank signatures • the details are transmitted online to the Council's bankers.
Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> • deal ticket authorising the investment • confirmation from the broker • confirmation from the counterparty • Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator • Chaps payment transmission document <p>Loans:</p> <ul style="list-style-type: none"> • deal ticket with signature to agree loan • confirmation from the broker • confirmation from PWLB/market counterparty • Chaps payment transmission document for repayment of loan.
Arrangements concerning the management of counterparty funds	<ul style="list-style-type: none"> • The Treasury Management Finance Business Partner has responsibility for updating the Council's records with any credit developments. • The Treasury Management Finance Business Partner is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

6 TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

- 6.1 Principle:** *The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.*

As a minimum, the Council and Audit Committee will receive:

- An annual report on the strategy and plan to be pursued in the coming year*
- A mid-year review*
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.*

The Strategic Treasury Management Board will receive regular monitoring reports on treasury management activities and risks.

The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.

The present arrangements and the form of these reports are outlined below.

6.2 Schedule:

Capital Strategy:	<p>The 2017 Prudential Code includes a new requirement for local authorities to produce a Capital Strategy, which is to be a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments.</p> <p>The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.</p> <p>The Capital Strategy should include:</p> <ul style="list-style-type: none"> • Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions. • Commercial activities, including due diligence processes, the Council's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements. • Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes. • Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the Council's approach to treasury management. • Other long-term liabilities, such as financial guarantees. • Knowledge and skills, including a summary of that available to the Council and its link to the Council's risk appetite. <p>The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.</p> <p>The Section 151 Officer will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.</p> <p>The Section 151 Officer will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.</p> <p>Although there is no requirement in the Code for this to be an annual document, nor for it to be approved before the start of the financial year, the Council will undertake this exercise in 2018/19.</p>
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<p>Frequency of executive reporting requirements</p>	<p>The Section 151 Officer will annually submit budgets and will report on budget variations as appropriate.</p> <p>The Section 151 Officer will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Council before the start of the year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Section 151 Officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Council during the year.</p>
<p>Content of Reporting: I. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators, revise if necessary, and in its annual / semi-annual reports publish 37actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> ▪ Financing costs as a proportion of net revenue stream (estimate; actual) ▪ Capital expenditure (estimate; actual) ▪ Incremental impact of capital financing decisions (estimate) ▪ Capital Financing Requirement (estimates; actual) ▪ Authorised limit for external debt ▪ Operational boundary for external debt ▪ Actual external debt <p>Treasury indicators</p> <ul style="list-style-type: none"> ▪ Upper limits on fixed and variable rate interest exposures ▪ Upper and lower limits to maturity structure of fixed rate borrowing ▪ Upper limit to total of principal sums invested longer than 364 days. <p>The Prudential Indicators are approved and revised by Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> • Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years • Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt • the extent to which surplus funds are earmarked for short term requirements • the investment strategy for the forthcoming year(s) (<i>see below*</i>) • the minimum to be held in short term/specified investment during the coming year • the interest rate outlook against which the treasury activities are likely to be undertaken. <p>*Based on the ODPM's (now CLG's) Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> ▪ the objectives, policies and strategy for managing its investments; ▪ the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances; ▪ the limits for the use of Non-Specified Investments. <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>3. Annual Treasury Report</p>	<p>The Section 151 Officer will produce an annual report for the Audit Committee on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> ▪ confirmation that the Council calculated its budget requirements and set a balanced budget for the Financial Year; ▪ the prevailing economic environment ▪ a commentary on treasury operations for the year, including their revenue effects; ▪ commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council ▪ compliance with agreed policies/practices and statutory/regulatory requirements ▪ compliance with Prudential Indicators; ▪ performance measures. <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>4. Mid-Year Treasury Report</p>	<p>The Section 151 Officer will produce a mid-year report for Council on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> • Economic background • Economic forecast (including interest rates forecast) • Treasury Management Strategy Statement update • Performance versus benchmarks • Borrowing information (including premature repayment, new loans information) • Information on investments, including current lending list • Prudential indicators relating to treasury management • Governance framework and scrutiny arrangements <p>The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>
<p>Content and frequency of management information reports</p>	<p>The Treasury Management Finance Business Partner provides information for the council's Treasury Management advisors who then provide a quarterly monitoring report to the Strategic Treasury Management Board.</p> <p>This report includes details of:</p> <ul style="list-style-type: none"> • borrowing and investment activity undertaken including forward deals • performance of internal and external investments against benchmark • cash flow monitoring • extent of compliance with the treasury strategy and reasons for variance (if any) • Prudential Indicator monitoring and compliance

7 TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Principle: The Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques**. The form which the Council's budget will take is set out in the schedule below.

The Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

7.2 Schedule:

Statutory/regulatory requirements	<p>Balanced Budget Requirement: The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects;</p> <p>(a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and</p> <p>(b) revenue costs which flow from capital financing decisions.</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Proper accounting practice	<p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".</p>

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> ▪ An explanatory foreword ▪ Accounting policies, changes in accounting estimates and errors ▪ Presentation of financial statements ▪ Movement in reserves statement ▪ Comprehensive income and expenditure statement ▪ Balance sheet ▪ Cash flow statement ▪ Housing revenue account ▪ Collection Fund (England) ▪ Statement of Responsibilities ▪ The Accounting Statements ▪ Additional Financial Statements (Housing Revenue Account, Collection Fund) ▪ Notes to the financial statements ▪ Statements reporting reviews of internal controls or internal financial controls ▪ Events after the reporting period ▪ Related party disclosures
Format of the Council's accounts	The current form of the Council's accounts is available within the Finance Department.
Disclosures relating to treasury management	Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.

<p>Treasury-related information requirements of external auditors</p>	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> ▪ Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003. ▪ Prudential Indicators. ▪ Treasury Management Strategy including Annual Investment Strategy. <p><u>External borrowing:</u></p> <ul style="list-style-type: none"> • New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments) • Loan maturities. • Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years. • Analysis of loans outstanding at year end including maturity analysis. • Analysis of borrowing between long- and short-term • Debt management and financing costs <ul style="list-style-type: none"> ▪ calculation of (i) interest paid (ii) accrued interest ▪ interest paid • MRP calculation and analysis of movement in the CFR. • Bank overdraft position. • Brokerage/commissions/transaction related costs.
	<p><u>Investments:</u></p> <ul style="list-style-type: none"> • Investment transactions during the year including any transaction-related costs • cash and bank balances at year end • Short-term investments at year end • Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end • calculation of (i) interest received (ii) accrued interest • actual interest received • External fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any) • Basis of valuation of investments • Evidence of existence and title to investments (e.g. Custodian's Reports. Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

	<p><u>Cash Flow</u></p> <ul style="list-style-type: none"> ▪ Reconciliation of the movement in cash to the movement in net debt ▪ Cash inflows and outflows (in respect of long-term financing) ▪ Cash inflows and outflows (in respect of purchase/sale of long-term investments) ▪ Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources <p><u>Other</u></p> <ul style="list-style-type: none"> ▪ Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes ▪ Details of (treasury-related) material events after balance sheet date not reflected in the financial statements. ▪ External advisors'/consultants' charges
Internal Audit	<p>Internal Audit conducts a review of the treasury management function and probity testing, as per their annual plan.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Corporate Items budget.</p>

8 TMP 8: CASH AND CASH FLOW MANAGEMENT

8.1 Principle: *Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMPI [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.*

8.2 Schedule:

<p>Arrangements for preparing /submitting cash flow statements</p>	<p>Cash flow forecasts will be viewed over one time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>An outline medium-term cash flow model is prepared as part of the budget process, with projections for 2 further years. It is highly summarised and looks mainly at cash flows arising from the capital programme, the in-year capital financing requirement, scheduled loan repayments and long-term investment maturities, and anticipated movements in reserves.</p> <p>A detailed annual cash flow is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a monthly basis. It identifies the major inflows and outflows on a month by month basis.</p> <p>It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p>Daily cash flows show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the excel cashflow document.</p>
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<p>Content and frequency of cash flow projections</p>	<p>The detailed annual cash flow model includes the following:</p> <ul style="list-style-type: none"> • revenue income and expenditure based on the budget. • profiled capital income and expenditure as per the capital programme. <p>Revenue activities:</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Revenue Support Grant ▪ Precepts received ▪ Non domestic rates receipts ▪ NNDR receipts from national pool ▪ Council tax receipts ▪ DSS / other government grants ▪ Cash for goods and services ▪ Other operating cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool <p>Capital activities including financing</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments <p>Financing, Servicing of Finance/Returns on Investments</p> <p><u>Inflows:</u></p> <ul style="list-style-type: none"> ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan <p><u>Outflows:</u></p> <ul style="list-style-type: none"> ▪ Loan repayments ▪ Premium on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> • net RSG and NNDR payments as notified; • actual salaries and other employee costs paid from account bank statements; • actual payments to Inland Revenue from general account bank statements; • actual council tax received; • actual housing benefit; • actual capital programme expenditure and receipts. 												
Bank statements procedures	<p>The Council receives online bank statements uploaded on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a monthly basis.</p>												
Payment scheduling	<p>The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:</p> <ul style="list-style-type: none"> • Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice. • All other creditors to be paid within 30 days of receipt of invoice. 												
Monitoring debtor/ creditor levels	<p>Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report which will include an analysis of debt by age and details and details of recovery status.</p> <p>The level of Creditor invoices being processed / remaining unpaid is monitored on a daily basis by the Transaction Centre. A report is produced within three days of the BACS run with details all BACS and cheque payments for the next day in advance and recorded in the cashflow spreadsheet.</p>												
Banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashiers section are banked weekly.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>												
Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1"> <thead> <tr> <th>Type of Information</th><th>Source</th></tr> </thead> <tbody> <tr> <td>Capital Spend and Receipts</td><td>Capital Accounting Team</td></tr> <tr> <td>Government Grants</td><td>Logasnet</td></tr> <tr> <td>Payroll</td><td>HR payroll department</td></tr> <tr> <td>Debtors and Creditors</td><td>Transaction Centre</td></tr> <tr> <td>Loans and Deposits</td><td>Treasury Management Team</td></tr> </tbody> </table>	Type of Information	Source	Capital Spend and Receipts	Capital Accounting Team	Government Grants	Logasnet	Payroll	HR payroll department	Debtors and Creditors	Transaction Centre	Loans and Deposits	Treasury Management Team
Type of Information	Source												
Capital Spend and Receipts	Capital Accounting Team												
Government Grants	Logasnet												
Payroll	HR payroll department												
Debtors and Creditors	Transaction Centre												
Loans and Deposits	Treasury Management Team												

Practices concerning prepayments to obtain benefits	<p>The following practices concerning prepayments are followed to obtain benefits:</p> <p>All prepayments must be authorised by the approved signatory in the respective department.</p>
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9 TMP 9: MONEY LAUNDERING

9.1 Background: The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

9.2 Principle: *The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff members involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.*

9.3 Schedule:

Anti money laundering policy	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
Treasury documentation	<p>The Council will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> — Awareness of what constitutes money laundering; — The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed; — Maintaining up-to-date direct dealing and SSI mandates with counterparties

<p>Nomination of Responsible Officer(s)</p>	<ul style="list-style-type: none"> (a) The Council has nominated the Section 151 Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated. (b) The responsible officer(s) will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions. (c) The responsible officer(s) will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).
<p>Procedures for establishing the Identity of Lenders and Borrowers</p>	<ul style="list-style-type: none"> (a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4. (b) The Council will not accept loans from individuals. (c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list. (d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/ Prudential Regulation Authority's website. (e) All receipts/disbursements of funds will be undertaken by BACS or CHAPS settlement. (f) Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed. (g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts. (h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals. (i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details.

10 TMP 10: TRAINING AND QUALIFICATIONS

10.1 Principle: *The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer will recommend and implement the necessary arrangements.*

The Section 151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

10.2 Schedule:

Qualifications/ experience for treasury staff	Part or fully qualified or training towards qualification of one of the accepted accountancy bodies, i.e. CIPFA, ACA, ACCA, CIMA. Member of the Association of Accounting Technicians (AAT) part or fully qualified. Attend treasury training as provided by our Treasury Advisors.
Details of approved training courses	The courses/events the Council would expect its treasury personnel to consider are: <ul style="list-style-type: none"> ▪ Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and IPF ▪ Any courses/seminars run by Treasury Management Consultants. ▪ Attending CIPFA seminars and workshops ▪ Training attended by those responsible for scrutiny of the treasury function <p>The Council participates in a CIPFA Employer Accreditation Scheme for CPD purposes which is based on planning, recording and evaluating development.</p>
Records of training received by treasury staff	Treasury-related training records are maintained.
Records of training received by those charged with governance	Training records are maintained of those people/committees responsible for governance of treasury management.

II TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

11.1 Principle: *The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer, and details of the current arrangements are set out in the schedule below.*

11.2 Schedule:

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £200k and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Details of service providers and procedures and frequency for tendering services</p>	<p>(a) Bankers to the Council Barclays Bank 3 Bedford Street Exeter EX1 1LX Tel: 0345 3010 927 Contract period: Commenced 1st April 2014</p> <p>(b) Treasury advisor Arlingclose Limited 35 Chiswell Street, London, EC1Y 4SE Tel: 08448 808 200 Contract period: Commenced 1st January 2015</p> <p>(c) External Fund Manager King & Shaxson 6th Floor, Candlewick House, 120 Cannon Street London, EC4N 6AS</p> <p>(d) Brokers: It is considered good practice for the Council to have at least two brokers and to spread business between them. Tullett Prebon Limited Level 3, 155 Bishopsgate, London, EC2M 3TQ Tel: 020 7200 7000</p> <p>Tradition (UK), Beaufort House, 15 St. Botolph Street, London, EC3A 7QX. Tel: 020 7198 1500</p> <p>London Currency Brokers, LCB House, 8A The Broadway, Pitsea, Essex, SS13 3AY.</p> <p>Martin Brokers (UK) Plc, 1 Churchill Place, Canary Wharf, London, E14 5RD. Tel: 020 7469 9000</p> <p>Sterling International Brokers Limited 1 Churchill Place, 18th Floor, London, EC4 5RD. Tel: 020 7962 9960</p>
<p>Regulatory status of services provided</p>	<p>The Council's external service providers are listed below, along with their regulatory status:</p> <p>All financial services providers are regulated by the Financial Conduct Authority (FCA).</p>

Details of service provided by Treasury Advisor	The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments.
Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers

12 TMP 12: CORPORATE GOVERNANCE

12.1 *Principle: The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.*

The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2009). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.2 Schedule:

Stewardship responsibilities	The S151 Officer ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection.	The following documents are freely available for public inspection: <ul style="list-style-type: none"> ▪ Annual Statement of Accounts ▪ Budget Book ▪ 5 Year Capital Plan ▪ Treasury Management Policy ▪ Treasury Management Strategy ▪ Capital Strategy ▪ Budget Monitoring Reports ▪ Annual and Half Year Treasury Report
Council's website.	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders.	Members and senior officers of the Council are consulted via reports to the Audit Committee and officer/member briefing sessions.

TMP 13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

13 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly, and these are laid out below. A published schedule has been agreed by Council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

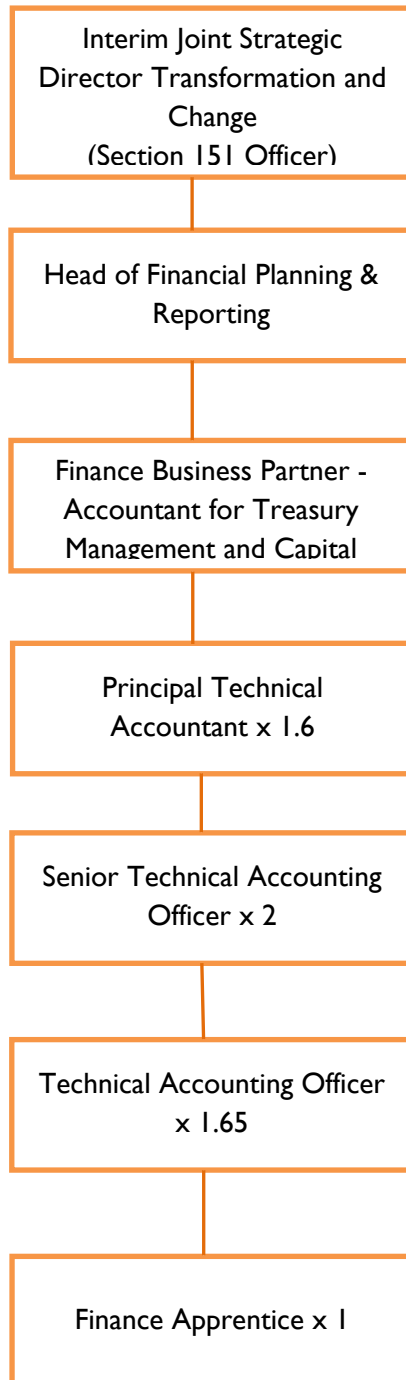
13.1 Schedule

Register of non-treasury investments and financial guarantees	The Council will regularly updated a list of non-treasury investments, existing material investment, subsidiaries, joint ventures.
Schedules to be maintained	<p>The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Schedules will be maintained for non-treasury investments on the following areas:</p> <ul style="list-style-type: none"> • Risk management • Decision making, governance and organisation • Reporting and management information • Performance measurement and management • Training and qualifications.
Risk Management	<p>Follow TMPI and schedules as detailed previously, including investment and risk management criteria for any material non-treasury investment portfolios.</p> <p>Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.</p>
Independent and expert advice	Independent expert advice is sought for property purchases as part of the due diligence.

Training and qualifications	Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained
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Appendix I

Organisation Chart for Capital and Treasury Management (FTE)



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PLYMOUTH CITY COUNCIL

Subject: Internal Audit Charter and Strategy 2017/18
Committee: Audit Committee
Date: 15 March 2018
Cabinet Member: Councillor Darcy
CMT Member: Andrew Hardingham Interim Joint Strategic Director
Transformation & Change - Finance
Author: Robert Hutchins, Head of Devon Audit Partnership
Contact details robert.hutchins@devonaudit.gov.uk T: 01752 306710
Ref: AUD/RH
Key Decision: No
Part: I

Purpose of the report:

1. Re-affirmation of the audit charter and strategy for 2018-19 which remain unchanged this year.
2. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter and strategy for the financial year are described in detail in the accompanying report.
3. The PSIAS sets additional Public Sector requirements where the internal audit charter and strategy must also:
 - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
4. The Audit Strategy:
 - is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
 - will communicate the contribution that Internal Audit makes to the organisation and should include:
 - internal audit objectives and outcomes;
 - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided, and
 - the resources and skills required to deliver the Strategy;
 - should be approved, but not directed, by the Audit Committee.
5. The Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
6. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.

The Corporate Plan 2016 - 19:

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
- Confident Plymouth - the Government and other agencies have confidence in the Council and partners.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The work of the Internal Audit Service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

It is recommended that:

That the Committee agrees the Internal Audit Charter & Strategy for the year 2017/17

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts & Audit Regulations 2003, 2006, 2011 & 2015 & the Public Sector Internal Audit Standards.

Published work / information:

None

Background papers:

None

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	DN	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation & Change													
Has the Cabinet Member(s) agreed the contents of the report? No													



PLYMOUTH CITY COUNCIL

INTERNAL AUDIT CHARTER (March 2018)

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The PSIAS set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Leadership Team.

The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

STATUTORY REQUIREMENTS

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, Interim Joint Strategic Director Transformation & Change - Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

THE PURPOSE AND AIM OF INTERNAL AUDIT

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditor's. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Being Independent

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and

- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Interim Joint Strategic Director Transformation & Change - Finance ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

RESPONSIBILITIES

The Chief Executive, Service Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Interim Joint Strategic Director Transformation & Change - Finance 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

INTERNAL AUDIT MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and

- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Heads of Service, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

REPORTING

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

RELATIONSHIP WITH THE AUDIT COMMITTEE

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;

- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

CHARTER – NON CONFORMANCE AND REVIEW

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

Devon Audit Partnership

March 2018



Auditing for achievement

PLYMOUTH CITY COUNCIL

INTERNAL AUDIT STRATEGY (March 2018)

1 INTRODUCTION

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the Interim Joint Strategic Director Transformation & Change - Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
 - internal audit objectives and outcomes;
 - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided, and
 - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;

- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment planning

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

5 PROVISION OF INTERNAL AUDIT

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

Internal Audit Performance Management and Quality Assurance

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

Performance Measures and targets

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

Internal Audit Performance Monitoring Targets.

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, CMT and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to management and audit committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

Customer (user) feedback

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

Internal quality reviews

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 92% of the elements; partially meet 5.5%; and are not required to or do not meet 2% (seven) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.26 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in areas such as Computer Audit and Contracts Audit as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2018) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA (including QICA – computer audit)
- 1 x studying for IIA
- 11 x AAT qualified
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Staff Development and Training

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Devon Audit Partnership

March 2018

Auditing for achievement

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit plan 2018/19
Committee:	Audit Committee
Date:	15 March 2018
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint Strategic Director Transformation & Change)
Author:	Robert Hutchins, Head of Devon Audit Partnership
Contact details:	Tel: 01752 306710
Ref:	AUD/RH
Key Decision:	No
Part:	1

Purpose of the report:

This report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.

Delivery of the Internal Audit Service will be by the Devon Audit Partnership (DAP), a shared service arrangement between Plymouth City, Devon County, Torbay, Torridge and Mid Devon Councils.

The planning process takes place with clients towards the end of each financial year, resulting in an updated risk-based annual plan for the coming year. The risk-based audit work planned for 2018/19 is linked through the strategic and operational risk registers to risks related to the achievement of the Council's strategic objectives.

This report comments on IA resources available to carry out the 2018/19 plan, and details the specific audits to be undertaken.

The Corporate Plan 2016 - 19:

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
 - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
-

Implications for Medium Term Financial Plan and Resource Implications:

Including finance, human, IT and land:

None.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

It is recommended that:-

1. The report be noted
2. The proposed Internal Audit Plan for 2018/19 be approved.

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

Published work / information:

None.

Background papers:

None

Sign off:

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation & Change													
Has the Cabinet Member(s) agreed the content of the report? Rec'd copy													

Internal Audit

Internal Audit Plan 2018-19

Plymouth City Council
Audit Committee

March 2018

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership

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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Torridge and Mid-Devon councils and we aim to be recognised as a high quality internal public sector service provider. We work with our partners by providing professional internal audit service and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	<p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Management Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit to Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage for 2018/19.

In review of the above the Audit Committee are required to approve the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans – Transformation & Change, Place, People and Public Health

Transformation & Change

Assurance work will be undertaken on areas termed as key financial systems; these process the majority of income and expenditure of the Council, and which have a significant impact on the reliability and accuracy of the annual accounts.

Implementing the requirements of the General Data Protection Regulation (GDPR) has significant implications and we will perform a number of reviews across the organisation to measure compliance.

We will continue work with management to ensure that effective retained client arrangements are in place to manage the statutory responsibilities which will remain with the Council following the transfer of payroll and pensions to Delt Shared Services early in 2018/19. Work will also be undertaken to assess the ongoing effectiveness of the retained client arrangements for ICT services.

Executive Office

Performance information must be underpinned by good quality data. We will work in collaboration with Oversight and Governance to review the quality and robustness of the source data used in the reporting of corporate indicators.

Place

Management have requested we review the systems in operation for Concessionary Fares and we will continue as “trusted advisor” to the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues, including recycling credits.

We will follow up our 2017-18 work in relation to the Fleet Management System and Trade Waste, as well as considering the governance arrangements and relationship with Plymouth Energy Community.

People

With a formal contractual arrangement for Plymouth to manage Torbay Council’s Children’s Services due to come into effect on 1st April 2018 and the proposal for a joint Director of Children’s Services, we will review the governance arrangements for the delivery of Torbay Children’s Services whilst looking to see that the impetus for delivery of Plymouth Children’s Services is maintained.

As pressure on education budgets increase, we will provide “critical friend” support to the Education, Participation and Skills Department as they work to develop the “Plan for Education”, a partnership with schools to run an agreed range of services.

Our work on the Multi Agency Hub will provide assurance around the effectiveness of the systems in place and if they are helping to achieve the long term aims of a more informed and joined up approach to service delivery for children and young people.

Public Health

Our work will provide assurance around the adequacy of arrangements within Environmental Services to ensure that there is sufficient separation in operation in relation to enforcement, business advice and chargeable services. We have also been asked to review the administrative process for the various licences issued by the Council and to provide assurance in respect of the Bereavement Service, in particular around customer interaction and payments.

Value Added

All our work aims to “add value” the authority, be this by way of improving control and minimising risk, or making the most of opportunities in an effective manner. We will undertake the annual follow up on all audit areas identified as ‘Improvements Required’ in 2017/18. Proactive anti-fraud work will be carried out in liaison with the Corporate Fraud Team who will be transferring to Devon Audit Partnership early in 2018/19.

**Thematic Overview
Audit Coverage**

Service Area Overview of Audit Coverage							Value Added
Transformation and Change	People	Place	Public Health	Cross Cutting	Executive Office		
Retained Client ICT & Shared Services	Childrens Services (Shared Arrangements)	Concessionary Fares	Bereavement Service	GDPR and the Data Protection Bill 2017-19	Data Quality		Plan for Education ("Real Time" Support)
E-Budgeting	Multi Agency Hub	Environmental Projects	Licensing				Fraud Prevention and Investigation (Inc. National Fraud Initiative)
Deputyships	Adults Social Care Commissioned Services	Highways	Environmental Services	Customer Feedback	Community Grants		Advice
Management of Employee Data	Schools & SFVS	Street Services New Financial Mgmt Systems					Audit Follow-Ups
Business Processes & Governance – Corporate Information Management, Business Continuity Follow-Up, Shared Services Retained Client, Grant Certification							
Key Financial Systems – Inc. Housing Benefits, Payroll, Creditors, Debtors, Main Accounting System, Council Tax & Business Rates, Income Collection							
ICT – Information Management, Operational & Cyber Security Arrangements							

The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the proposed audit reviews and associated risks.

High Level Audit Plan

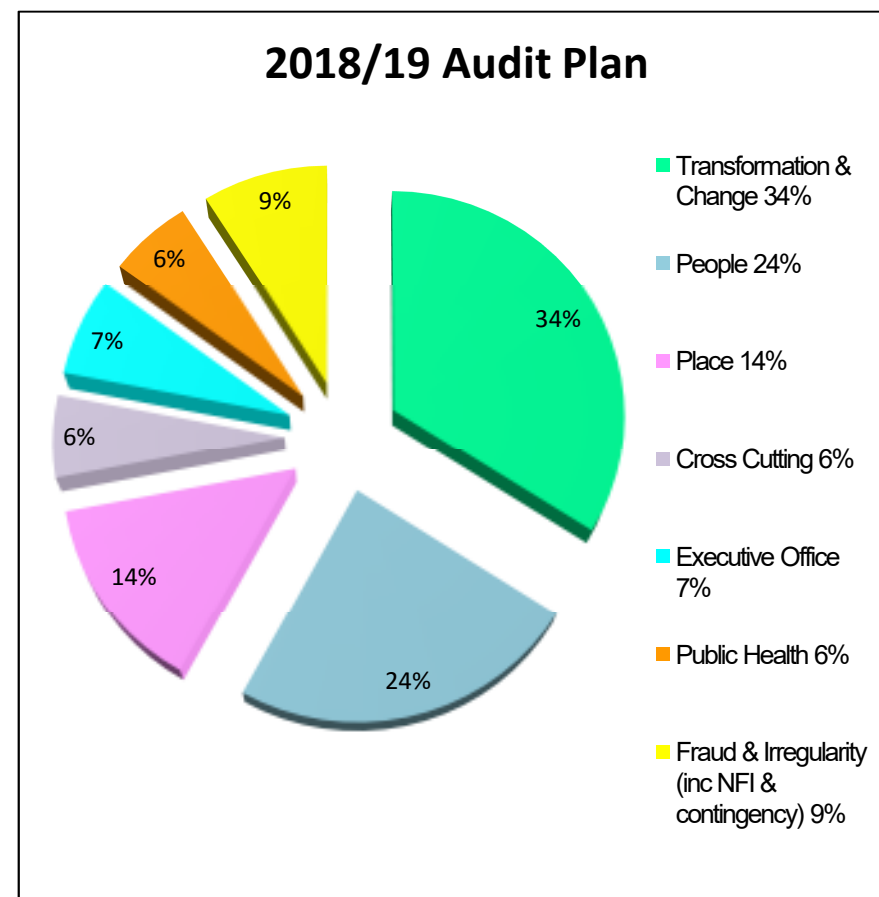
This table shows a summary of planned audit coverage for the year totalling 1,139 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work

We have set out our plan based on the current organisational structure for the Authority. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

The following pages give a brief overview of the focus of proposed audit coverage for the year.

A detailed analysis of proposed audit reviews is provided in the following schedule.

In addition, we estimate that our work on maintained schools within the City will total 69 days.



Proposed audit reviews and associated risks

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Transformation and Change				
Core Assurance – Key Financial System				
I.T. Systems	ANA - High	A review of the core I.T. systems common to all the Council's Key Financial Systems. This will include application access controls at system admin level.	Q3 – Q4	15
Civica Financials: <ul style="list-style-type: none"> • Creditors • Main Accounting • Debtors 	ANA <ul style="list-style-type: none"> - High - High - Medium 	Follow-up of the 17/18 reviews, system walkthrough plus focused risk based sample testing for each system.	Q3 – Q4	45
Academy Revs & Bens: <ul style="list-style-type: none"> • Housing Benefits • Council Tax • Business Rates NNDR 	ANA <ul style="list-style-type: none"> - High - Medium - Low 	System walkthrough, focused risk based sample testing and follow-up of 17/18 reviews for each service area.	Q3 – Q4	54
Cash / Bank Receipting System	ANA - Medium	System walkthrough, with focused risk based sample testing.	Q3	20
Treasury Management	ANA - Medium	System walkthrough, focused risk based sample testing and follow-up of 17/18 review.	Q3	8
iTrent - Payroll	ANA - Medium	System walkthrough with focused risk based sample testing.	Q3	10
Core Assurance - Other				
Corp Information Management <ul style="list-style-type: none"> • ILOG, FoI, DPA, Policies & P's, EDRMS, End User Computing 	ANA – High	Audit support the Authority's ILOG and examine policies and processes relating to the management of information held throughout the organisation.	Q1 – Q4	10
ICT Operation and Security (Cyber)	ANA - High	To assess the effectiveness of operational and (cyber) security arrangements of the Council's ICT service provider.	Q3 – Q4	16

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Retained Client - ICT	ANA - Medium	Assessment of the effectiveness of retained client arrangements, including Intelligence, Architecture, Policy & Standards and other retained controls and functions.	Q2 – Q3	9
Retained Client – Shared Services	ANA – High Client Request	Payroll, pensions and the systems team TUPE to Delt Services in May 2018. Sense check to be undertaken on the adequacy of the retained client arrangements.	Q1	5
e-Budgeting	ANA – High Client Request	To assess if managers have embraced and are maximising the value they can obtain from the use of e-budgeting in the monitor and interrogation of their budgets.	Q1 – Q3	10
Purchasing	ANA – Medium Client Request	Following proposals to revise the thresholds within Contract Standings Orders for which quotations are obtained (subject to approval by Council), management have requested DAP involvement in how the changes are implemented, plus a post implementation review to ensure compliance.	Q1 – Q4	10
Risk Management	ANA - High	Follow-up review to be undertaken towards the end of the financial year to allow time for any changes to embed, following structure changes.	Q4	10
Management of Employee Data	ANA – High Client Request	Follow-up review to measure progress in implementing HR requirements for the management of employee data.	Q1 – Q4	25
Devon Business Rate Pilot	ANA - High	To assess the effectiveness of the processes and controls in place to administer the Devon Business Rate Pilot for which Plymouth City Council is the lead authority.	Q2 – Q3	5
Client Financial Services	ANA – High Client Request	Assessment of the effectiveness of the systems and procedures needed to deliver statutory obligations under the Care Act, including skills/knowledge and resiliance.	Q1 – Q2	15
Deputyships	ANA – Medium Client Request	Review of the processes and procedures in place for the management of the affairs of people who lack the mental capacity to manage themselves and the Court of Protection has appointed the Council as a “Deputy”.	Q2	10
Purchasing Cards	ANA – Medium	Spot checks to ensure compliance with Council and regulatory (VAT) requirements.	Q2	10
Customer Feedback	ANA – Medium Client Request	Review of the systems in operation used to record and respond to customer comments and complaints.	Q2	15
Travel & Subsistence	ANA – Medium Client Request	Spot checks to ensure compliance with Council and regulatory (VAT) requirements.	Q1	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	Collection of SFVS self assessments completed by schools. Preparation of the Direct Schools Grant (DSG) Chief Financial Officer (CFO) Assurance Statement for 17/18 to be returned to DfE by 31 st May 2017	Q1 & Q4	3
Audit Advice to Transformation & Change and carry forward for completion of 17/18 work	n/a		n/a	25
Audit planning, monitoring and performance reporting	n/a		n/a	26
Audit Governance	n/a	Performance reporting to Directors and reporting to and attending Audit Committee (see p12)	n/a	35
Executive Office				
Core Assurance - Other				
Data Quality	ANA – High Client Request	Review the quality and robustness of the source data used in the reporting of corporate indicators.	Q1 – Q4	40
Community Grants	ANA – Medium Client Request	Evaluate the impact of community grants and a review of guidance to support members in making best use of the funds. This work will also include Living Streets grants.	Q1 – Q2	15
Audit Advice to Executive Office	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	9
Audit Governance	n/a		n/a	6
People				
Core Assurance – Key Financial System				
CareFirst				
<ul style="list-style-type: none"> Follow-up of 17/18 reviews. 	ORR - Amber ANA – High	Review progress on the implementation of recommendations/actions agreed following the reviews of:-	Q2 - Q3	14

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
	ANA – Medium ANA – Medium	<ul style="list-style-type: none"> Income Collection (Deferred Payments) Payments (Care Leavers) Payments (Fostering) 		
Core Assurance - Other				
Childrens Services (Contractual Arrangements with Torbay)	SRR - Red ANA – High Client Request	Assessment of the effectiveness of the governance arrangements and single performance framework being established for the delivery of Torbay and Plymouth's Childrens Social Care to ensure that service delivery for Torbay is robust and that the impetus in Plymouth is not lost.	Q3 – Q4	15
Children's Safeguarding Board (PSCB)		The Children & Social Work Act 2017 abolishes Local Safeguarding Childrens Boards and replaces them with a Childrens Safeguarding Practice Review Panel. A small number of days to provide assurance on implementation progress.	Q4	5
Multi-Agency Hub	SRR – Amber ANA – High Client Request	A review of the multi-agency hub which went 'live' in June 2016 and determines if there is a need to carry out a child in need assessment or child protection enquiry where it is believed that a child or young person is at risk of, or is being hurt, abused or suffering neglect.	Q3	25
Carefirst Dashboard	ANA - Medium	Review of functionality being utilised in both Adults & Childrens to highlight where best practice from one area will benefit another	Q4	10
Livewell South West	ANA – High Client Request	Services are commissioned from LSW through the Integrated Fund. The scope of the work in 2018/19 will be determined in part, on the outcome of the 17/18 audit review which is currently in progress.	Q3 – Q4	20
Pre-Paid Cards - Direct Payments (Adults) Follow-up	ANA - Medium	Follow-up to 17/18 review with some compliance testing.	Q2	7
Pre-Paid Cards - Direct Payments Delivery Method (Childrens)	ANA - Medium	Review of the effectiveness of controls, processes and procedures, including written guidance for Social Workers and Business Support and the documents sent to clients or 3rd party representatives.	Q3	10
Extra Care Housing	ANA – Medium	System review of the systems in operation for the provision of social and domiciliary care services to clients in extra care housing which is designed to provide varying levels of care & support in later life.	Q3	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Plan for Education	ANA – Medium Client Request	Our work will be to provide “trusted advisor / critical friend” support to officers within the Dept for Education, Participation & Skills as they work to create a partnership with schools for the provision of services.	Q3	10
Deficit Budgets (Early Years)	ANA – Medium Client Request	A look at the history linked to the deficit budget to identify "lessons learned".	Q2 – Q3	15
On Course South West Contract	Client Request	Due diligence on contract figures to be undertaken in May 2018.	Q1	5
Community Connections	ANA – Medium	Pot of days to be used on areas such as the "duty to prevent homelessness", Regulatory Reform Orders and ongoing support following on from audit work undertaken in 17/18 as required by the service.	Q1 – Q4	20
Legal Care Proceedings (Childrens)	ANA – Medium	Follow-up review to measure progress in implementing the recommendations from the 17/18 review.	Q2	3
Finance & Assurance Review Group (FARG)	ANA – High Client Request	The purpose of FARG is to provide oversight, scrutiny and assurance of the integrated fund and under the membership requirements laid down in the terms of reference, internal audit will continue to have a seat on FARG to providing real time support and challenge through their attendance.	Q1 – Q4	10
Families with a Future (Payment by Results)	Statutory Client Request	Audit review and certification for each monthly claim. Support for the service as they develop new system.	Q1 – Q4	18
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	2
Audit Advice to People and carry forward for completion of 17/18 work	n/a		n/a	25
Audit planning, monitoring and performance reporting	n/a		n/a	19
Audit Governance	n/a		n/a	25
Public Health				
Bereavement Service	ANA – Medium Client Request	Review of payment / financial arrangements, including ease and quality of interaction with the customer.	Q2	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Licensing	ANA – Medium Client Request	Review of admin process for each licence type		20
Environmental Protection	ORR - Amber ANA – Medium Client Request	Review of systems in place to ensure they provide for adequate separation of duties taking into account enforcement activities, advice to businesses and income generating activities.	Q3 - 4	10
Business Continuity Follow -Up	ANA - High	Light touch follow-up to measure progress in implementing audit recommendation following work in 17/18 which considered the resilience of Council partners and contractors in the supply chain for critical services.	Q2	3
Audit Advice to Public Health	n/a		n/a	10
Audit planning, monitoring and performance reporting	n/a		n/a	7
Audit Governance	n/a		n/a	5
Place				
Concessionary Fares	ANA – Medium Client Request	Review of the effectiveness of the procedures and controls in operation for Concessionary Fares.	Q1 – Q4	10
Plymouth Energy Community	ANA – Medium Client Request	Review of the governance arrangements and relationships, both financial and legal (existing and potential for future).	Q3	12
Building Control	ANA – Medium Client Request	This review is in response to a Management request for a perspective from audit on processes following building control reforms.	Q1	10
Highways	SRR - Red ANA – High Client Request	Review the systems and processes in operation to enable the service to mount a robust defence against insurance claims.	Q1 – Q4	10
Street Services	ANA –High Client Request	New financial management systems being implemented - catch up early 18/19 to scope.	Q1 – Q4	15
Fleet Management System Follow-Up	ANA - Medium	Light touch follow-up to measure progress in implementing audit recommendation following work in 17/18 and consideration of the "new more commercial systems" being introduced.	Q2	6

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA)	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Trade Waste Follow-Up	ANA - Medium	Follow-up on progress the new manager is making on implementing audit recommendations and how the service is evolving with the introduction of "new, more commercial systems"	Q2 – Q3	6
Commercial Properties	ANA - Medium	Work to progress in implementing audit recommendation following work undertaken in 17/18	Q4	6
Grant Certification	Statutory	Those grants where the grant determination requires independent certification of expenditure by Internal Audit.	Q1 – Q4	33
Audit Advice to Place and carry forward for completion of 17/18 work	n/a		n/a	30
Audit planning, monitoring and performance reporting	n/a		n/a	13
Audit Governance	n/a		n/a	14
Cross Cutting				
General Data Protection Regulation (GDPR)	SRR – Amber ANA – High Client Request	Review of arrangements in place across the organisation to measure compliance.	Q1 – Q4	35
Health & Safety	ANA – High Client Request	In collaboration with the Health, Safety & Wellbeing Team we will undertake system reviews to evidence the effectiveness of the arrangements in place across the organisation to sustain health, safety and wellbeing.	Q1 – Q4	30
Fraud, Irregularity and National Fraud Initiative (NFI)				
Advice, Investigations, NFI & Contingency	n/a	Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. Co-ordinate the NFI exercises across the Authority.	Q1 – Q4	65 25

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government “Fighting Fraud Locally” and the TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. In February 2018 Cabinet approved the transfer of the Council’s Corporate Fraud Team (CFT) to Devon Audit Partnership. This arrangement will further cement the joint working arrangements of the Internal Audit and Corporate Fraud teams, enabling intelligence to be shared and resources focussed on higher risk areas and in identifying and preventing fraud before it happens.

Additionally, new guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the new Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care).

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2018/19 exercise will commence later this year, with resulting data matches available from early 2019.

Internal Audit Governance

An element of our work is classified as Corporate Governance – this is work that ensures effective and efficient audit services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. External Audit, Audit South West);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during the year;
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to develop and maintain effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices with the aim of improving the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work.

Information is provided as required to BDO, the authority’s external auditors, maximising the benefits of closer working. We have also developed an effective working relationship with Audit South West, internal auditors for the NHS Trust and the CCG, as the Council’s integration with Health continues to evolve.

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit has taken account of the Authority’s risk management framework. The plan has been adjusted and reviewed, as necessary, in response to changes in the Authority’s business, risk, operations, programs, systems and controls. The plan takes account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

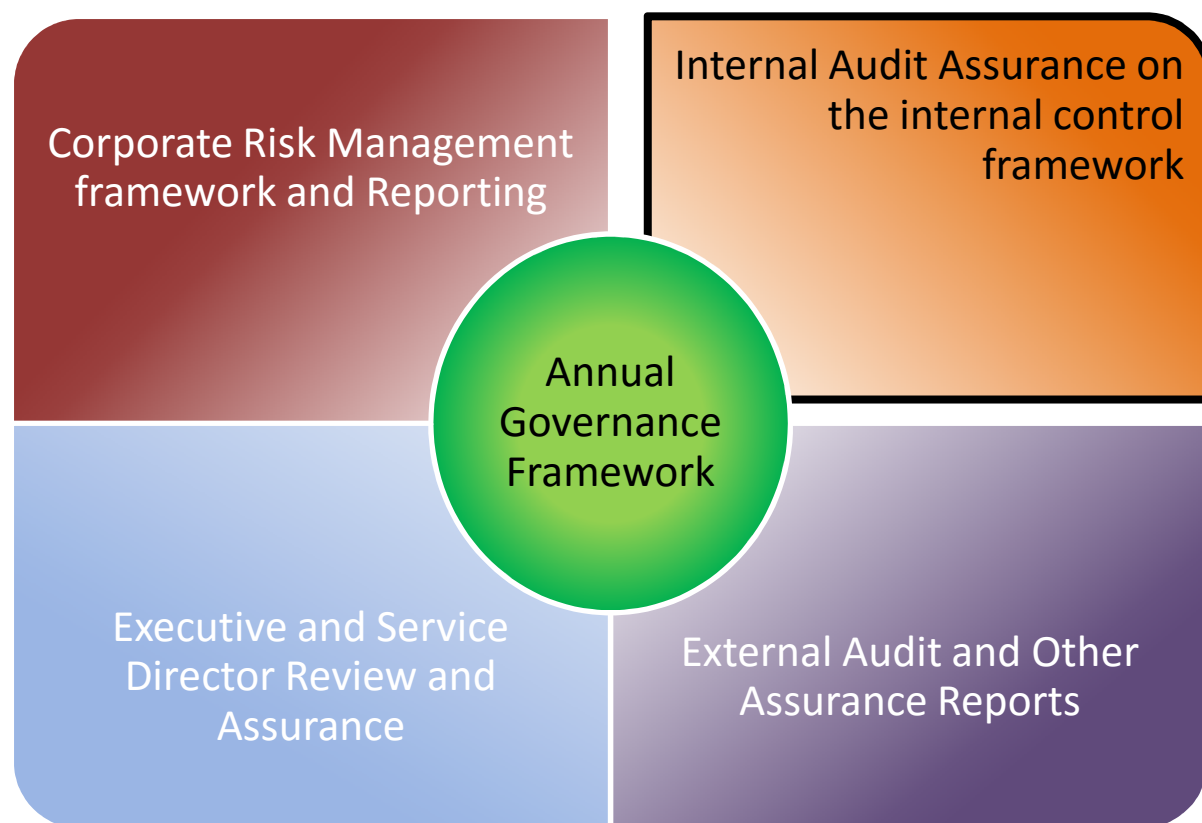
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA Framework *Delivering Good Governance in Local Government 2016*.



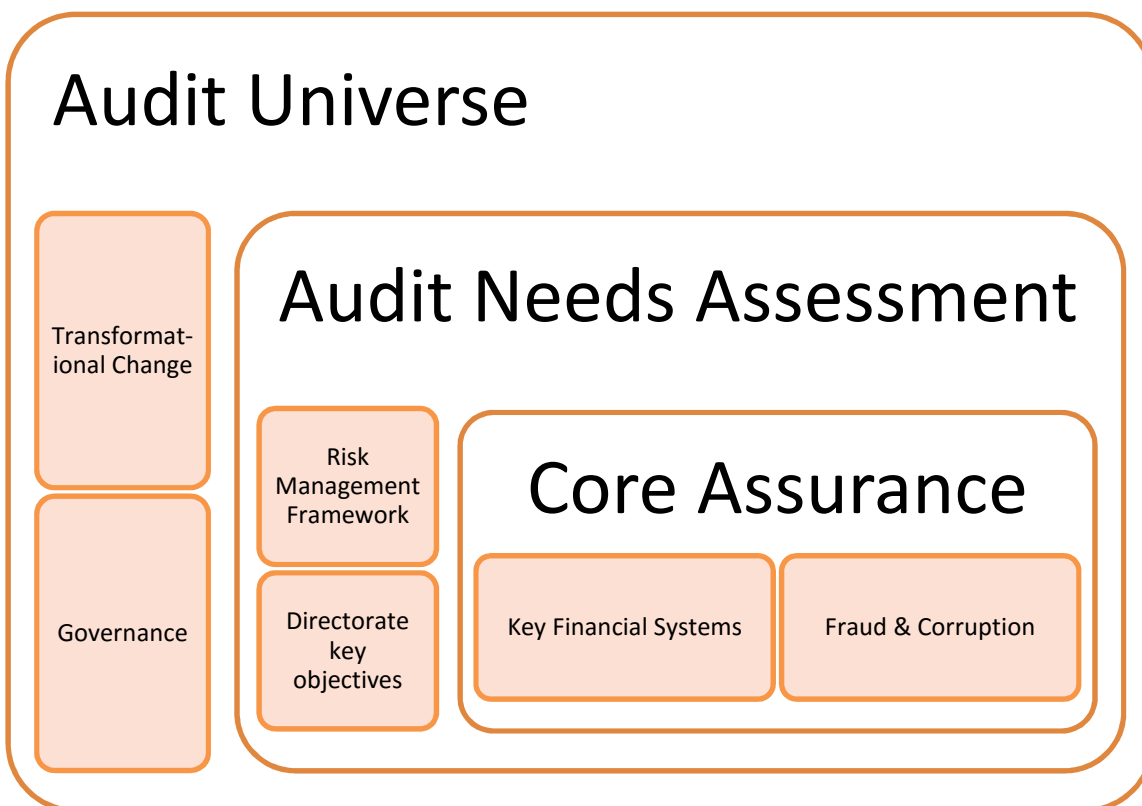
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance Statement Working Group, CMT and Internal Audit that the statement meets statutory requirements.

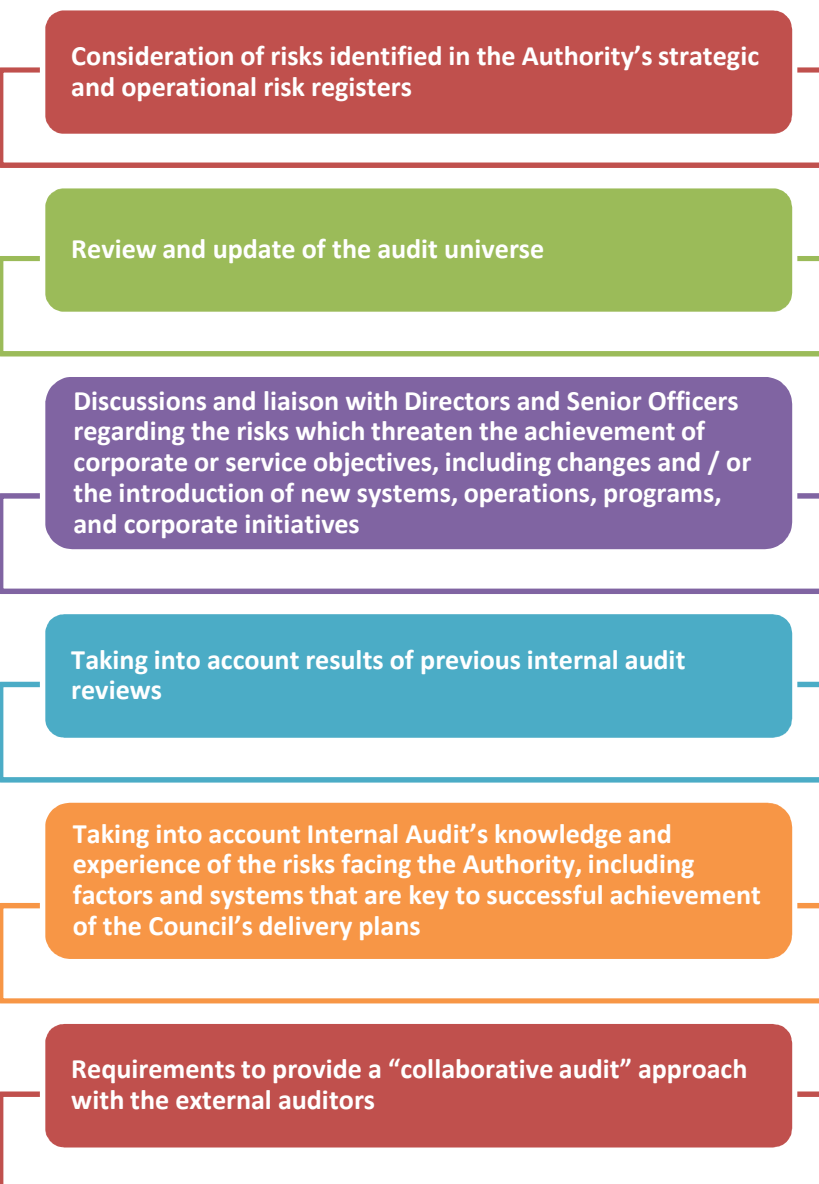
Appendix 3 - Audit Needs Assessment

We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

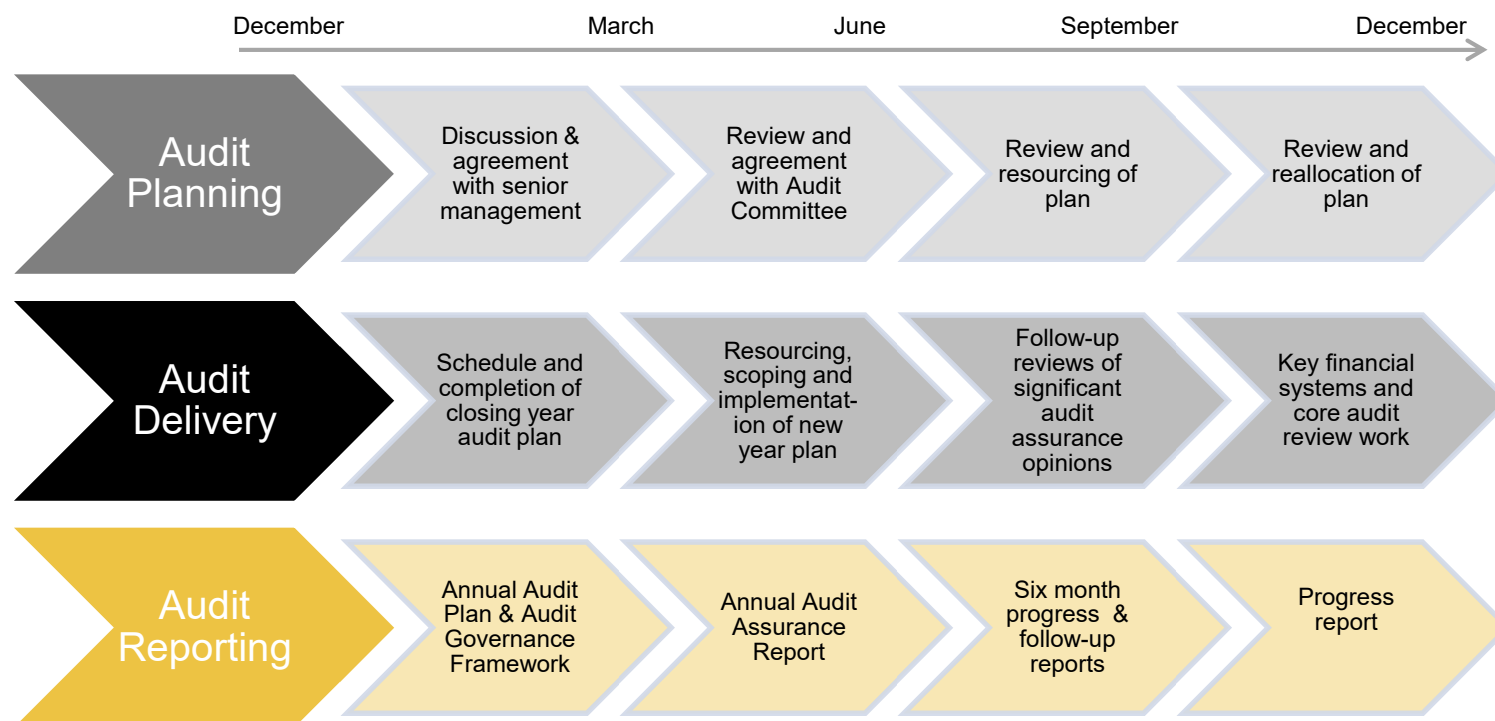
The resultant Internal Audit Plan is set out in the ‘proposed audit plan’. There are a number of areas where risk, needs assessment and discussions with management have identified audit need but where there are not sufficient resources in the plan to review them at this stage (see appendix 5). The plan will remain flexible and should priorities need these areas may for part of the planned work.



The audit plan for the year plan has been created by:



Appendix 4 - Our Audit Team and the Audit Delivery Cycle



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Date	Activity
Dec / Jan 2018	Directorate planning meetings
March 2018	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr 2018	Annual Performance reports written
May 2018	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year's audit work commences
Sept 2018	Follow-up and progress reports presented to Audit Committee
Dec 2018	Six month progress reports presented to Audit Committee
	2019 Internal Audit Plan preparation commences

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PLYMOUTH CITY COUNCIL

PLANNING REPORT TO THE AUDIT COMMITTEE
Audit for the year ending 31 March 2018

Date of issue: 6 March 2018



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INTRODUCTION

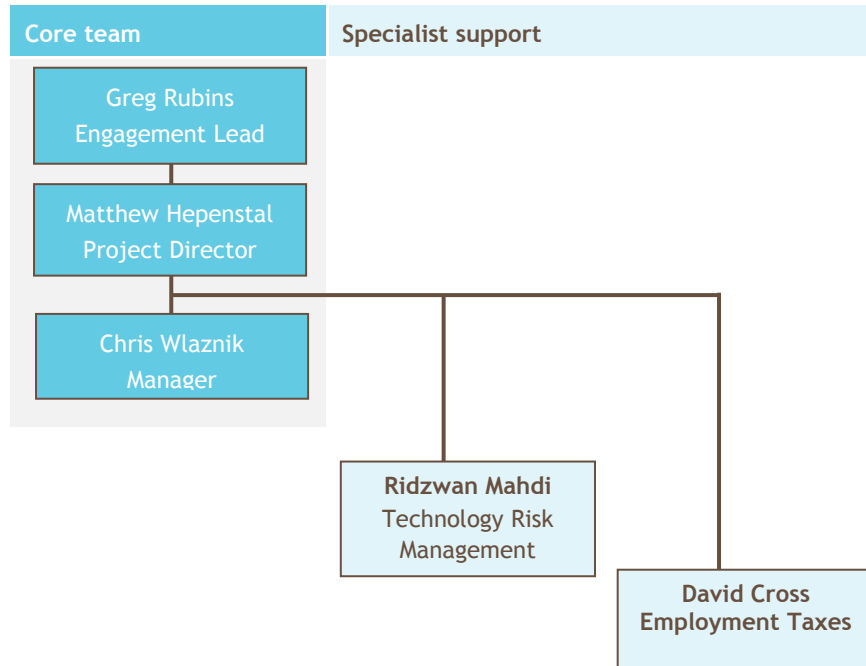
PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Council for the year ending 31 March 2018. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process.

Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Plymouth City Council Audit Committee. In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Greg Rubins Engagement Lead	Tel: 0238 088 1892 Greg.rubins@bdo.co.uk	Oversee the audit and sign the audit report
Matthew Hepenstal Project Director	Tel: 023 8088 1888 matthew.x.hepenstal@bdo.co.uk	Overall management of the audit and delivery of the use of resources work
Chris Wlaznik Manager	Tel: 0117 930 6728 Chris.wlaznik@bdo.co.uk	Day to day management and supervision of the audit of the financial statements
Ridzwan Mahdi Technology Risk Manager	Tel: 0758 318 9359 ridzwan.mahdi@bdo.co.uk	Manage IT review for audit purposes
David Cross Tax Manager	Tel: 0117 930 1517 David.cross@bdo.co.uk	Follow up of previous tax work performed

Greg Rubins is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

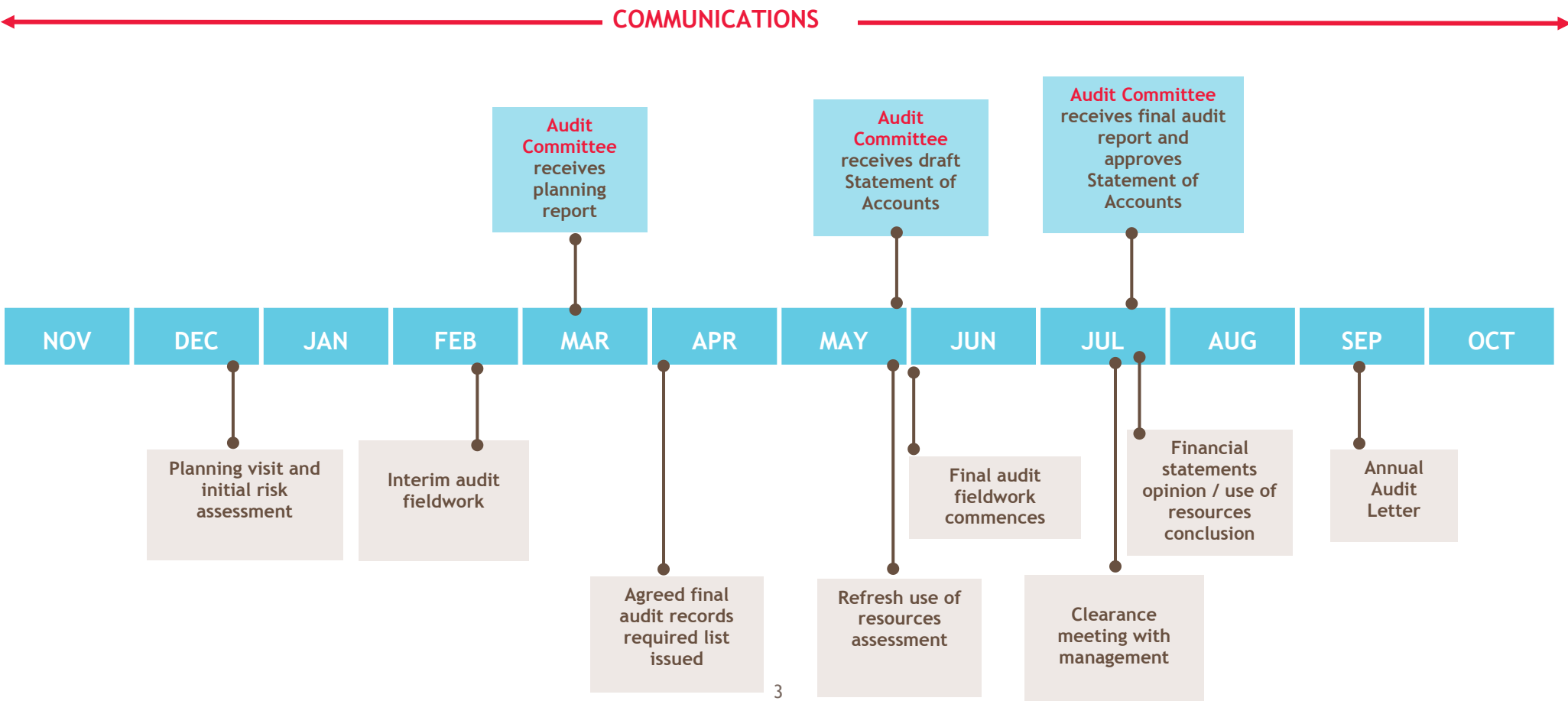
- the financial statements are free from material misstatement, whether due to fraud or error
- the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Greg Rubins is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES							
Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.							
To form an opinion on whether:							
FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES			
1	The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.	3	Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	4	The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.	5	The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
ADDITIONAL POWERS AND DUTIES							
6	To consider the issue of a report in the public interest. To make a written recommendation to the authority.	7	To allow electors to raise questions about the accounts and consider objections. To apply to the court for a declaration that an item of account is contrary to law. To consider whether to issue an advisory notice or to make an application for judicial review.				

MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Plymouth City Council	£11.2 million	£220,000

Please see Appendix I for detailed definitions of materiality and triviality.

Materiality for the Council has been based on 1.75% of actual gross expenditure in 2016/17 of £642.5 million.

This will be reconsidered when the draft financial statements for the full year are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the authority's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council and the specific risks it faces. We have discussed with management their views of potential audit risk during our planning visit in order to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk and consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to

the risk, especially those measurements involving a wide range of measurement uncertainty

- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Information from regulators identifying poor service performance.

We consider the relevance of these risks to the authority in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

Faster Close

This is the first year of the faster close timetable where the Council must approve its draft accounts by 31 May and the audit opinion on the accounts must be issued by 31 July 2018.

In comparison with 2016/17 timetable where the deadline was 30 September 2017, the timetable has been accelerated by two months. Given that the Council needs to obtain information from a range of different sources in order to prepare its accounts (e.g. Tamar Bridge and Tor Point Ferry operation, the Devon Pension Fund, property valuation experts and the preparers of the accounts of the Council's subsidiaries and joint ventures) the accelerated timetable will present a challenge. In addition, with significantly reduced time to prepare the accounts there is an increased risk that errors will not be identified during the Council's review procedures.

To prepare for the faster close, we began discussions with management about how it might be possible to bring forward parts of our audit to the interim visit which takes place prior to the year end. If this could be managed successfully, it would reduce the pressure on the final audit in June and July after the draft accounts have been approved by the Council.

This year, we have increased the auditor resources allocated to our interim visit in February and undertaken significantly more of our procedures during this interim visit compared to the prior year. We began planning with management after the conclusion of the 2016/17 audit and identified a number of areas where it was feasible to undertake work early and which would reduce the amount of work needed to be completed at final audit.

The areas identified included journal testing, expenditure testing and valuations of property, plant and equipment and investment properties. For most of the areas previously agreed with management, we have been able to make good progress.

For example, we have completed testing on many transactions that occurred in the first nine months of the financial year and made progress in connection with our work on the valuations of the Council's property, plant and equipment (PPE) which is one of our significant risk areas within our audit.

The one area where we have been delayed relates to our work in connection with the Council's investment properties where we had planned to complete a significant element of our procedures. However, this proved to not be possible because information that was needed was not available and the valuations have not yet been completed.

We have therefore made some significant progress in the recent interim audit and

although the timetable is onerous and we have not been able to complete all of the work that we planned to complete at interim, we are in a reasonable position to meet the timetable. This will, however, be dependent upon the Council providing us with the information that we will need at year-end in accordance with our pre-agreed timetable.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Significant estimates

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override (SR)	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls. This risk is relevant to the Council's audit and accordingly has not been rebutted.</p>	<p>We will:</p> <ul style="list-style-type: none"> • use our journal testing software to identify any journal transactions that appear unusual in the context of the Council's operations; • test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; and • obtain an understanding of the rationale for significant transactions that appear to be unusual. 	Not applicable.
Revenue recognition (SR)	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>This risk is relevant to the Council's audit where, in particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the grants where these are subject to performance conditions before these may be recognised as income in the comprehensive income and expenditure statement (CIES).</p>	<p>We will test a sample of grants subject to performance conditions to confirm that the conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We will test a sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p> <p>For each material source of income generated in 2017/18 we will compare against the prior year comparative and outturn and obtain explanations to confirm the outturn is in line with our understanding.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment (PPE) and investment property valuations (SR)	Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and its investment properties are not materially different to the fair value at the balance sheet date.	We will review the instructions provided to the Council's valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert. We will meet with the Council's valuer and test a sample of information relied upon by the valuer to calculate the balance sheet information.	We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.
	For PPE, the Council operates a rolling valuation programme to ensure that all properties are valued at least every five years. We found no issues with the valuation last year but this is a risk for all authorities due to the level of judgement involved. For investment properties, the Council is required to value its properties on an annual basis. The significant risk relates to valuation only, as this is the area involving significant levels of judgement.	We will review the valuations performed and test a sample of assets to confirm the valuation has been correctly accounted for. We will also consider the assets that have not been revalued and assess for the possibility of significant changes in value since the most recent valuation. We will also review the valuation of the Council's 50% share of the Tamar Bridge and assess the disclosures made by the Council in connection with the assets and liabilities of the Tamar Bridge and Torpoint Ferry operation that it jointly owns with Cornwall Council. This will include an assessment of whether there may have been material movements in valuation since the last formal valuation.	We will obtain the valuation for the Tamar Bridge and Torpoint Ferry PPE assets from Cornwall Council.
Pension liability assumptions (SR)	The Council's pension liability comprises the Council's share of the market value of assets and liabilities held in the Devon Pension Fund. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and	We will agree the disclosures to the information provided by the pension fund actuary. We will assess the assumptions used to calculate the liability against benchmarks provided by experts appointed by the national Audit Office. We will contact the auditors of the Devon Pension Fund and request confirmation of the controls in place for providing accurate membership data	We will agree the disclosures to the report received from the actuary. We will use the NAO commissioned consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
	<p>expected pay rises along with other assumptions around inflation.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the assets and liabilities.</p>	<p>to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation, including any data provided by the Council to the actuary.</p>	<p>Letter to BDO from the Devon Pension Fund auditor.</p>
Group Accounts considerations (NR)	<p>The Council has a range of interests in various entities including DELT (a company the Council owns with NEW Devon CCG) and CaterEd, a company providing catering services to schools. These were not considered material last year and therefore group accounts were not necessary but this needs to be reviewed each year.</p>	<p>We will review the paper prepared by management and challenge the approach adopted by the Council to accounting for the entities within which the Council has an interest.</p>	<p>Draft accounts in connection with the entities within which the Council has an interest.</p>
Consideration of related party transactions (NR)	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p>	<p>We will review the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	<p>Review of the Council's register of members interests for undisclosed interests.</p>
Non-domestic rates appeals provision (NR)	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled.</p> <p>We consider there to be a risk for all authorities in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.</p>	<p>We will review the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed.</p> <p>We will review and test the assumptions used in the preparation of the provision estimate.</p>	<p>We will compare the listing of current appeals to listings from the VOA.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances (SR)	<p>In January 2018, the Council updated its Medium Term Financial Strategy (MTFS) covering the period to 31 March 2020.</p> <p>The Council has identified cost pressures in many areas and further reductions in Revenue Support Grant (RSG) are scheduled. To illustrate, RSG will amount to £16.3 million in 2018/19 with a further reduction to £9.5 million in 2019/20 (in 2017/18 RSG amounted to £23.1 million).</p> <p>To illustrate, the MTFS identified that in 2017/18 the Council needed to reduce net expenditure by £21.5 million to achieve the budgeted net expenditure for the year and the Council is currently reporting reasonable progress against this target. In future years, the MTFS identified a need for further reductions in net expenditure of £9.3 million in 2018/19 and £8.3 million in 2019/20.</p>	<p>In our audit work on the financial statements, we will test a sample of items of expenditure to confirm that they are recognised in the correct year. We will also review areas such as provisions where judgement may be necessary to calculate the amounts to be recognised.</p> <p>In addition, we will review the assumptions used in the Medium Term Financial Strategy and will monitor the delivery of the budgeted savings in 2017/18 and review the outline plans to achieve further savings in 2018/19.</p>	Not applicable.
Partnership arrangements (NR)	<p>The Council has a range of partnership arrangements in place including an "Integrated Fund" which is managed in partnership with NEW Devon CCG. This is a significant and evolving partnership involving total annual spending of more than £350 million. We have reported positively in previous years on the Council's partnership arrangements.</p> <p>The Council also works with several other entities including Cornwall CC in respect of Tamar Bridge as well as on other projects.</p> <p>As with any partnership arrangement, there are risks around governance and control.</p>	We will update our knowledge of the Council's significant partnerships and consider the proposed governance arrangements for any new and significant partnerships.	Not applicable.

INDEPENDENCE

INDEPENDENCE

We are required as auditors to confirm our independence to ‘those charged with governance’.

In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2018.

On the following page, we have recorded details of any non-audit services and we anticipate needing to undertake specific procedures on the Council’s Housing Benefit Subsidy claim and the return to the Teachers Pensions’ Agency in respect of pension contributions.

Should work in other areas be required, we will report this to the Audit Committee.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	£
Audit fee	136,874
Certification fee (Housing benefits subsidy)	17,477
Total (PSAA related work) fees:	154,351
Fees for other services (see below)	4,800
TOTAL FEES	159,151

Non-PSAA related work	£
Teachers Pensions certification fee	4,800
TOTAL FEES (outside PSAA contract)	4,800

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- Auditing standards also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- We would request any misstatements identified during the audit process to be adjusted in a range of circumstances including:
 - Clear cut errors where correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED
Greg Rubins - Engagement lead	3
Matthew Hepenstal - Project director	3
Chris Wlaznik - Manager	1

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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A photograph of four business professionals (three men and one woman) sitting around a glass conference table in a modern office. They are all wearing light blue shirts and dark ties. The man on the left is gesturing with his hand while speaking. The woman is looking at a laptop screen. The two men on the right are also looking at the laptop. There are white coffee cups and saucers on the table. A red vertical bar is on the left side of the image.

PLYMOUTH CITY COUNCIL

GRANT CLAIMS AND RETURNS CERTIFICATION

Audit for the year ended 31 March 2017

January 2018

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2017.

Public Sector Audit Appointments Ltd (PSAA) regime

PSAA has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

We undertake the grant claim certification as an agent of PSAA, in accordance with the Certification Instruction (CI) issued by them after consultation with the Department for Work and Pensions (DWP).

After completion of the tests contained within the CI the grant claim can be certified with or without amendment or, where the correct figure cannot be determined, may be qualified as a result of the testing completed.

Other certification work

A number of other grant claims and returns are not within the scope our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return.

The Council has engaged us to carry out one other piece of work relating to agreed-upon procedures work based on the instructions and guidance provided by the Department for Education, of the Teachers' pensions return.

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

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

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KEY FINDINGS

Below are details of each grant claim and return subject to certification by us for the financial year ended 31 March 2017.

No significant issues were noted although some errors were identified within the benefits claim that required both BDO and the Council to undertake additional work.

CLAIM OR RETURN	VALUE (£)	QUALIFIED?	AMENDED?	IMPACT OF AMENDMENTS(£)
Housing benefit subsidy	£101.8 million	Yes	Yes	A number of small changes but none with an impact of more than £2,000. In overall terms, the impact was minimal.
Teachers' pensions contributions	£7.9 million	No	No	No amendment

DETAILED FINDINGS

HOUSING BENEFIT SUBSIDY	FINDINGS AND CONCLUSION
<p>Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification. For Plymouth City Council, the value of this claim amounted to £101.8 million in 2016/17.</p> <p>Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.</p> <p>The methodology and sample sizes are prescribed by guidance issued by Public Sector Audit Appointments (PSAA) and the Department for Work and pensions (DWP) and we have no discretion over how this methodology is applied.</p>	<p>One of our audit procedures involves testing a sample of claims from the different categories to confirm the accuracy of the amounts claimed.</p> <p>In our initial sample testing, we identified a small number of errors including one case where the incorrect amount had been input where the claimant was in receipt of War Disablement Pension and the error had led to an overstatement in benefit. The identification of this error triggered a requirement to extend the sample to be tested and this extended sample identified further errors (some leading to an under claim as well as over claims). As required by the PSAA guidance where an error is identified this requires additional testing to be performed.</p> <p>Details of the errors were therefore reported in our qualification report and the impact of the error calculated at approximately £2,000.</p> <p>Our work was completed and the claim was certified prior to the Department for Work and Pensions (DWP) deadline of 30 November 2017. Our audit report accompanying the MPF720A was qualified as we needed to quantify the effect of the errors identified on the Council's entitlement to subsidy. Quantification of the error is calculated based on extrapolating the value of the identified error across the whole population and is set out in our letter to the Department of Work and Pensions that we agree with management before it is submitted.</p> <p>The Council is currently awaiting the outcome of the DWP review of our qualification letter on its final subsidy amount for the year.</p>
TEACHERS' PENSIONS	FINDINGS AND IMPACT ON RETURN
<p>Local authorities that employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education).</p> <p>These contributions are summarised on an End of Year Certificate (EOYC) which the Council is required to submit to Teachers' Pensions.</p>	<p>The Department for Education requires that the EOYC is certified but the work is not part of PSAA's certification regime and we therefore agreed a separate letter of engagement to provide an 'agreed-upon procedures' assurance report to the Council.</p> <p>We performed a range of agreed procedures and no errors or exceptions were identified during this piece of work. Accordingly we issued an unqualified report in connection with the 2016/17 EOYC.</p> <p>The deadline for submission of the EOYC to Teachers Pensions was 30 November 2017 and we completed our work within the prescribed timeframe to enable the Council to submit the EOYC with our accompanying report to Teachers Pensions in advance of the deadline of 30 November 2017.</p>

FEES SCHEDULE

	2016/17 FINAL	2016/17 PLANNED	
	£	£	EXPLANATION FOR VARIANCES
PSAA regime			
Certification fee (Housing benefit subsidy claim)	£13,290	£13,290	No variance
TOTAL PSAA REGIME FEES	£13,290	£13,290	
Other certification work			
• Teachers' pensions return	£4,600	£4,600	No variance
TOTAL CERTIFICATION FEES	£4,600	£4,600	

FOR MORE INFORMATION:

GREG RUBINS
Engagement lead

T: 0238 088 1892
E: greg.rubins@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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PLYMOUTH CITY COUNCIL

Subject:	Contract Standing Orders
Committee:	Audit Committee
Date:	15th March 2018
Cabinet Member:	Cllr Darcy
CMT Member:	Andrew Hardingham
Author:	Simon Arthurs (Senior Financial Analyst), Lesley Skeats (Procurement Services Manager), Charli Whitehead (Project Manager)
Contact:	Tel: Simon Arthurs e-mail: arthurss@plymouth.gov.uk
Ref:	TBC
Key Decision:	No
Part:	I

Purpose of the report:

A transformational change project is being undertaken in the Procurement Service Function to make it leaner, more efficient, fit for purpose and enable it to focus more strategically on the needs of its clients, which will in turn benefit the city and its citizens. There are a number of work streams being looked at as well as a number of quick wins; the first of which is responding to client feedback by implementing self-service for lower level transactions.

We are proposing an amendment to section H of the Constitution which will enable officers across PCC to self-serve up to the value of £25,000 within an approved process. Low value spend (less than £25,000) will be managed through a self-service portal. This will empower front line staff to self-serve and will allow goods/services to be procured quicker within the Contract Standing Orders rules.

By implementing self-service we can refocus the efforts of the Procurement Services Function which will:

- Enable the delivery of a fit for purpose Procurement Services Function focusing on value adding activities for the benefit of delivering the city's outcomes for its customers and citizens.
- Permit procurement resource to focus on value-add/strategic procurement activities which will enhance the opportunities to deliver savings or secure best value.
- Allow the team to be more visible with individual departments which in turn will develop relationships and allow the service to be proactive rather than reactive.
- Free up time for the team members to upskill and progress, ensuring resilience within the Procurement Services Function driving succession planning, more consistency for a better relationship with the other function's clients.

Corporate Plan 2016-2019:

Pioneering Plymouth- This project fully supports this vision and new leaner ways of working, providing innovation, empowerment and delivering procurement services that are flexible, accountable and efficient.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

As this is a change to internal business process, the changes to systems and delivery of training will be met within existing resources.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

Ensure and maintain compliance

- Robust communication plan
- In depth user training and on-line guidance will be developed
- Individuals who require access to the system will not be given log in until they have completed and passed an on-line training module.
- Improve the awareness of Contract Standing Orders.
- Internal Audit will undertake spot checks to monitor compliance.

Recommendations & Reasons for recommended action:

The recommendation is for the audit committee to support the amendments to the constitution and to endorse this through to Constitutional Review Group and Council. This will devolve the low level spend below £25,000 to front line staff from the go live date - 1st Aug 2018.

This will enable the Procurement Service Function operate more strategically and deliver a fit for purpose service.

Alternative options considered and reasons for recommended action:

Do nothing- Remain as is

The Procurement Services Function would be unable to provide the skilled resource who would otherwise be focusing on providing strategic added value and thereby benefiting the council.

Background papers:

Brief Report with amended and marked up version of Section H of the Constitution- Contract Standing Orders (attached).

Sign off:

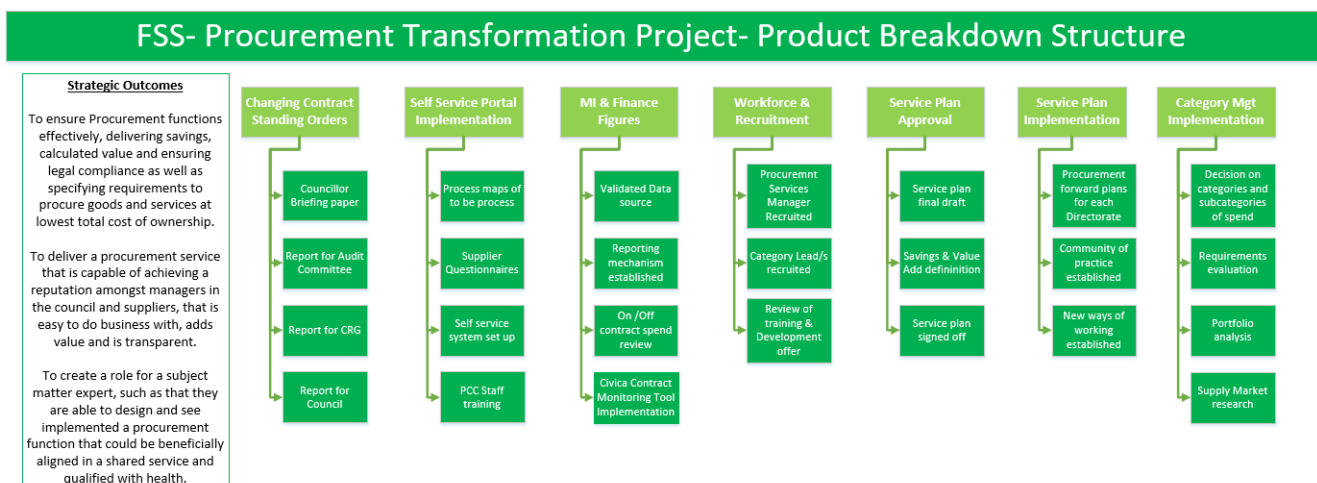
Fin	pl171 8.223	Leg	ALT/ 2306 7	HR	N/A	Corp Prop	N/A	IT	N/A	Strat Proc	N/A
Originating SMT Member Andrew Hardingham											
Have you consulted the Cabinet Member(s) named on the report? Yes											

REPORT

BACKGROUND

Following the review of the Procurement Services Function it was highlighted that work was needed to better understand the function's offer to the business. It became apparent that a transformational review of the service would be beneficial to make the function more efficient and fit for purpose. It is understood that by making changes and focussing the function more strategically on the needs of its clients, then benefits would be seen both internally to the council and externally to the city and its citizens.

The transformation project has a number of work streams being looked at as well as identifying quick wins. The first of which is responding to client feedback by implementing self-service for lower level transactions.



CHANGES TO CONTRACT STANDING ORDERS

In the first work stream of this project we are proposing an amendment to section H of the Constitution which will enable officers across PCC to self-serve up to the value of £25,000 within an approved process. Low value spend (less than £25,000) will be managed through a self-service portal. This will empower front line staff to self-serve and will allow goods/services to be procured quicker within the Contract Standing Orders rules.

SUMMARY OF THE PROPOSED AMENDMENTS

- Up to £500 no change- option to use Purchase Card. A review of Purchase Cards will be undertaken as part of a separate work stream.
- £501-£5,000 one quote- self serve using financial system
- £5,001-£25,000 three quotes- self serve using financial system

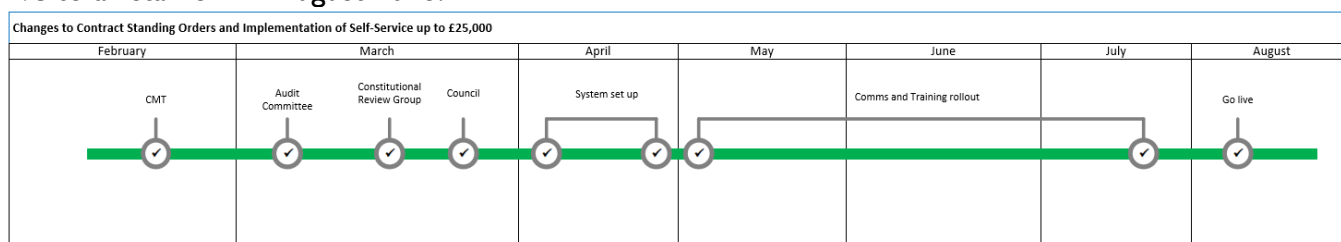
- £25,001 no change to the process. Purchase requisition sent to the Procurement Team (Requisition soon to be an on-line Firm step form)

CONDITIONS TO MITIGATE RISK WITHIN THE PROCESS

- Procurement Services function will authorise approval of all new suppliers (this will ensure the Council maximise existing contracts/frameworks already in place).
- Creditors will continue to undertake the due diligence on all new suppliers which ensures clear separation of duties.
- Internal Audit will be asked to undertake spot checks to monitor compliance.
- Full user training and on-line guidance will be developed. It is the intention that access to the self-service system will only be given to individuals who undertake and pass the on-line training module (yet to be developed).
- A robust communication plan will be developed to ensure all staff are aware.

TIMESCALES

It is proposed that following a robust communications and training plan, the self-service portal will go live to all staff on 1st August 2018.



CHANGES TO BE APPROVED

Attached are the marked up version of Section H of the Constitution- Contract Standing Orders.

PLYMOUTH CITY COUNCIL CONSTITUTION

PART H

STANDING ORDERS AND REGULATIONS

EMPLOYMENT STANDING ORDERS

1. Appointing the Chief Executive

- 1.1 The Chief Executive is appointed by Council on the recommendation of the Appointments Panel. At least one member of the Cabinet must be a member of the Appointments Panel but the majority of members must not be Cabinet members.
- 1.2 Before the Chief Executive is appointed, the Assistant Director for Human Resources and Organisational Development must tell Cabinet who the Appointments Panel wants to appoint and anything else which is relevant to the appointment.
- 1.3 The appointment can go ahead if the Cabinet agrees or if it makes no objection by a deadline set by the Assistant Director for Human Resources and Organisational Development or if Council does not consider any objection made by the Cabinet relevant and justified.

2. Appointing the Directors, Assistant Directors and Heads of Service

- 2.1 Directors and Assistant Directors are appointed by the Appointments Panel. At least one member of the Cabinet must be a member of the Appointments Panel, but the majority of members must not be Cabinet members.
- 2.2 Before a Director or an Assistant Director is appointed, the Assistant Director for Human Resources and Organisational Development must tell the Cabinet whom the Appointments Panel wants to appoint and anything else which is relevant to the appointment.
- 2.3 The appointment can go ahead if the Cabinet agrees or if it makes no objection by a deadline set by the Assistant Director for Human Resources and Organisational Development or if the Appointments Panel does not consider any objection made by the Cabinet relevant and justified.

3. Dismissing the Chief Executive, Directors and Heads of Service

- 3.1 The Chief Executive, Section 151 Officer and Monitoring Officer are dismissed by Council following a report and recommendation from the Chief Officers' Disciplinary Committee, unless the reason for dismissal is ill health retirement or redundancy in which case decision to dismiss is determined by the Chief Officers Disciplinary Committee. The Committee must be politically proportionate and include the relevant Cabinet member but the majority of members cannot be Cabinet members.
- 3.2 When dealing with cases of misconduct by the Chief Executive, Section 151 Officer or Monitoring Officer the Committee is required to appoint an independent investigator to investigate any allegations of misconduct if matters are not capable of being resolved by mutual agreement, or an informal warning. Following receipt of the investigation report the Committee must consider any representations from the officer and decide what recommendation to make to Council. If the recommendation is to dismiss the officer the Committee must convene an Independent Advisory Panel to review the situation and prepare a report for Council taking into account the procedures recommended by the Joint Negotiating Council for Chief Executives. Before the taking of a vote at the relevant Council meeting on whether or not to approve such a dismissal, the authority must take into account:
 - a) any advice, views or recommendations from the Panel;
 - b) the conclusion of any investigation into the proposed dismissal; and

c) any representations from the relevant officer.

- 3.3 The Assistant Chief Executive, Directors and Assistant Directors are dismissed by the Chief Officers' Disciplinary Committee, which must be politically proportionate and include at least one Member of the Cabinet but the majority of members should not be Cabinet members.
- 3.4 Before a dismissal, the Assistant Director for Human Resources and Organisational Development must tell the Cabinet whom the Committee wants to dismiss and anything else which is relevant to the dismissal.
- 3.5 The dismissal can go ahead if the Cabinet agrees or if it makes no objection by a deadline set by the Assistant Director for Human Resources and Organisational Development or if the Chief Officers' Disciplinary Committee does not consider any objection relevant or justified.

4. Appointing Political Assistants

Appointments of Political Assistants will follow the wishes of their political groups.

5. Councillors not to be involved in appointing or dismissing other officers

Councillors will not be involved in appointing or dismissing anyone except the Chief Executive, Directors and Assistant Directors other than those who report to the Director for Public Health and Political Assistants. Other officers are appointed and dismissed by their Assistant Directors or their nominees. All Officers except Political Assistants must be appointed on merit.

6. Recruitment and selection procedure

All appointments must follow the Council's recruitment and selection procedure.

7. Advertising the positions of Chief Executive, Directors and Assistant Directors

When the Council wants to appoint a Chief Executive, Director or Assistant Director (and it is not proposed that the appointment be made exclusively from the existing officers), it will produce a statement specifying the duties of the post and any qualifications or qualities to be sought in the person to be appointed and send them to anyone who asks. The post will be advertised in a way which will bring it to the attention of suitable applicants.

8. Relationships with Councillors and officers

Candidates must disclose on their application form whether they are related to any Councillor, officer, Councillor or officer's partner as their partner, parent, child, stepchild, adopted child, grandparent, grandchild, brother, sister, uncle, aunt, niece or nephew.

If a candidate declares a relationship with a Councillor, officer or their partner, their appointment must be approved by the appropriate Head of Service (if they have declared a relationship with the Head of Service or their partner, it must be approved by the appropriate Director).

9. Lobbying

Councillors and officers must not lobby for or against candidates.

The Council will disqualify candidates who lobby Councillors or officers or get other people to lobby them. Candidates will be warned about this in the recruitment literature.

LEGAL STANDING ORDERS

1. Legal action

The Monitoring Officer can take any legal action necessary to carry out the Council's decisions or protect its interests e.g. starting defending, withdrawing, or settling any claims or legal proceedings.

The Chief Executive and all First and Second Tier Officers may start, defend or withdraw any claims or legal proceedings or authorise officers to appear on behalf of the Council in court and take action to rectify any failure to comply with legislation or any statutory notice if:

- the action taken is about a function which they or an officer who reports to them has budgetary or management responsibility for and
- the constitution or the law does not require the action to be taken by someone else and
- they have had regard to any advice from the Head of Legal Services

2. Signing of documents

The Monitoring Officer can sign any document necessary to carry out the Council's decisions or protect its interests including certificates given under the Local Government (Contracts) Act 1997.

The Chief Executive and first and second tier officers may sign documents on behalf of the Council or authorise officers whom they manage to sign documents on behalf of the Council if:

- the document is about a function which they or an officer who reports to them has budgetary or management responsibility for and
- the constitution or the law does not require the document to be signed out by someone else and
- they have had regard to any advice from the Responsible Finance Officer and Monitoring Officer

3. Common seal of the Council

The common seal of the Council will be kept in a safe place in the custody of the Head of Legal Services. It will be attested by the Monitoring Officer, Head of Legal Services or an officer nominated by them. A decision of the Council, or of any part of it, will be sufficient authority for sealing any document necessary to give effect to the decision. The Common Seal will be affixed to those documents which in the opinion of the Head of Legal Services should be sealed.

The Council will keep a book recording when the common seal is used. The book will be signed by the officer who attests the seal.

FINANCIAL REGULATIONS

1. Scope

- 1.1** The Council acknowledges the responsibility it has for the administration of public funds, and wishes to emphasise to both the public and its employees the importance it places upon probity, financial control and honest administration.
- 1.2** These Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every member, committee, school governing body, department, officer, partner, employee of the Council, and anyone acting on behalf of the Council, unless otherwise minuted by the Council. Breaches will be reported to the audit committee, if the Responsible Finance Officer and the chair of the audit committee deem that it is appropriate.
- 1.3** Failure to comply with the requirements of these Financial Regulations and any associated guidance could be considered a potential act of gross misconduct.
- 1.4** Further advice and guidance is given in the documents listed at Regulation 33. These documents describe "processes and procedures" that show users "how to" deliver the requirements of the Financial Regulations at a working level.
- 1.5** All of these documents require specific approval of Audit Committee, and once adopted carry the same status as the Financial Regulations themselves.

2. Responsibilities under the Financial Regulations

2.1 Responsibilities of the Responsible Finance Officer

- 2.1.1** The Responsible Finance Officer carries out the statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

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

and are supplemented and explained by case law.

- 2.1.2** The Responsible Finance Officer has a legal duty to make sure the Council keeps to the highest financial standards. Other officers with responsibilities under the Financial Regulations are using powers delegated by the Responsible Finance Officer.

The Responsible Finance Officer will review and update the Financial Regulations each year to make sure they comply with relevant law and guidance. The Responsible Finance Officer may also issue guidance on how to ensure high financial standards.

2.2 Responsibilities of Directors

Directors must oversee and monitor the financial management of their service areas.

2.3 Responsibilities of Assistant Directors

Assistant Directors must:

- deliver services in compliance with these Financial Regulations and their service budget allocations;
- make sure staff within their departments comply with these Financial Regulations and have adequate written guidance on financial procedures and system working practices;
- monitor the overall financial state of their service area;
- make sure that they identify and agree with the Responsible Finance Officer the financial implications of all proposals for new spending and partnering arrangements, and that the cabinet is advised of those implications, before such spending is incurred or committed;
- consult with the Responsible Finance Officer on any report with financial implications;
- consult with, and seek agreement of, the Responsible Finance Officer where it is apparent that new written processes and procedures are required.

2.4 Departmental Section 151 Responsibilities

Departmental finance managers are required to bring the Responsible Finance Officer's attention to any section 151 issue they are unable to resolve.

2.5 Governing Bodies

School governing bodies shall conduct their affairs in accordance with these Financial Regulations, unless this would be contrary to the law, the Council's fair funding for schools scheme or a later Council minute. They are responsible for:

- risk and governance arrangements for the school;
- the management of their delegated budgets in accordance with the provisions contained in the fair funding scheme;
- making sure that staff are aware of these Financial Regulations and that they have adequate written guidance on financial procedures and system working practices, and
- ensuring that staff comply with this written guidance.

2.6 Responsibilities of all Officers

2.6.1 Officers must take reasonable action to provide for the security of the assets under their control, and to make sure that the use of these resources is legal, properly authorised and provides value for money.

2.6.2 Officers must be familiar with these Financial Regulations and must understand the ones which affect their work. If an officer is unclear about these rules, they must get advice before acting, by talking to their line manager or finance manager.

- 2.6.3 Officers must make sure they are using the latest version of these rules. This will always be in the constitution.
- 2.6.4 Officers must show the highest standards of financial probity. As well as following these rules, they must use their common sense and judgement.

3. Audit

3.1 Internal audit

- 3.1.1 Auditors will review the Council's financial and management systems and must act if fraud or corruption is found. They will also comment on how to achieve better value.
- 3.1.2 Auditors have the right to see the records and to ask for information and explanations. Officers must co-operate with them fully.

3.2 External audit

- 3.2.1 The external auditors undertake a yearly audit of the Council's statement of accounts and performance indicators. They have the right to see records and to ask for information and explanations. Officers must co-operate fully.
- 3.2.2 The Responsible Finance Officer has overall responsibility for co-operating fully with the external auditors.

4. If the Financial Regulations have been Broken

- 4.1 If officers suspect that these rules are being broken or they suspect fraud, corruption or poor value for money, they must tell their line manager (unless their line manager is involved).
- 4.2 The Council's Whistleblowing policy (see Part G) has guidance on what to do if a line manager is involved.
- 4.3 If the Financial Regulations have been broken, the Responsible Finance Officer must be told in writing. The Responsible Finance Officer will decide what needs to be done and whether Councillors need to be told.

5. Combating Fraud and Corruption

- 5.1 The Council is committed to making sure that the opportunity for fraud and corruption is reduced to the lowest possible risk. Where there is a possibility of fraud, corruption or other related problems the Council will deal with it in a firm and controlled manner regardless of whether the perpetrators are from inside (members and employees) or outside the Council.
- 5.2 The Anti-Fraud and Corruption Policy gives advice and guidance to Councillors and officers about the Council's approach to the serious issues of fraud and corruption and sets out how to deal with an allegation or suspicion of fraud or corruption.

6. Information and records

- 6.1** The Responsible Finance Officer is responsible for determining the accounting procedures to be followed and accounting records to be maintained within the authority in order to comply with the Accounts and Audit Regulations 2003 (see Retention and Disposition schedule)
- 6.2** Assistant Directors will arrange suitable training for their staff in keeping accounting records. The content of the training must be approved by the Responsible Finance Officer.

7. Financial Systems and Procedures

- 7.1** The Responsible Finance Officer must ensure that the Council's financial systems are sound and operate efficiently.
- 7.2** Assistant Directors must seek the prior approval of the Responsible Finance Officer to any proposed changes to the existing financial or related systems or to the establishment of any new financial or related systems which are/ will be directly under their control.
- 7.3** Assistant Directors must also seek the prior approval of the Responsible Finance Officer who, if appropriate, will seek the approval initially of the Corporate Management Team and subsequently of the Cabinet or Audit Committee as appropriate, to any proposed changes to the Council's instructions or procedural notes on financial matters which are required to meet their own specific service needs.

8. VAT and Tax

- 8.1** The Responsible Finance Officer is responsible for keeping tax records, advising on tax, making tax payments, receiving tax credits and submitting tax returns.
- 8.2** Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe; all officers must therefore take particular care when dealing with issues which have tax implications.

9. Outside Bodies

- 9.1** The Responsible Finance Officer is responsible for promoting and maintaining high standards of conduct with regard to financial administration in partnerships and joint ventures and will make sure that partnerships involving the Council follow the latest accounting policies, law and guidance.
- 9.2** The Responsible Finance Officer must approve any financial arrangements where the Council acts as the accountable body, lead authority or major funder for another organisation. Such organisations must have satisfactory rules dealing with the matters covered in these Financial Regulations and the Contract Standing Orders.
- 9.3** The Responsible Finance Officer will make sure that funding to or from outside bodies is properly recorded in the Council's accounts.

10. Medium-Term Financial Planning

The Responsible Finance Officer will report to the cabinet on the medium-term budget prospects. Reports should consider the amount of support the Council can expect from the government. The City Council Investment Board is responsible for the governance of the medium-term capital programme; this includes reviewing and monitoring the progress of the capital programme. Directors and capital delivery project officers are required to present a capital programme summary report at each City Council Investment Board meeting.

11. Responsibility for Budget Decisions

Responsibilities for budget decisions are shown in the table below, subject to the permitted changes shown in Financial Regulation 13:

Cabinet responsibilities Cabinet will determine whether to	Full Council responsibilities Council will determine whether to
Recommend the budget to Council	Agree the budget
Recommend any changes to the net revenue budget to Council	Approve any changes to the net revenue budget
Recommend the Treasury Management Strategy	Agree or change the Treasury Management Strategy
Set the Council Tax base	
	Setting the Council Tax
Recommend the Prudential and Treasury indicators to Council	Agree or change the Prudential and Treasury Indicators
Recommend the medium term financial strategy to Council	Agree or change the medium-term financial strategy
Agree the Risk Management Strategy	
	Agree or change the capital budget
Recommend the Corporate Asset Management Plan to Council	Agree the Corporate Asset Management Plan
Recommend the Capital Programme to Council	Agree the capital programme

Audit Committee

The Audit Committee will scrutinise the Treasury Management Strategy before it goes to Council.

12. Emergency Spending

If there is an emergency or a disaster, the Chief Executive can agree extra spending after consulting the Leader and Responsible Finance Officer.

13. Moving Money between Cost Centres

13.1 The rules for moving money between revenue cost centres (virement) are:

Amount to be moved	Who can approve it?
Up to £20,000	Service Head (Team Plymouth)
Up to £50,000	Assistant Director
Up to £100,000	Director (with notification to Responsible Finance Officer)
Up to £500,000	Cabinet Member
Over £500,000	Cabinet if it is within the budget, if not Council makes the decision on the recommendation of the cabinet.

13.2 The rules for moving money between capital cost centres or changes to the capital programme are:

New and amended Capital Schemes – In year, new capital schemes should be approved in accordance with the following rules:

New Schemes	Who can approve it?
Up to £200,000	Responsible Finance Officer in consultation with the Director and relevant cabinet member(s)
Between £200,000 and £500,000	Cabinet or the Leader
Above £500,000	Council or the Leader

Capital Programme Transfers (Virement)/Amendments – These should be approved in accordance with the following rules:

Type of Transfer	Who can Approve it?
Within A Directorate	
Up to £200,000	Responsible Finance Officer in consultation with the Director, City Council Investment Board and relevant Cabinet Member(s)
Up to £500,000	Cabinet or the Leader
Between Directorates	

Up to £200,000	Responsible Finance Officer in consultation with the Director, City Council Investment Board and relevant Cabinet Member(s)
Up to £500,000	Cabinet or the Leader

Capital Scheme Variations – Where there are variations in contract costs on existing schemes compared with the provision in the Capital Programme and the relevant Director is not able to identify a virement, additional costs will be approved in accordance with the following conditions:

Existing Scheme Additional Costs	Who can Approve it?
£200,000 or 10% of original contract sum (whichever is lowest)	Responsible Finance Officer in consultation with the Director, City Council Investment Board and relevant Cabinet Member(s)
£500,000 or 25% of original contract sum (whichever is lowest)	Cabinet or the Leader
More than 25% of original sum or £500,000	Council or the Leader

- 13.3** Where there are proposed increases to existing approved schemes in the Capital Programme which can be funded from increased ring-fenced funding then scheme increases will be approved in accordance with the following conditions:

Existing Scheme Additional Costs	Who can Approve it?
Up to £200,000	Responsible Finance Officer in consultation with the Director, City Council Investment Board and relevant Cabinet Member(s)
£200,000 to £500,000	Cabinet or the Leader
Above £500,000	Council or the Leader

Note: Changes to the capital programme will be reported to Members through the quarterly budget and performance report.

- 13.4** Transfers in or out of employee account codes or income account codes must be agreed by the Responsible Finance Officer.
- 13.5** Requests for transfers must be in a format agreed by the Responsible Finance Officer. Requests must say how much is going to be spent, what it is going to be spent on, where the money will come from and what effect the spending will have in current and future financial years.

14. Budgetary Control

14.1 Council's reserves

The Responsible Finance Officer must advise the Council on keeping a safe level of reserves.

14.2 Monitoring budgets

The Responsible Finance Officer will give Directors and Assistant Directors the information they need to monitor their budgets.

14.3 Responsibilities of the Responsible Finance Officer

The Responsible Finance Officer will:

- produce regular monitoring reports for the cabinet – these will identify any areas of concern and say how things can be put right
- tell the cabinet when spending or extra spending is needed
- advise on the medium-term effects of spending decisions
- make sure each capital scheme includes a project plan, progress targets and forecasts of linked revenue spending
- manage a scheme of carry forwards within guidelines set by the cabinet.

14.4 Responsibilities of Assistant Directors

Assistant Directors will:

- monitor income and control spending
- monitor performance
- manage their budgets
- report any problems promptly to the Responsible Finance Officer
- make sure staff keep all financial records, particularly the supporting papers for grant claims

15. Year-End Balances

The Cabinet will agree the procedures for carrying forward under and over-spending on budget headings at the year end, in consultation with the Responsible Finance Officer.

Directors are responsible for monitoring the impact of the year-end variations on the level of service outputs which had been planned for both the relevant and subsequent year(s).

16. Capital Strategy

The Responsible Finance Officer will prepare an asset management plan and capital strategy. This will:

- set out the principles the Council will follow in its capital planning and management
- include a five year capital programme
- show how schemes are added into the Capital Programme

17. Project Approval

17.1 Which projects need approval?

All new schemes must be fully financed and approved by the City Council Investment Board. They require an initial project proposal and detailed business case unless they meet the criteria of fast track schemes (see Capital Programme Governance document).

17.2 Who approves projects?

Projects that are not already in the capital programme with an estimated cost of more than £200,000 but less than £500,000 need approval of Cabinet or the Leader on the recommendation of the Responsible Finance Officer in consultation with the City Council Investment Board. Projects that are not already in the capital programme with an estimated cost of more than £500,000 require approval of Council on the recommendation of cabinet or the Leader may make the decision.

17.3 Project approval report

The project approval report to the cabinet must include:

- the aim of the project and any other ways of achieving it
- effects on staffing
- legal, contractual and prudential borrowing code implications
- if the Council is acting through an agent or partnership, legal advice on whether it has the power to act this way
- if it is a key decision, any comments made during consultation and the Council's response
- the estimate amount and timing of any capital and revenue spending, any ongoing effect on revenue, and whether this spending is included in the budget

17.4 Key decisions

If project approvals are key decisions, the Access to Information Rules (see Part F) and Cabinet Key Decision Procedures (see Part C) apply.

18. Capital Projects

Spending is only allowed on capital projects that:

- have project approval
- are in the Capital Programme
- have been through the correct procedure in the Contract Standing Orders (see Standing Orders 17 - 21).

19. Treasury management

19.1 Treasury Management Strategy

The Responsible Finance Officer will produce the treasury management strategy. This will set out the treasury plans for the next year (including any prudential borrowing plans). The strategy will include a list of organisations the Council will borrow from and lend to and

the maximum individual amounts it will borrow or lend. The treasury management strategy must be scrutinised by Audit Committee prior to submission to Full Council for approval. A mid-year and end of year report must also be produced and submitted to Audit Committee for scrutiny prior to submission to Full Council.

19.2 Day-To-Day Treasury Management

The Responsible Finance Officer is responsible for day-to-day treasury management in liaison with the Treasury Management Board. Treasury management is carried out in accordance with detailed Treasury Management Practices, which are approved by Audit Committee. The Responsible Finance Officer will make sure:

- all borrowing and investment complies with the Council's treasury management strategy and the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management and the Prudential Code
- all borrowing and lending is done in the name of the Council
- all securities are held by the appropriate Director or Assistant Director

19.3 Bank accounts

Only the Responsible Finance Officer can open a bank or building society account on behalf of the Council. The Responsible Finance Officer is responsible for managing all accounts.

20. Asset Management

20.1 Responsibilities of Responsible Finance Officer

The Responsible Finance Officer will:

- recommend the asset management policy and capital strategy to Council
- produce guideline for acquiring, managing and disposing of assets
- make sure the Council's records include any money from sales
- make sure the Council's records do not include the value of any assets that have been disposed of

20.2 Register of fixed assets

The Responsible Finance Officer will keep a register of all fixed assets worth more than a sum which is decided from time to time by the Responsible Finance Officer. Assistant Directors must report any acquisitions or disposals so that this can be kept up-to-date. Every year the Responsible Finance Officer will check that the assets are still shown at the right value, that they have a suitable asset life and that they have been properly depreciated.

20.3 Disposing of assets (except land)

All staff should follow the Responsible Finance Officer's instructions on the disposal of surplus or obsolete vehicles, plant, furniture, materials, stocks, stores or other equipment. Arrangements for the disposal of surplus goods, materials, vehicles and equipment should be carried out in the manner most beneficial to the Council, making every effort to dispose of surplus or obsolete assets by competitive tender or by public auction. Where the

estimated value of the proceeds is at a level determined by the Responsible Finance Officer, officers must keep a record of all disposals on inventories or within stock systems, including details of the quantity, items, proceeds and the purchaser. Sale proceeds must be banked and accounted for promptly, and the Responsible Finance Officer must be notified of the disposal of any capital assets.

The disposal of computers and other recordable Information and Communication Technology media should be arranged via the Information and Communication Technology department, who will ensure that all data is properly erased prior to disposal.

20.4 Arranging leases

The Council has employed the services of a leasing advisor to obtain the most favourable terms for its leasing agreements and the advisor should be consulted on all lease proposals. Before entering into any finance or operating lease, or lease rental agreement, or PFI arrangements, Chief Officers must get agreement from the Responsible Finance Officer to ensure that the arrangement is financially advantageous to the Council and should take appropriate legal advice from the Head of Legal Services. Staff must keep an inventory of all leased assets and make sure assets are returned at the end of the lease period in accordance with the terms of the arrangement. This inventory must be made available to the Responsible Finance Officer for the preparation of the statutory accounts.

20.5 Computer systems

The Assistant Director for Finance has overall responsibility for the Council's computer systems. The Assistant Director for Finance is also responsible for making staff aware of their responsibilities relating to the computer systems.

20.6 Stocks and Inventories

The Council holds stocks of various materials for use in service delivery. Every effort should be taken to ensure excessive stocks are not held.

Obsolete stock may be written off subject to the write off limits for debt (see Financial Regulation 27).

20.7 Security of Assets

Officers must ensure that all assets are safeguarded against loss, damage, misuse or any other unnecessary diminution in value so that they continue to be available to provide continuity of efficient service delivery. Similarly, information must also be safeguarded so that service delivery can continue.

21. Intellectual Property

Intellectual property is a generic term which includes inventions and written works. Certain creations, particularly computer software, may have a commercial value and be marketable outside the Council.

As a general rule, items of intellectual property which are created by an employee during the normal course of their employment will be the property of the Council, not the employee.

Various Acts of Parliament detail the treatment of different types of intellectual property and provide for the patenting of the development work to safeguard it against exploitation.

22. Risk Management

22.1 Responsibilities of the Cabinet

The Cabinet will identify key risks and promote risk management in the Council. The Chief Executive will report to the Cabinet on how risk is being managed.

22.2 Responsibilities of the Responsible Finance Officer

The Responsible Finance Officer will prepare and update the Council's risk register and related policies (including anti-fraud and anti-corruption policies). The risk register must be agreed by the Cabinet.

22.3 Responsibilities of Assistant Directors

Assistant Directors must:

- identify and manage risks in their service areas;
- have contingency plans for major risks;
- tell the Responsible Finance Officer of any risks that could result in losses or claims against the Council.

23. Wages, Salaries and Pensions

23.1 The Responsible Finance Officer is responsible for paying all wages and expenses, including Councillors' allowances.

23.2 Staff costs are the largest item of expenditure for most of the Council's services. It is therefore important that payments to current and former employees are made, accurately, on the due date and in accordance with the individual's conditions of service.

23.3 Payments to Councillors must be in accordance with the scheme approved by the Council and recorded accurately and promptly; and comply with statutory and other corporate requirements.

23.4 Assistant Directors must tell the Head of Human Resources, Organisational Development and ICT of any changes to staff pay and any deductions that need to be made.

24. Ordering and Paying for Goods and Services

24.1 Role of Responsible Finance Officer

The Responsible Finance Officer will make sure there are proper procedures and controls for ordering and paying for goods and services.

New systems for orders or payments must be agreed by the Responsible Finance Officer.

24.2 Responsibilities of Assistant Directors

Assistant Directors are responsible for their service areas' orders and payments. They must make sure those officers who order and pay for goods have been properly trained and that responsibility for ordering and paying for goods are kept separate.

24.3 Orders

Orders must normally be in writing. Orders can be given orally in emergencies only and must be confirmed in writing as soon as possible.

Official orders for the purchase of goods or services must be in a standard form approved by the Responsible Finance Officer and must be issued for all purchases with the exception of utilities (gas, electricity, water etc.), taxis, refunds, grants, periodic payments (such as rent or rates), petty cash purchases, purchasing cards or other exceptions specified by the Responsible Finance Officer.

In addition, commitments from credit card, purchasing card or internet purchases must only occur through the Council's approved scheme and in accordance with the instructions on that scheme from the Strategic Director for Corporate Support.

Official orders must not be raised for any personal or private purchases.

The authorisation profiles agreed by the Responsible Finance Officer and fixed within the Purchasing system are as follows:

<u>Purchase Order Authorisation Limits</u>	
Directors	Above £5,000,000
Assistant Directors	Up to £1,000,000
Heads of Service (Team Plymouth)	Up to £500,000
4 th Tier Officers and below:*	
Grades H to I	Up to £50,000
Grades F to G	Up to £2,500

Officers below F Grades will not be able to authorise orders.

*Any exceptions to these parameters will be subject to approval by the Strategic Director of Corporate Services (or his/her nominated deputy).

The use of e-business, e-commerce, credit / debit or purchasing cards, or other electronic means of purchasing goods or services, must be authorised by the Responsible Finance Officer and will be subject to the following limits:

<u>Purchase Card Limits</u>	Maximum transaction limit	Maximum Authorised Card limit

	£	£
Chief Officer	10,000	50,000
Buyer/Procurement Officer	5,000	50,000
Emergency Planning Officer	20,000	100,000
Standard PCC Employee	500	2,000

Approval in excess of these limits may be given by the Responsible Finance Officer in exceptional cases, for example Lodge Cards.

24.4 Unusual terms and conditions

Officers should check with the Head of Legal Services before accepting any unusual terms or conditions.

25. Petty Cash

The Assistant Directors will oversee the system of petty cash floats. Floats will only be topped up when a proper claim is made with receipts for all items. The Responsible Finance Officer will give detailed guidance on petty cash.

26. Income

26.1 Responsibilities of Responsible Finance Officer

The Responsible Finance Officer will ensure that systems exist for all income to be identified, collected, receipted and promptly banked.

26.2 Responsibilities of Assistant Directors

Assistant Directors must have a proper scheme of delegation for dealing with income and spending in their service area and must make sure it is working. There must be extra controls in service areas that collect cash or cheques. Assistant Directors must ensure that:

- officers are suitably trained
- official receipts are always given
- proper records are kept
- money is banked as soon as possible
- VAT is properly accounted for

Assistant Directors must have effective systems for monitoring income due to their service area. The Responsible Finance Officer must be told if income is much less than expected and it cannot be explained.

Assistant Directors must not run their own debtor systems without the agreement of the Responsible Finance Officer.

26.3 Invoices

The format of invoices must be approved by the Responsible Finance Officer. Invoices must make it clear that payment should be made to Plymouth City Council.

27. Debt

27.1 Collecting debt

The Cabinet will set procedures for managing debt. Officers must:

- make sure invoices are accurate
- send invoices promptly
- act quickly to collect debts
- sort out disputes as quickly as possible

27.2 Writing off debt

The rules for writing off debts are as shown in the table below:

Value of Debt	Who can approve it?
Up to £40	Nominated recovery officers
Up to £200	Nominated recovery officers (Grade E and above)
Up to £1,000	Nominated Officers (Grade H and above)
Up to £10,000	Heads of Service and other nominated officers of the Strategic Director of Corporate Services
Up to £10,000	School principal and/or governors (schools debt)
Up to £100,000	Responsible Finance Officer
Up to £200,000	Cabinet Member
All debt over £200,000 unless covered by below exception	Cabinet
Unlimited in the case of bankruptcy or liquidation/CVA/death/no assets/no trace	Responsible Finance Officer or other senior finance officer nominated by him.

27.3 Cancelling debt

Debts can be cancelled if they have been raised by mistake. All cancellations over £5,000 must be agreed by the Responsible Finance Officer or his/her nominated Officer.

28. Payments for Loss, Damage or Personal Injury

Officers may make ex gratia payments for loss or damage or personal injury up to a maximum of £1,000 to any one payee in any one year following consultation with the Council's corporate risk manager and the Head of Legal Services.

29. Money Laundering

The Council has procedures for checking and recording the intentions of the people and organisations it does business with and for reporting suspected money laundering. Officers must not:

- conceal, disguise, convert, transfer or remove anything gained through crime
- tip off a criminal or suspect
- assist money laundering
- pay money to terrorists or suspected terrorists or their organisations.

The maximum amount of cash that can be taken in any one transaction is £9,000.

30. External Funding

The Responsible Finance Officer will provide specific guidance to Directors and Assistant Directors to enable them to account properly for funding receivable from external sources. This will be contained within the Index.

31. Work for Third Parties

The Responsible Finance Officer will provide guidance and advice to Directors and Assistant Directors in respect of the financial aspects of third party contracts, contractual arrangements for the provision of services to third parties or external bodies.

32. Loans and Guarantee Arrangements

Officers must not enter into an arrangement to provide Loan or Guarantee facilities to any third parties without the prior approval of the Responsible Finance Officer and Head of Legal Services.

33. Supplementary Governance Document

These documents are intended to be a detailed working practice but cannot override any requirements contained within the approved Financial Regulations or its Index of linked Policies.

33.1 The Financial Regulations Approved Governance Documents

Medium Term Financial Strategy
Budget Book
Statement of Accounts
Annual Governance Statement
Risk Management Strategy
Introduction to Local Government Finance
Asset Management Plan and Capital Strategy

VAT handbook
Plymouth Trading Fair Funding Guide
Fair Funding for Schools Scheme
Treasury Management Strategy
Annual audit plan
Anti-Fraud and Corruption Policy
Retention and Disposition Schedule
Ordering and paying for the purchase of work, supplies and services
Arrangements for the collection and processing of income and other amount due
Budget Carry Forward Policy
Capital Programme Governance Document

33.2 Draft Documents yet to be Approval by Audit Committee

Money Laundering Policy
External Funding/Grants Protocol
Income and Credit Management Policy
Key Controls and Responsibilities

33.3 Working Practices available on the Financial Management Web Pages

Budget Managers' Role Definition
Procurement and Purchasing Card Arrangements
Creditors User Guide
Working Practices for Purchasing and Creditors
Procedures for Purchasing Goods and Services
Purchasing Manual
Bad Debt Write Off Policy
Debtors Manual
Financial Management and Budgetary Control Training Guide
Close Down Guidance and Timetable
Virement Working Practice
Journal Transfer Working Practice
General Ledger Introductory Guide
Treasury Management Practices

Contract Standing Orders

Comment [WC1]: This section has been amended to reflect the changes below

1. When do these standing orders apply?
2. Other relevant guidance, rules and law
3. Responsibility to follow these standing orders and relevant law
4. Interests of councillors and officers in contracts
5. Gifts and hospitality
6. Procurement advertisements
7. Before a contract is procured
8. Estimating the total contract value
9. Format of contracts
10. Contract terms and conditions
11. When is there no need to seek quotes or tenders?
12. Purchasing Card Procurement
13. Table of purchase card limits
14. Lodge Cards
15. Fuel Cards
16. Contract Procurement – existing and corporate contracts
17. General Principles of Procurement
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19. Procurements below £25,000
20. Procurements £25,000 and above
21. Who can authorise contracts?
22. High Value/High Risk Procurement process
23. Application of the Regulations
24. Restricted Procedure
25. Open Procedure
26. Competitive Procedure with Negotiation
27. Competitive Dialogue
28. Innovation Partnership
29. Negotiated procedure without prior publication
30. Predetermined Framework Agreements
31. Concession Contracts
32. Pre-selection
33. The Invitation to Tender
34. Submission and Opening of Tenders
35. Electronic Tendering
36. Tender Evaluation
37. Evaluation Team
38. Bonds, Guarantees and Insurance
39. Award of Contract
40. Debriefing
41. Contract Award Notice
42. Contract Management
43. Copies of tenders and contracts and register of contracts
44. Keeping a register of contracts
45. What will the register record?
46. Joint Procurement
47. Consultants
48. Statistical Returns
49. Contract Extension and Variation
50. Termination of Contracts
51. Review and Amendment of Contract Standing Orders
52. Interpreting Contract Standing Orders

1. When do these standing orders apply?

- 1.1 These standing orders apply when the council expects to spend money or provide other value for goods, works or services. They do not apply to contracts of employment with the council. They apply to both capital and revenue and cover:
 - contracts for goods, works or services
 - acquisitions and disposals of land or buildings
- 1.2 The officers named in Standing Order 11.3 have authority to waive the requirements of any of these rules (but they must always comply with national and EU law.)

2. Other relevant guidance, rules and law

- 2.1 All contracts entered into by the council must be to carry out the council's functions or be in connection with the council's functions. They must comply with:
 - all relevant national law and EU procurement law
 - all relevant EU procurement rules and guidance
 - the Financial Regulations (see part H of the Constitution)
 - the budget and policy framework procedures (see part B of the Constitution)
 - the Constitution.
- 2.2 Officers must consider the requirements of the Constitution and legal issues when entering contracts and must ensure the risks are fully assessed.

3. Responsibility to follow these standing orders and relevant law

- 3.1 These standing orders apply to all officers. It is the responsibility of the relevant Assistant Director to make sure that their staff follow these standing orders.
- 3.2 The council may take disciplinary and/or legal action against anyone who breaks these rules or the relevant national or EU law.

4. Interests of Councillors and officers in contracts

- 4.1 Requirement to avoid conflicts of interest: Councillors, officers and anyone acting for the council in connection with the procurement, award and management of council contracts must act with the highest standards of probity and avoid conflicts of interest.
- 4.2 Councillors' interests: Councillors must follow the Councillors Code of Conduct ([see Part G of the Constitution](#)). In addition, it is a criminal offence for a Councillor not to declare a financial interest in a contract.
- 4.3 Officer interests, reports and advice: Officers must declare interests in contracts. It is a criminal offence for an officer not to declare a financial interest in a contract. (This does not apply to an officer's own contract of employment or their tenancy of a council owned property).
- 4.4 Directors are responsible for recording officers' financial interests in a register that is kept in the department.
- 4.5 Officers should not write reports on something they have declared an interest in; or advise council or the cabinet or a committee on something they have declared an interest.

5. Gifts and hospitality

- 5.1 As a general rule councillors and officers must not accept:
- any gift (other than an inexpensive gift such as a calendar or diary for use in the office); or
 - any hospitality from suppliers or potential suppliers, or from any firm or organisation with whom the council has had, is having or may have any dealings of any kind - without the written authorisation of a Director.
- 5.2 'Hospitality' includes drinks, meals, entertainment, overnight accommodation, travel and holidays, but does not include a lift in a private or company car or a taxi or refreshments in the course of office duty (e.g. a working lunch).
- 5.3 All staff who accept gifts or hospitality must complete a receipt of gift or hospitality form. Once completed the form should be sent to the Monitoring Officer.
- 5.4 Directors must immediately enter in a register, particulars of:
- any gift (including how it has been returned to the giver or otherwise disposed of e.g. donated to the Lord Mayor for charitable purposes); and
 - any hospitality.

6. Procurement advertisements

- 6.1 The council will publish all procurement opportunities over £150,000 unless the procurement is sourced via a framework (see Section 30) and all contract awards over £25,000~~£150,000~~.
- 6.2 Strategic Procurement will publish an advertisement:
- in OJEU (if required by the Regulations)
 - on the Ccouncil's chosen procurement portal (~~www.supplyingthesouthwest.org.uk~~)
 - on Contracts Finder
- 6.3 If the notice is published in OJEU, then the procurement documents for that particular procedure must be available for suppliers to download from the date of publication of the OJEU contract notice.

7. Before a contract is procured

Before undertaking a procurement the authorised officer must:

- identify the need for the services, goods or works in question and fully assess all options for meeting those needs (including recycling and re-use where appropriate)
- establish a business case for the procurement
- establish the council has the legal power to enter into the contract
- contact ~~strategic P~~procurement Services function to discuss the available options (where thresholds apply).
- if it is a capital project make sure the project has been accepted onto the capital programme. See capital programme governance.
- consider whether there is an appropriate framework agreement or such as a Crown Commercial Services (CCS) contract framework that could be used)
- consider the council's procurement business plan as appropriate
- choose a course of action which represents best value for money for the council

- for works procurements >£1,000,000 consider adoption of the employment and skills strategy, for further information contact [strategic Procurement Services function](#).
- consider [whether the requirements under](#) the Public Services (Social Value) Act 2012 [applies to the procurement in respect of any procurements that are subject to the Public Contract Regulations 2015](#)
- determine the contract type and the level of contract management resource required to manage the contract.

8. Estimating the total contract value

- 8.1 The total contract value is the total amount (minus VAT) that is expected to be paid to the supplier as a result of the contract award during the whole of the contract. If the value is £50,000 per annum for two years, then the total value of the contract is estimated at £100,000. It includes
- the value of any non-monetary consideration or benefit the council is giving to the supplier
 - the value of anything the council is getting for free as part of the contract
 - any amount that could be paid by extending the contract (if it is possible to extend it).
- 8.2 If the length of a contract is uncertain and the value cannot be reasonably estimated, its total value will be its estimated monthly value times 48.
- 8.3 A single contract must not be split into smaller contracts to get around these contract standing orders or the law, and goods, services or works must not be split to get around these contract standing orders or the law.
- 8.4 Where the proposed procurement for goods, works or services may result in the requirement being split into lots, the value shall be based upon the value of all lots.
- 8.5 The contract must be treated as a high value procurement where there is a transfer of staff.

9. Format of contracts

- 9.1 Contracts must be in writing.
- 9.2 Contracts must be executed as a deed (sealed) if they are for property building and construction, nil consideration, probate, or if the Head of Legal Services advises they must be executed as a deed.
- 9.3 Contracts must be signed by the Head of Service (or their designee). Where contracts are required to be sealed or executed as a deed please contact legal services.
- 9.4 Contracts over the EU threshold must comply with relevant EU procurement law.
- 9.5 Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 if the [strategic Procurement Services Manager](#) is satisfied that the arrangements are secure.

10. Contract terms and conditions

- 10.1 Contracts must be entered into on the council's terms and conditions, which will be referenced on each purchase order and included with each Invitation to tender (ITT). Exceptions to this rule must be approved by the Head of Legal Services.
- 10.2 Where contracts are subject to the Regulations, the rules relating to technical specifications will be followed and any reference to a technical standard, make or type will be prefaced with the words "or equivalent".

- 10.3 The standard terms and conditions of the council are available on the document library and the council's website.

11. When is there no need to seek quotes or tenders?

- 11.1 Emergencies: If there is an unforeseen emergency or a disaster involving immediate risk to persons, property or serious disruption to council services or significant financial loss any Director can approve waiving these rules after consulting the Head of Legal Services where practicable. They must prepare a report for the next Cabinet to support the action taken.
- 11.2 Exempt contracts: The following contracts are exempt from the requirements to obtain tenders provided that quotations are sought.
- contracts relating solely to disposal or acquisition of an interest in land, provided that the contract is not deemed to be a works contract in which case the contract shall be procured in accordance with these rules as a works contract;
 - contracts for individual personal care services;
 - transactions conducted by the Chief Finance Officer in respect of dealing in the money market or obtaining finance for the council;
 - contracts offered by the Head of Legal Services for the appointment of counsel;
 - contracts where a sole supplier has exclusive rights (e.g. alterations to statutory undertakers apparatus).
- 11.3 Where there is a written waiver: In cases where the EU regulations do not apply, the Head of the relevant service area, Head of Legal Services and the ~~heads of strategic p~~Procurement ~~Services M~~anager can waive the requirements of any of the contract rules. All waivers and the reasons for them must be recorded using the designated form which can be found on the document library. The waiver form must be ~~approved signed by the Director and agreed~~ by the Head of the relevant service area, Head of Legal Services and the ~~e-heads of strategic p~~Procurement ~~Services M~~anager.

12. Purchasing Card Procurement

- 12.1 Purchasing cards are badged charge cards, issued to an individual for the express function of purchasing one off requirements or low value, low risk goods and services for the authority which are not available as a catalogue item on the CIVICA purchasing system.
- 12.2 Only the person whose name appears on the card is authorised to use the card up to the maximum transaction value as detailed in table 13
- 12.3 They work in a similar way to personal credit cards, however they do not offer extended credit and the balance on the cards is automatically paid off monthly. Cash cannot be withdrawn except by nominated Emergency Response Officers.
- 12.4 Purchasing cards shall only be used in accordance with the Purchasing Card Cardholder User Guide which is available on the document library.
- 12.5 The application form to apply for a Purchase Card is available on the document library.

13.

13.

13. Table of purchase card limits

Officer	Maximum Transaction Limit	Maximum Authorised Card Limit
Chief Officers	£10,000	£50,000

Buyer/Procurement Officer	£5,000	£50,000
Emergency Planning Officer	£20,000	£100,000
Standard PCC Employee	£500	£2000

14. Lodge Cards

- 14.1 Lodge cards are a type of credit card which are badged and “lodged” with the supplier so the card number does not need to be quoted on each order. They provide a cost effective and simple means of managing and allocating spend, ensuring the availability of electronic management information without the need for placing purchase orders.
- 14.2 Lodge cards should be used with suppliers whose service is provided centrally to a service area such as schools catering, travel, stationery etc. Agreement for the use of a lodge card will only be given by the [Strategic Procurement Services mManager](#).

15. Fuel Cards

- 15.1 Fuel cards are a type of credit card used solely to purchase fuel; they can be used in all of the major UK filling stations.
- 15.2 There are three different types of cards:
- Person Card: This card is assigned to a specific person and can only be utilised by that person when using a hire car or a fleet vehicle which is utilised by a number of people. This card cannot be used for casual and essential users.
 - Vehicle Card: This card is utilised for our fleet vehicles and is allocated to a specific registration
 - Bearer Card: Bearer cards are not assigned to either an individual or specific vehicle they are assigned to a department for all to use. These cards offer a high risk of fraudulent use, therefore, the issuing and management of the card has to be done in a controlled manner as detailed in the instructions for use (available on the document library).
- 15.3 Application forms for any of the above fuel cards are available [on the document library](#). ~~from strategic procurement.~~
- 15.4 Fuel cards shall only be used in accordance with the Fuel Card Cardholder User Guide (available on the document library).

16. Contract Procurement – existing and corporate contracts

- 16.1 Competitive quotations and tenders are not required if there is a contract already in place.
- 16.2 The contract register detailing the list of contracts [in line with the latest version of the Local Government Transparency code](#) is available on the [Council's intranet and internet website](#) ~~document library~~.
- 16.3 Many of the corporate contracts are set up as catalogue items available to purchase using the CIVICA purchasing system. Anyone with access to the system can place a purchase order for catalogued goods and services by [Finding a Product](#) in the Civica Purchasing system.

17. **General Principles for Procurement**

Comment [WC2]: This section has been added at the beginning to cover of some key principles. Some of the information has been moved from later in the document to this section as it applies generally to procurement.

- 17.1 All procurements must be undertaken in a fair and transparent manner.
- 17.2 All procurements must comply with Contract Standing Orders -and where the procurement value exceeds the relevant thresholds be undertaken in accordance with the Public Contracts Regulations 2015, relevant Crown Commercial Services' procurement policy notices and all legislation.
- 17.3 In the event of a re-tender due to legal obligations under procurement law, authorisation to re-tender is not required. In all other circumstances (i.e. new procurements) business case approval must be sought in accordance with the table of authorisation detailed in 18.
- 17.4 Any contract that is funded by capital funds can only be approved if it is on the capital programme.
- 17.5 Where the service involves the transfer of employees from one service provider to another, the Council must consider the Transfer of Undertakings Protection of Employment Regulations (TUPE) regulation applies.
- 17.6 Where the procurement is over £100,000 and not a one off purchase, the contract award must be recorded in the contracts register, which is maintained by the Procurement Services function.

Comment [WC3]: We have renamed the team all through this document as it no longer reflected what the team is called.

18. Summary Table of procurement routes dependent upon value

Type	Value range	Department	Activity	
Low Value/Low Risk	Requisitioner standard RFQ	up to £5000	Self Service within Department	One written quotation
	Requisitioner standard RFQ	between £5,001 and £25,000	Self Service within Department	Three written quotations
Medium Value/Medium Risk	Procurement standard RFQ	£25,001 - £100,000 (goods / services)	Procurement Services Function	Three written quotations
		£25,001 - £200,000 (works)		
	Procurement technical RFQ	£100,001 - £150,000 (goods/services)	Procurement Services Function	Five written quotations
		£200,001 - £2,000,000 (works)		
High Value/High Risk	Below EU Threshold	£150,0001- EU Threshold (goods/services)	Procurement Services Function	Tender advertised /Framework used
		£2,000,001 – EU Threshold (works)		
	Above EU Threshold	See OJEU	Procurement Services Function	Tender advertised /Framework used

Comment [WC4]: This table has been slightly amended from to show the changes in the standing orders for under £25,000. A few other rewording changes and clarifications have been made to ensure that this summarises the information in the next few sections.

19. Procurements Below £25,000

19.1 For any procurements under £25,000 departments are able to self-serve.

19.2 All new suppliers not currently approved on Creditors will need to be approved by the Procurement Services function prior to a requisition being raised.

19.3 Low Value/Low Risk Procurements

19.3.1 Requisitioner standard RFQ one quote (up to £5,000)

For those procurements up to £5,000 departments are required to source a minimum of one written quotation.

19.3.2 Requisitioner standard RFQ three quotes (between £5,001 and £25,000)

For those procurements between £5,001 and £25,000 departments are required to seek a minimum of three written quotes, two of which shall be from local suppliers where possible.

20. Procurements £25,001 and above

20.1 For any procurement above £25,001 (or high risk or technical) a procurement initiation form (available on the self-service on PCC intranet) needs to be completed and sent to the Procurement Services function mailbox. For all procurements above £25,000 the opportunity must be awarded advertised on Contracts Finder and the Council's chosen portal.

20.2 Medium Value/Medium Risk Procurements

20.2.1 Procurement standard RFQ (£25,000 - £100,000 (goods/services) and £25,001 - £200,000 (works))

For goods and services procurements valued between £25,001 below and £100,000 and for non-technical works procurements valued between £25,001 below and £200,000 thea procurement initiation form purchase requisition (available on the document library) will need to contain: be completed detailing the a full specification, including manufacturers part number (if applicable), quantities, delivery required by date and charge codes, and sent to the procurement mailbox. The operational Procurement Services function team will source at least three written quotations, two of which shall be from local supplier's where possible, utilising the chosen portal, Sell 2 Plymouth, before a formal purchase order is issued specifying the goods or services to be provided and setting out the price and terms of purchase. Faxed or e-mailed quotations are acceptable for these purposes.

20.2.2 Procurement technical RFQ (£100,001 - £150,000 (goods/services) and £200,001 - £2,000,000 (works))

For technical procurements or those valued above £100,001 and below £150,000 for goods and services and above £2,000,001 but below £2,000,000 for works, the procurement initiation form will need to contain: a detailed specification, will need to be completed including and evaluation criteria, plus fFor works, the chosen terms and conditions will also need to be included, and sent to the procurement mailbox. The strategic Procurement Services function department will support this procurement by seeking at least five written quotations, four of which shall be from local suppliers where possible, utilising the chosen portal, Sell 2 Plymouth.

20.3 To avoid unnecessary risk, only council approved purchasing suppliers should be used.

Comment [WC5]: Section 19 outlines the key changes we want to make to CSOs whereby the business can self-serve up to a value of £25,000. This is the main decision point.

Comment [WC6]: We are undergoing a change of portal therefore believe this document should state "chosen portal" rather than stipulating the actual portal. Otherwise this document will have to be amended each time the portal contract is retendered.

Comment [WC7]: This has been moved section 17.

20.3 Approved suppliers are those who have registered and have been green flagged on the Sell 2 Plymouth vendor management portal. (<http://www.sell2plymouth.co.uk>)

Comment [WC8]: We will no longer be using this portal so this no longer needs to be included.

20.3 High Value/High Risk Procurements

For all procurements above £150,000 for goods and services and £200,000 for works, approval must be obtained for both evaluation criteria and award of contract in accordance with the table in section 18.

20.3.1 Below EU Threshold procurements (£150,001-EU Threshold (goods/service) and £2,000,001-EU Threshold (works))

Goods and Services:

Below threshold procurements applies to procurements valued above £150,001 ~~0~~ and the EU Threshold for goods and services. The Procurement Services function must undertake a one stage procurement procedure as deselection is not allowed. However, suppliers may still be disqualified if they do not meet the minimum requirements of the Council. The opportunity ~~ie~~ must be advertised and awarded on Contracts Finder and the Council's chosen portal.

Works:

Below threshold procurements applies to procurements valued between ~~and~~ £2,000,001 ~~0~~ for works but below and the EU threshold for works. The Procurement Services function will undertake either a one stage or two stage procurement ~~nt~~ procedure. The opportunity must be advertised and awarded on Contracts Finder and the Council's chosen portal. ~~See section 22 or contact Strategic Procurement for the current EU threshold values.~~

20.3.2 For tenders below the threshold the open procedure must be used as deselection is not allowed. However, suppliers may still be disqualified if they do not meet the minimum requirements of the council.

20.3.2 Above ~~Below~~ EU Threshold procurements (£150,001-EU Threshold (goods/service) and £2,000,001-EU Threshold (works))

For all procurements valued above EU Threshold, a tender and contract award procedure must be conducted in accordance with The Public Contracts Regulations 2015.

~~For all procurements of goods and services valued above £150,000 or above £2,000,000 for works procurements or those where staff will transfer, a tender and contract award procedure must be conducted in accordance with these contract rules. The outcome of the contract award procedure must be recorded in the contracts register, which is maintained by the strategic procurement department.~~

For all procurements above £150,000, approval must be obtained for both the evaluation criteria and award of contract in accordance with the table in section 21.

In the event of a re-tender due to legal obligations under procurement law, authorisation to re-tender is not required. In all other circumstances (i.e. new procurements) Business case approval must be sought in accordance with the table of authorisation detailed in 21.

~~Any contract that is funded by capital funds can only be approved if it is on the capital programme.~~

20. ~~Summary table of procurement routes dependent upon value~~

Comment [WC9]: This section has moved up to 18.

Value range	Department	Documents required	Activity	To be sent to:
<£100K (goods / services) and <£200K (works)	Operational procurement (buying team)	Purchasing requisition; specification	Request for Quotation (3 suppliers)	Purchasing.requisition@plymouth.gov.uk

>£100K but <£150K (goods-/services) and >£200K but <£2m (works)	Strategic procurement	Specification, evaluation criteria, terms and conditions	Request for Quotation (5 suppliers)	procurement@plymouth.gov.uk
>£150K and below EU threshold (goods/services) and >£2m and below EU threshold (works)	Strategic procurement	Tender docs, specification, evaluation criteria, terms and conditions	Tender (advertised on portals)	procurement@plymouth.gov.uk
>EU thresholds	Strategic procurement	Tender docs, specification, evaluation criteria, terms and conditions	Tender (advertised on portals)	procurement@plymouth.gov.uk

21. Who can authorise contracts?

	Contract Value	Who can authorise the outline business case or tender?	Who can agree the evaluation criteria?	To be placed on the Forward Plan?	Approval documents required	* Who can award the contract?
<u>Low value/Low risk</u>	<u>Up to £25,000</u>	<u>Department</u>	<u>Department</u>	<u>N/A</u>	<u>N/A</u>	<u>Department</u>
<u>Medium value/Medium risk</u>	<u>£25,001 - £150,000</u>	<u>Procurement Services function</u>	<u>Procurement Services function</u>	<u>N/A</u>	<u>N/A</u>	<u>Procurement Services function</u>
<u>High value/High risk</u>	Over £150,000 and less than £500,000	Assistant Director	Assistant Director	N/A (unless it constitutes a key decision)	Contract Award Report	Assistant Director
	Over £500,000 <u>and over</u> and less than £2,000,000	Cabinet Member	Assistant Director	N/A (unless it constitutes a key decision)	Contract Award Report and Executive Decision Report	Cabinet Member
	Over £2,000,000 <u>and over</u> or a key decision	Cabinet	Assistant Director	Yes	Contract Award Report and Cabinet Report	Cabinet

*Please refer to Legal Standing Orders paragraph 2 – Signing of documents.

22. High Value/High risk procurement process

22.1 Prior to the commencement of procurement the authorised officer will develop the procurement approach.

22.2 One of ~~six~~ four procurement procedures must be used as appropriate for the particular procurement i.e. open, restricted, competitive procedure with negotiation, competitive

dialogue, innovation partnership, or ~~or negotiation without prior publication~~ competitive procedure with negotiation. Information on these procedures are detailed below (see sections 242 to 296).

- 22.3 For procurements valued above £150,000 but falling below the EU threshold tender timescales and procedures can be adjusted accordingly but only after consultation with the ~~strategic~~ Procurement Services function.
- 22.4 For procurements that constitute a key decision or are above £500,000 decisions to approve the business case must be taken by either the cabinet member ~~or~~ of cabinet as detailed in table 21 above and (for key decisions) the head of service needs to arrange for notice of the earliest date on which the decision could be taken to be placed on the forward plan. The head of service will also need to provide appropriate reports to the Cabinet Member of Cabinet using the standard forms that are available on the document library or form Democratic support.

23. Application of the Regulations

23.1

- 23.1 Where an estimated value of a contract exceeds the current EU threshold then the contract must be procured in accordance with the Regulations, unless there is a suitable framework available.

- 23.2 Public contracts for Social and other specific services as listed in Section 7, Schedule 3, Public Contracts Regulations 74 shall be awarded in accordance with this regulation. ~~section.~~

The current EU thresholds can be found here: <http://www.ojeu.eu/thresholds.aspx>

- 23.3 ~~The current EU thresholds effective from 1st January 2014 that will apply to the 31st December 2015 are:~~

23.3

23.3 ~~Value at which a contract/order must be put through the EU process~~

23.3 Supplies	23.3 Services	23.3 Works
23.3 £172,514*	23.3 £172,514*	23.3 £4,322,012*

23.3 ~~*Contact Strategic Procurement for updates on the EU threshold values~~

23.3

- 23.3 ~~For procurements subject to EU thresholds a contract notice or prior information notice in the prescribed form will be published in the Official Journal of the European Union (OJEU) in order to invite tenders or expressions of interest.~~

- 23.3 For procurements subject to EU thresholds a contract notice or prior information notice in the prescribed form will be published in the Official Journal of the European Union (OJEU) in order to invite tenders or expressions of interest.

- 23.4 This requirement to advertise includes procurements for Social and Other Specific Services (as defined in the Regulations).

- 23.5 The rules relating to technical specifications and the publication of contract award notices will be observed for all contracts as must the EU Treaty and the general principles of EU law including non-discrimination, equal treatment, proportionality, transparency and mutual recognition.

- 23.6 The Regulations set out the minimum timescales for receipt of expressions of interest and tenders. Where the council has published a Prior Information Notice announcing its forthcoming contracts for the year ahead, then the council may rely on reduced timescales as set out in the regulations if appropriate.

- 23.7 When using any procedure under OJEU, the contract award is subject to a mandatory 10 calendar day standstill period. The 10 day standstill period starts on the day that all the suppliers are formally notified via either fax letters or e-mail of the decision to award the contract or conclude the framework agreement. This notice must also give details of the criteria for the award, the reasons for the decision, including the characteristics and relative advantages of the successful tender, their respective score against the evaluation criteria (as set down in the ITT) and the score and name of the winning tenderer, and the date before which the council will not enter the contract or conclude the framework agreement. (This standstill period cannot conclude on a non-working day, therefore if the 10th day falls on the weekend, then the standstill period will conclude at midnight on the following Monday). Once the 10 days have expired then on the next working day the council is able to place the contract with the successful tenderer (days to be added for bank holidays), if no valid challenge is received.
- 23.8 The regulations allow contracting authorities to reserve contracts for sheltered workshops and sheltered employment programmes, Public Sector Procurement Directive Article 20 (Regulation 20 of the Regulations) applies. This directive is committed to ensuring equality of employment opportunity for everyone.

24. Restricted Procedure

- 24.1 This is a two stage procedure. Stage 1 is a pre-~~selection~~ ~~qualification~~ stage and is used to de-select suppliers. Stage 2 is the tender stage and is used to determine a successful supplier to whom a contract will be awarded.
- 24.2 The opportunity must be advertised (see section 6).
- 24.3 Only those suppliers selected by the ~~C~~council may be invited to tender. Suppliers will be selected on the basis of published pre-~~qualification~~~~selection~~ criteria.
- 24.4 If the Regulations apply, a minimum of five suppliers must be invited to tender and in all other cases a minimum of three must be invited to tender.
- 24.5 The Restricted Procedure is the council's chosen standard process for procurements above the £150,000. Any other process can only be used if the relevant officers have agreed to waive this rule and have signed the necessary forms – see section 11.3.
- 24.6 If the regulations do not apply, tender timescales can be amended accordingly.

25. Open Procedure

- 25.1 This is a one stage procedure and is used where there are a limited number of suppliers and where timescales will not allow for use of the restricted procedure.
- 25.2 The opportunity must be advertised (see section 6).
- 25.3 Any supplier expressing an interest in tendering for the contract will be able to download the ITT documents.
- 25.4 The ITT must include information of the qualitative selection criteria (if applicable). A minimum requirement threshold score may be determined for the tender questionnaire and this will be published in the advert (or OJEU Contract Notice if applicable) and in the ITT documentation. Any supplier that scores below this minimum threshold is considered unsuitable and will be disqualified. There is no short listing step in the open procedure and all suppliers that score above the minimum requirement threshold must be evaluated.

26. Competitive Procedure with Negotiation

- 26.1 This procedure may only be used after consultation with the ~~strategic~~ pProcurement Services manager and having obtained the agreement of the Head of Legal Services. It may only be used in very limited circumstances and is rarely used by local authorities.
The opportunity must be advertised (see section 6).
- 26.2 Only those suppliers selected by the council are invited to tender. Suppliers shall be selected on the basis of published pre-qualification criteria. Any notice will state that a negotiated procedure is being used.
- 26.3 A minimum of three suppliers should be invited to negotiate following publication of a notice.
- 26.4 A minimum of two officers, at least one of whom must be a ~~strategic~~ pProcurement Services function representative or their delegate, must be present at all times during the negotiations.
- 26.5 The authorised officer must keep proper records of all negotiations and these will be signed as such by all participants.
- 26.6 At all times during the negotiations, the council will consider and implement the principles of non-discrimination, equal treatment and transparency.

27. Competitive Dialogue Procedure

- 27.1 The competitive dialogue procedure is for use where the ~~strategic~~ pProcurement Services manager considers that the open or restricted procedure will not allow the award of the contract due to the fact that it is a particularly complex procurement. It can only be used with the most economically advantageous award criteria and this must be stated in the contract notice or accompanying descriptive document.
- 27.2 The council envisages the competitive dialogue procedure being used for many private public partnerships where contracts are complex and the technical means and/or the legal and financial structure cannot be determined without dialogue with suppliers.
- 27.3 In the case of a particularly complex contract, you may be aware of your needs but not know in advance what the best technical, and/or legal and/or financial solution is. A competitive dialogue procedure between buyers and suppliers is therefore necessary to identify the solution or solutions that best meet their needs. Such a dialogue is not allowed under the current open and restricted procedures. However, the process is time-consuming and the most expensive method of procurement.
- 27.4 The opportunity must be advertised (see section 6).
- 27.5 The Regulations set out further rules which apply to Competitive Dialogue Procurements. Competitive Dialogue procurements should be referred to the council's ~~strategic~~ pProcurement Services function and legal services teams.

28. Innovation Partnership

- 28.1 The innovation partnership is for use where the Procurement Services manager considers it appropriate and where there is a need for an innovative product, service or work that cannot be met by purchasing products, services or works already available on the market.
- 28.2 It can be used to set up an innovation partnership with one partner or with several partners conducting separate research and development activities.

29. Negotiated procedure without prior publication

- 29.1 This procedure may only be used after consultation with the Procurement Services manager and having obtained the agreement of the Head of Legal Services. It may only be used in very limited circumstances.

30. Predetermined Framework Agreements

- 30.1 Framework agreements set up by third party organisations may be used after consultation with the ~~strategic~~ Procurement Services manager and Head of Legal Services.
- 30.2 Framework agreements established by the council will be procured in accordance with the regulations.
- 30.3 When awarding call-offs (individual contracts), under framework agreements, the authority does not have to go through the full procedural steps in the Regulations again so long as the rules were followed appropriately in the setting up of the framework agreements themselves.
- 30.4 Call-offs under the framework agreement should be awarded within the terms laid down in the framework agreement.
- 30.5 Arrangements to enter into a contract through a call-off agreement will still require appropriate authorisations as shown in the table of authorisation in section 21+9.

31. Concession Contracts

- 31.1 The Concession Contracts Regulations 2016 applies to over threshold public works concessions and public services concessions. The estimated value of a concession contract is the total turnover the concessionaire generates over the duration of the contract (exc VAT) in respect of the works, services and supplies which are the subject of the concession contract..
- 31.2 This procedure may only be used after consultation with the Procurement Services manager.
- 31.3 The Procurement Service function will use the Council's chosen portal for the advertising of all concession opportunities.

32. Pre-qualificationselection

- 32.1 The council will only enter into a contract with a supplier if it is satisfied as to the supplier's:
- eligibility in accordance with regulation 57 of the regulations and
 - economic and financial standing and
 - technical or professional ability in accordance with regulation 58.
- 32.2 ~~Technical ability includes the supplier's quality management systems including human resources, health and safety, equality and diversity provisions and environmental management systems where relevant to the performance of the contract.~~
- 32.2 ~~The council's standard pre-qualification questionnaire template document is available on the document library.~~
- 32.2 Pre-~~selection~~qualification shall not be used for procurements under the EU threshold. Instead, a number of suitability assessment questions may be used if they are relevant to the procurement and proportionate. These questions may relate to information or evidence which the council requires for the purpose of assessing whether suppliers meet minimum standards of suitability, capability, legal status or financial standing.

33. The Invitation to Tender

33.1 The invitation to tender (ITT) will include details of the council's requirements for the particular contract including:

- i. a description of the goods, services or works being procured;
- ii. the procurement timetable including the tender return date and time, which will allow a reasonable period for the applicants to prepare their tenders;
- iii. a specification and instructions on whether any variants are permissible (this must be stated in any OJEU notice);
- iv. the council's terms and conditions of contract;
- v. the evaluation criteria including scoring methodology and any weightings as considered appropriate;
- vi. pricing mechanism and instructions for completion;
- vii. whether the council is of the view that the Transfer of Undertakings Protection of Employment (TUPE) regulations may apply;
- viii. form and content of method statements to be provided;
- ix. a requirement for tenderers to declare that the tender content, price, or any other particulars concerning the tender have not been unnecessarily disclosed to any other party;
- x. any further information which will inform or assist tenderers in preparing tenders;
- xi. a statement that the council is not obliged to accept the lowest or any tender and that the tenderers are responsible for their own costs with regard to the tender;
- xii. the address for the return of a hard copy tender must be:

Plymouth City Council

~~Strategic~~ Procurement ~~Department~~ Services function

Ballard House

Plymouth

PL1 3BJ

Electronic tenders should be uploaded onto the Council's chosen portal

www.supplyingthesouthwest.org.uk

~~33.2 The council's standard tender template document is available on the document library.~~

33.2 The requirements of 31~~29~~.1 may be varied as appropriate for procurements falling under sections: 26- ~~C~~ompetitive procedure with negotiation, 27-~~C~~ompetitive dialogue ~~procedure~~), 28-Innovation partnerships, 29-Negotiated procedure without prior publication, and 30-~~P~~redetermined frameworks).

34. Submission and Opening of Tenders

34.1 Tenders must be submitted in accordance with requirements set out in the ITT. Hard copy tenders must be kept in a safe place by the ~~strategic p~~Procurement Services function ~~department~~ and remain unopened until the time and date specified for its opening. Tenders received after the specified date and time will not be considered or accepted by the council unless the ~~strategic P~~procurement Services manager is satisfied that there is sufficient evidence for the tender having been despatched in sufficient time for it to have arrived before the closing date and time.

- 34.2 Tenders must be opened by an officer of the ~~strategic P~~procurement Services function department and one or more officers of the project team. An immediate record will be made of the tenders received including names, addresses and the date and time of opening.
- 34.3 Prior to the tender evaluation all officers of the tender evaluation team are required to sign a declaration of direct or indirect interest, canvassing and confidentiality form. The completed form should be returned to the ~~strategic p~~Procurement Services function department.

35. Electronic Tendering

- 35.1 Requests for quotations (RFQs) and ITTs may be transmitted by electronic means. Quotations and tenders may be submitted by electronic means provided that:
- evidence that the transmission was successfully completed is obtained and recorded;
 - electronic tenders are kept in a separate secure folder under the control of the strategic procurement department, which is not opened until the deadline has passed for receipt of tenders.

36. Tender Evaluation

- 36.1 Tenders will be evaluated in accordance with the weighted evaluation criteria which must be detailed in the ITT.
- 36.2 All contracts will be awarded on the basis of the most economically advantageous offer which represents 'Best Value for Money' to the Ccouncil.
- 36.3 The evaluation criteria must be predetermined, given weightings, and listed in the ITT documentation, in order of importance if applicable. The criteria must be strictly observed at all times throughout the contract award procedure by any officer involved in the tender evaluation.

37. Evaluation Team

- 37.1 An evaluation team will need to be formed for each procurement subject to the Regulations or for goods and services valued above £100,000, or for works procurements valued above £200,000.
- 37.2 The project lead will determine the evaluation team appropriate to the procurement which may include but not be limited to the authorised officer, ~~strategic P~~procurement services function, legal & finance.
- 37.3 It is the responsibility of ~~the -strategic p~~Procurement Services function to ensure fairness and transparency in the evaluation of the tender.

38. Bonds, Guarantees and Insurance

- 38.1 For high value procurements, the evaluation team will consider as part of its pre-qualification assessment and evaluation process whether a performance bond and/or a parent company guarantee (if applicable) will be required from the preferred supplier.
- 38.2 The evaluation team must also consider the appropriate type and level of insurance requirements for each contract (e.g. employer liability, public liability, professional indemnity, etc.).

39. Award of Contract

- 39.1 A contract may only be awarded by an officer with the requisite delegated authority to award contracts. The authorised officer should make sure that the budget holder responsible for the contract has sufficient funds in place to sustain the contract prior to award. For all procurements valued at above £500,000 the decision to award a contract must be made by the cabinet member for the relevant portfolio. (See the table in section 21 which demonstrates the decision levels within the council).
- 39.2 In the event that the council does not wish to award a contract after evaluating a tender response the authorised officer should advise all suppliers in writing detailing the reason for the decision and the way forward.

40. Debriefing

- 40.1 The authorised officer responsible for the procurement will provide feedback to all unsuccessful tenderers, detailing the reasons for the decision, including characteristics and relative advantages of the successful tenderer. Scores of the unsuccessful bidder and the winning bidder must also be issued with the award decision.
- 40.2 Should the unsuccessful tenderer request a further debrief after receipt of the feedback detailed in section 39.1 it is the responsibility of the authorised officer to do so. ~~The standard agenda for the debriefing is available on the document library.~~

41. Contract Award Notice

- 41.1 Where a contract has been tendered pursuant to the regulations, the council will publish a contract award notice in OJEU no later than 30 days after the date of award of the contract.
- 41.2 Strategic procurement will publish the contract award notice:
- in OJEU (if required by the Regulations)
 - on the council's ~~chosen procurement~~ portal (~~www.supplyingthesouthwest.org.uk~~)
 - on Contracts Finder (only where the procurement is over £25,000)

42. Contract Management

- 42.1 Head of Service in sponsoring departments are to name Contract Managers for all new contracts. All contracts must have a named Contract Manager for the entirety of the contract.
- 42.2 Contract Managers must follow the council's contract management standards at all times.
- 42.3 Contract Managers must follow the contract management procedures set out on the document library

43. Copies of tenders and contracts and register of contracts

Keeping copies of old tenders and contracts

- 43.1 ~~Strategic Procurement~~ Services function must maintain a list of all tenders received.
- 43.2 For every individual contract above £100,000, a contracts file must be maintained by ~~Strategic Procurement~~ Services function, a copy of the contract must be kept by the Council for at least six years from their ~~contract~~ end date ~~if they were signed~~; and for at least 12 years from their ~~contract~~ end date if signed they were under--sealed.

44. Keeping a register of contracts

- 44.1 The ~~strategic~~ ~~P~~Procurement ~~Services function~~ ~~unit~~ will allocate a contract number to each individual contract with a total value over £25,001 and will maintain a register of all contracts awarded.
- 44.2 The contract register will be published in accordance with the Local Transparency – A Practitioners Guide to Publishing New Contracts and Tenders Data, November 2010.

45. What will the contract register record?

45.1 For each contract, the register will record:

- ~~what the contract is for~~ Title of the cContract;
- cContract description
- the total contract value;
- contract reference number;
- OJEU details (if applicable);
- ~~t~~The council officers s name, ~~&~~ contact details and service directorate;
- the name, address & contact details of the contractor;
- the start and end dates;
- the procurement method used;
- whether the contract can be extended and how;
- ~~Type of contract~~ Procurement category (PROCLASS or equivalent);
- nName of contract manager;
- whether a certificate was issued under the Local Government (Contracts) Act;

~~For the full list,~~ The contract register is available in the document library.

46. Joint Procurement

- 46.1 Any joint procurement arrangements with other bodies including membership or use of purchasing consortia must be approved by the ~~strategic~~ ~~P~~Procurement Services manager and the HHead of LLegal Services prior to the commencement of any procurement on behalf of the council.
- 46.2 Approval will only be given where the joint procurement arrangement assures compliance with the regulations.

47. Consultants

- 47.1 Any consultants used by the council must be appointed in accordance with these contract rules. The authorised officer must ensure that the consultant's performance is monitored.
- 47.2 Where the council uses consultants to act on its behalf in relation to any procurement, then the authorised officer must ensure that the consultants carry out any procurement in accordance with these rules.
- 47.3 No consultant may make any decision on whether to award a contract or who a contract should be awarded to.

48. Statistical Returns

- 48.1 Each year the council will make a statistical return to the government for onward transmission to the European Commission concerning the contracts awarded during the year under the regulations.
- 48.2 The ~~strategie-p~~Procurement Services manager is responsible for this statistical return and will make the necessary arrangements for information to be collected annually. Directors will comply with these arrangements.

49. Contract Extension and Variation

- 49.1 Any contract may be extended or varied in accordance with its terms. Where the terms do not expressly provide for extension an exemption must be sought, contracts subject to the regulations may be extended, if an exemption is approved, by negotiation in accordance with the rules set out in the regulations. Such extension must be notified to the individual cabinet councillor for the relevant portfolio and EU rules taken into consideration.
- 49.2 Other contracts may be extended only where authorisation has been agreed and a suitable contract extension/exemption form has been completed and duly authorised. The authorised officer must always be satisfied that extension will achieve best value for money and is reasonable in all the relevant circumstances.

50. EarlyTermination of Contracts

- 50.1 Contracts may only be terminated after seeking advice from the ~~strategie-p~~Procurement Services manager and the Head of Legal Services. For any contract exceeding £500,000 in value, termination must be approved by the cabinet member for the relevant portfolio. For any contract that is a key decision or is valued above £2,000,000 termination must be approved by cabinet.

51. Review and Amendment of Contract Standing Orders

- 51.1 These contract rules will be reviewed and updated on a regular basis by the ~~strategie~~ ~~P~~procurement Services manager.
- 51.2 The ~~strategie-p~~Procurement Services manager will produce guidance to the use of contract rules.

52. Interpreting Contract Standing Orders

- 52.1 Questions about the contract standing orders and any related guidance will be dealt with by the ~~Strategie~~ Procurement Services ~~M~~manager or Head of Legal Services. Their interpretation will be final.

RULES APPLYING TO THE DISPOSAL OF LAND AND PROPERTY

I When do the land and property disposal rules apply?

- 1.1** The land and property disposal rules apply to all disposals of land and property by the Council. They require each service department to formally determine whether a property is surplus to its requirements, after which all other service departments are given the opportunity to consider its re-use for operational purposes, before disposal. The respective ward Councillors are also notified of the pending disposal for their information
- 1.2** The rules aim to generate additional capital receipts, relating to property transactions.
- 1.3** As disposal of land held by Councils can be contentious it is important that officers follow the Council's land and property disposal guidelines to demonstrate good practice, avoid allegations of impropriety and avoid or defeat legal challenge. Where a disposal also involves construction works advice should be obtained from procurement or legal services to establish whether the [Contract Standing Orders](#) in relation to works contracts also apply.

2 Need to follow these rules

- 2.1** In order to comply with legislation and best practice it is essential that the procedures adopted for land disposals seek to obtain the best terms reasonably available:
 - (i) allowing all interested parties an equal opportunity to lease or purchase
 - (ii) avoiding partiality or bias
- 2.2** In respect of each disposal (or series of disposals) the corporate property team will declare the land/property surplus to requirements and available for disposal.
- 2.3** In respect of each disposal the Assistant Director for Economic Development will evaluate all relevant matters to the disposal of the property concerned and make a recommendation on the most appropriate method of disposal and in the case of disposal by private treaty, whether a special purchaser be offered direct negotiations. The evaluation will include the financial costs or benefit to the Council of the method of disposal recommended.
- 2.4** Every disposal of land by way of tender must comply with these rules and no exception from any of the following provisions of these rules shall be made otherwise than by the direction of the Council.

3 Tenders

- 3.1** Where land/property is to be disposed of by way of tender the Assistant Director for Economic Development will advertise the Council's intention in a suitable publication. The advertisement will include the following:
 - a description of the property to be disposed of
 - an indication that particulars are available from the commercial property service

- the date by which tenders should be returned

3.2 Tenderers shall be requested when returning the tender to provide such evidence of their financial standing as is deemed appropriate in respect of each disposal.

4 Use of select list tenders

4.1 Where land/property is to be disposed of by select list tender in order to facilitate development, the Assistant Director for Economic Development will publish an advertisement in a suitable publication inviting expressions of interest in the property to be disposed of.

4.2 All persons/organisations responding to the advertisement will be issued with particulars which will include details of the property to be disposed of and, if appropriate, an outline of the Council's objectives in securing disposal.

4.3 The particulars will stipulate the information that prospective purchasers will provide in order to be considered for invitation to tender. This will include:

- the prospective purchasers experience of property development
- copies of the prospective purchasers audited accounts covering the previous three years
- where appropriate, preliminary drawings of the development proposed

4.4 The closing date for deposit of submissions to the Council shall be stipulated in the particulars.

4.5 Invitations to tender shall be sent to not fewer than four of the persons who have deposited submissions in response to the advertisement. If fewer than four such persons apply, all shall be invited to tender if, in the opinion of the Assistant Director for Economic Development, they are suitable tenderers and subject to financial appraisal by the Responsible Finance Officer.

5 Information to be given to tenderers

Each invitation to tender, or where the tender is by way of open tender, the tender documents, shall state that no tender will be received except in a plain sealed envelope addressed to:

Legal Services
Plymouth City Council
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

which must bear the word TENDER and indicate the land/property to which it relates.

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5.2 clearly specify the date and time before which the tender must be returned. Any tender returned after the specified time shall not be considered and must not be opened but kept in a safe place by an officer delegated by the head of legal services until the tender has been

awarded. After award, the late tender may be opened to find out the name and address of the tenderer and returned to it, with a note recording the circumstances of its return.

- 5.3** that any indication on the envelope identifying the tenderer will invalidate the tender.

6 Receipt of tenders

- 6.1** All tenders will remain in the custody of the head of legal services until the time appointed for their opening.
- 6.2** The head of legal services will record, in a book to be kept for the purpose; the tenders received and indicate on each tender envelope received the date and time of such receipt.

7 Opening of tenders

- 7.1** Tenders will be opened at the appointed time by the head of legal services and Assistant Director for Economic Development or other senior officers authorised by them.
- 7.2** The representative of the head of legal services will list the names of the tenderers and where practicable the respective amount thereof.
- 7.3** The Assistant Director for Economic Development will initial the tenders and arrange for their immediate tabulation and any necessary further negotiation and checking.
- 7.4** The Assistant Director for Economic Development will give written notice to the Cabinet member of the time appointed for the opening of the tenders so that he/she may be present at the time.

8 Acceptance of tenders

- 8.1** No tender other than the highest tender will be accepted by the Cabinet member unless s/he and the monitoring officer have considered a written report from the Assistant Director for Economic Development.
- 8.2** As soon as possible after the opening of the tenders the Assistant Director for Economic Development will write to the unsuccessful tenderers informing them of the outcome of the tender exercise.

9 Informal and negotiated tenders

- 9.1** The preceding paragraphs will apply to informal and negotiated tenders unless they are inconsistent with this paragraph.
- 9.2** Following the opening of the tenders the Assistant Director for Economic Development or an officer authorised by him/her will enter into negotiations regarding the fulfilment of conditions but will not seek to increase the basic tenders put forward nor accept increased offers from unsuccessful tenderers.

- 9.3** In cases where the scale, complexity or perceived sensitivity of the negotiation is of particular importance, the negotiating officer will, whenever possible, be accompanied to meetings by another Council officer. (The requirement for a second Council officer will be deemed to be met if the negotiations are attended by an officer of another local authority

or government department or by a representative of external advisers appointed by the Council).

- 9.4** Meetings will normally take place at the Council's offices or at the offices of the Council's advisers, on site, at the premises of the prospective purchaser/lessee or those of their advisers or at the offices of another local authority or government department. Any departure from this practice will be formally recorded on file and notified to the head of service.
- 9.5** Notes of meetings and telephone calls should be recorded at the time on the file.
- 9.6** Where external consultants have been appointed to advise the Council, these rules apply equally to the external consultants as they would to Council officers.

10 Councillors role in land and property transactions

- 10.1** Councillors should not be involved in negotiations on land and property transactions with third parties. Councillor involvement in the discussion of initial scheme proposals (e.g. the assessment of schemes at expression of interest or formal tender stage) will occasionally be necessary but this should only be in the format of proper meetings and presentations organised in consultation with the Cabinet member and head of service. Such meetings must be recorded and noted on the file. Where a third party attempts to involve a Councillor in negotiations, the Councillor will refer the same to the Monitoring Officer and will have no further part in the transaction concerned.
- 10.2** No Councillor shall issue any order in respect of works required on any Council site or property.
- 10.3** Similarly, no Councillor shall claim any right to enter upon land and premises not in Council ownership but which the Council has a right or duty to inspect.
- 10.4** Any Councillor proposing to inspect any Council building or works shall not do so without the authority of the Head of Partnerships and Operations, in consultation with the Cabinet member responsible for property and shall report back to the Cabinet member.'
- 10.5** The Leader, Cabinet and Cabinet members will take executive decisions about land and property transactions based on written reports from officers.

11. Surplus Property Procedures

What are the procedures which apply when disposing of surplus operational property (excluding Minor Garden Land Disposals)?

A Advance Notification

Where there is potential for any property to become surplus to requirements, the relevant departmental officers will consult with the Cabinet member, departmental management team and with the relevant officers in the corporate property team at the earliest possible stage

B Surplus Property Declaration

Where property is no longer required for the purpose for which it was originally acquired or held, or has become unsuitable for purpose or is significantly underused, the responsible controlling head of service will, in consultation with the Cabinet member and departmental director, make a recommendation to the Head of Partnerships and Operations to declare the property surplus to requirements.

C Interim Management

Management of property declared surplus to requirements will immediately transfer to the corporate property team.

D Options for re-use

Upon being advised of property being declared surplus, the Head of Partnerships and Operations will inform all Council departments of its availability and a minimum of 14 days will be allowed for them to indicate any requirements for service provision. Ward Councillors will also be notified of impending disposal.

If surplus property is required for service provision and has a value in excess of £250,000, the head of service requiring the property will, following consultation with the Cabinet member, Head of Partnerships and Operations and departmental director, prepare a report for consideration by the corporate management team, which will determine whether the property should be retained, or proceed to disposal. If the property has a value less than £250,000 the decision to retain the property or proceed to disposal will be made by the Head of Partnerships and Operations in consultation with the Cabinet member responsible for asset management.

E Requirement for Service Provision

If the corporate management team determines that a property will be retained for future service provision, management will transfer to the head of service seeking the property or, in the case of public open space, revert to the original responsible head of service.

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F Disposal

If surplus property is not required for service provision, the Head of Partnerships and Operations and/or Assistant Director for Economic Development or other nominee will proceed to make arrangements for its disposal in accordance with the Council's land and property disposal guidelines.

If land declared surplus to requirements is underused public open space or allotments that by virtue of legislation require advertisements and the invitation of objections, an appropriate advertisement will be placed in the local press.

If objections are received in response to an advertisement of intention to dispose of public open space, the Head of Partnerships and Operations and/or Assistant Director for Economic Development will consult with the Cabinet member and prepare a report for consideration by the corporate management team to determine whether disposal should proceed.

G Minor Property Interests

Where land being prepared for disposal has a value of less than £200,000 and an area of less than 0.25 hectares, in the case of no alternative use having been put forward, the Head of Partnerships and Operations and/or Assistant Director for Economic Development may declare the property surplus to requirements.

However, the surplus property disposal procedure does not apply to minor garden/amenity land disposals (see policy for disposal of amenity land).

What rules apply when disposing of surplus non-operational property (Excluding Minor Garden Land Disposals)?

Non-operational property

H Leases Incorporating Options

In all cases where the Council is contractually committed to sell through clauses in existing agreements, the properties will be declared unconditionally surplus to requirements and the appropriately authorised officer will proceed to disposal in accordance with contract requirements.

I Other Income Producing Properties

The Assistant Director for Economic Development may declare property surplus to requirements if the following conditions are met:

- a) The property is an investment property – occupied and let in a non-operational capacity
- b) The property is not required for current or anticipated future service provision

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Properties to be sold or let will proceed to disposal in accordance with the Council's land and property disposal guidelines.

J Vacant Investment Property

If investment property is vacant or there is a reasonable likelihood of its becoming vacant and is no longer required for service provision, the Assistant Director for Economic Development will inform other Council departments of its availability for service provision and policies D, F and G above will apply.

K Formal Approvals

Approval Procedures

Decisions reached by the Head of Partnerships and Operations in relation to surplus property declaration and re-use of surplus property will be subject to the approval of the relevant Cabinet member for the property service or Cabinet where necessary (see Part C).

L Investment properties (including employment land)

Disposal Procedures

Sites and buildings which are held by the Council for economic policy reasons will be deemed to be surplus when disposals are contemplated with the objective of accommodating specific occupiers. In such circumstances, disposal negotiations will be undertaken by private treaty and based on normal market terms.

OFFICER SCHEME OF DELEGATION OF FUNCTIONS

I The scheme of delegation to Officers

I.1 The intention of the scheme is to authorise the Chief Executive or a first tier officer, to carry out responsibilities for

(i) All Council functions which the Council has not reserved to itself or delegated to a Committee or Sub Committee in this constitution and which Council has not authorised an officer to carry out.

(ii) All Executive functions where the Leader has not reserved the decision to himself or herself or delegated it to Cabinet, a committee of Cabinet, or a Councillor in this constitution, or in his or her scheme of delegation of functions, and which the Leader, the Cabinet, that Committee of Cabinet or Councillor has not authorised an officer to carry out.

- 1.2 The fact that an Officer is authorised to carry out a function does not require that Officer to give the matter his or her personal attention and the Officer may authorise an officer of suitable skills and experience to carry out that function. Any such authorisation must be set out in writing, kept by the Strategic Director and notified to the Monitoring Officer.
- 1.3 Where an Officer is authorised to carry out a function he or she will authorise another officer or officers to carry out that function in his absence, or as required by him or her.
- 1.4 Officers do not have to deal with all matters where they have authority to do so: they can refer the matter back to the Council a Committee or a Sub Committee or to the Leader the Cabinet a Committee of Cabinet or a Councillor.

2 Interpreting these rules

- 2.1 The scheme delegates functions of the Council or the Cabinet to officers and should be interpreted widely rather than narrowly. In cases of dispute as to the interpretation of this scheme the interpretation of the Monitoring Officer shall apply.
- 2.2 In the scheme “officer” means the holder of any post named in this scheme.
“Council functions” means those functions which are prescribed as Council functions by regulation
“Executive functions” means those functions which are prescribed as the responsibility of the Executive by regulations
“First tier officer” means an officer who reports directly to the Chief Executive and who does not carry out a role which has the primary function of carrying out an administrative or secretarial support role
“Second tier officer” means an officer who reports directly to a First Tier officer and who does not carry out a role which has the primary function of carrying out an administrative or secretarial support role.

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- 2.3 This scheme operates under the Local Government Act 1972, the Local Government Act 2000, the National Health Service Act 2006, the Localism Act 2011 and all other legislation conferring powers and responsibilities on the Council as amended consolidated or re-enacted from time to time.
- 2.4 Any reference to a statute, statutory provision or statutory instrument includes a reference to that statute, statutory provision or statutory instrument together with all rules and regulations made under it as from time to time amended, consolidated or re-enacted.
- 2.5 Where an Officer is authorised to carry out a function within this scheme of delegation or elsewhere in the Constitution, he or she has authority to do anything necessary to carry it out that function (unless it was forbidden when the responsibility was delegated).

Examples of this are the authority to sign all necessary documents, determine applications, authorise payments, authorise prosecutions, implement national agreements, issue and serve statutory and other notices, authorise entry to land in pursuance of statutory powers, and take statutory action if:

- a) the Officer has management or budget responsibility for the function concerned, and
- b) the law or the Council's standing orders do not require the action to be taken by someone else and
- c) the decision maker has had regard to any advice from the Chief Financial Officer under Section 114 of the Local Government Finance Act 1988 and the Monitoring Officer under section 5 of the Local Government and Housing Act 1989.

2.6 Limitations

This scheme does not delegate to officers:-

- Any matter which by law may not be delegated to an officer;
- Any matter reserved to full Council and which Council has not authorised an officer to carry out;
- Any decision that has been delegated to a Committee or sub Committee of Council and which that Committee or subcommittee has not authorised an officer to carry out;
- Any decision that has been reserved to the Leader or delegated to the Cabinet a committee of Cabinet or a Councillor; and which the Leader, Cabinet, Committee of Cabinet, or Councillor has not authorised an officer to carry out;
- Any matter which is a new policy or is a departure from the existing and agreed policy framework of the Council.
- Any decision that is not in accordance with the budget.
- Any matter in which the officer has a personal interest.

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- 2.7 Any exercise of delegated powers shall be subject to:-
Any statutory restriction
The Council's Constitution
The Council's budget and policy framework
Any other policies

- 2.8 In exercising delegated powers officers shall keep Members properly informed of activity arising within the scope of these delegations.

- 2.9 Any delegations or authorisations will remain in place until superceded.

APPOINTMENT OF PROPER OFFICERS

- 1.1 The Chief Executive, and all first and second tier officers are designated Proper Officers of the Council pursuant to Section 234 of the Local Government Act 1972, and empowered to sign, pursuant to Section 270(3) of the Local Government Act, 1972, any notice, order

or other document required to be made, given or issued to give effect to the powers delegated to them if:

- (a) they or one of their staff has budgetary or management responsibility for that function; and
- (b) the officer appointed is qualified to carry out the functions of a proper officer; and
- (c) the Council's standing orders or the law does not require the function to be carried out by someone else.

Legislation		Responsibility	Proper officer
Local Government Act 1972	Section 83(1) to (4)	Witnessing and receiving declarations of acceptance of office	Monitoring Officer
	Section 84(1)	Receiving a Councillor's resignation	Monitoring Officer
	Section 88 (2)	Calling a Council meeting to elect a chair if there is a casual vacancy	Monitoring Officer
	Section 89(1)	Giving notice of a casual vacancy	Monitoring Officer
	Section 100 except 100(d)	Opening meetings to the public	Monitoring Officer
	Section 100(d)	Listing background papers for reports and making copies available for the public to look at	All Assistant Directors

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	Section 115(2)	Receiving money due from officers	Responsible Finance Officer
	Section 146(1)(a) and (b)	Making declarations and certificates about transferring securities	Responsible Finance Officer
	Section 191	Receiving applications under Section 1 of the Ordnance Survey Act	Head of Legal Services
	Section 225	Depositing documents	Head of Legal Services
	Section 228(3)	Making accounts available for Councillors to look at	Responsible Finance Officer
	Section 229(5)	Certifying photocopies of documents	Head of Legal Services

	Section 234	Authenticating documents	Head of Legal Services and all Assistant Directors
	Section 238	Certifying byelaws	Head of Legal Services
	Section 248	Keeping a list of freemen of the city	Monitoring Officer
	Schedule 12, paragraph 4(2)(b)	Signing the summons to Council	Chief Executive
	Schedule 12, paragraph 4(3)	Being told where to send summonses to Council meetings	Monitoring Officer
	Schedule 14, paragraph 25	Certifying resolutions passed under this paragraph	Head of Legal Services
Local Government Act 1974	Section 30(5)	Giving notice that copies of an ombudsman's report are available	Strategic Director for Transformation and Change
Local Government (Miscellaneous Provisions) Act 1976	Section 41(1)	Certifying copies of resolutions and minutes	Monitoring Officer

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Local Authorities Cemeteries Order 1977	Regulation 10 and schedule 2	Signing exclusive burial rights	Head of Public Protection Service
Local Elections (Principal Area) Rules 1986	Rule 46	Keeping documents after an election and making them available for the public to look at	Electoral Registration Officer
Local Government and Housing Act 1989	Section 2(4)	Keeping the list of politically restricted posts	Assistant Director for Human Resources and Organisational Development
Local Government (Committees and Political Groups)		Dealing with political balance on committees	Monitoring Officer

Regulations 1990			
Local Authorities (Standing Orders) (England) regulations 2001		Giving notice of appointments and dismissals of officers in accordance with the regulations	Assistant Director for Human Resources and Organisational Development
Local Government Act 2000		Acting as proper officer for all the responsibilities in the Local Government Act 2000 and subordinate legislation	Monitoring Officer
Public Health Act 1936	Section 84	Cleansing of filthy and verminous articles	Director of Public Health Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit
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Public Health Act 1936	Section 85(2)	Cleansing of filthy and verminous persons and their clothing	Director of Public Health Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit
Public Health Act 1961	Section 37	Controlling verminous things	Director of Public Health

			Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit
Public Health (Aircraft) Regulations 1979	Regulation 5 and including all subsequent reference to medical officers		<p>Director of Public Health</p> <p>Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit (as Medical Officer of Health)</p>
Public Health (Ships) Regulations 1979	Regulation 5 and including all subsequent reference to medical officers		<p>Director of Public Health</p> <p>Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit (as</p>

			Medical Officer of Health)
Public Health (Control of Disease Act) 1984 as amended	Section 61 and 62	Powers to enter premises for health protection purposes, and supplementary powers of entry	<p>Director of Public Health</p> <p>Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit</p>
Public Health (Control of Disease Act) 1984 as amended	Section 48	Certification for removal of bodies to mortuary or for burial.	<p>Director of Public Health</p> <p>Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit</p>
Health Protection (Local Authority Powers) Regulations 2010	Regulations 8 (1) and 8 (2)		<p>Director of Public Health</p> <p>Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health</p>

			England Centre or by any successor agency or unit
Health Protection (Notification Regulations) 2010	Regulations 2, 3, and 6	Receipt and disclosure of notification of suspected notifiable disease, infection or contamination in patients and dead persons	Director of Public Health Consultant in Communicable Disease Control (CCDC), and any equivalently medically qualified officer as designated by the Devon, Cornwall and Somerset Public Health England Centre or by any successor agency or unit
Health Protection (Part 2A Orders) regulations 2010		Preparation of application for Part 2A Order	Director of Public Health

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Registration Services Act 1953		Power to act as proper office for the registration service	Assistant Director for Customer Services
National Assistance Act 1948	Section 47	Taking people in need of care and attention to a suitable place	Head of Strategic Commissioning
National Assistance (Amendment) Act 1951	Section 1	Certifying the need for immediate action	Head of Strategic Commissioning
Money Laundering Regulations 2003	Regulation 7	Being told about suspected money laundering	Responsible Finance Officer
Local government data handling guidelines under the Data Protection Act		Manage information risk within the Council's risk management framework	Responsible Finance Officer
Local Democracy, Economic Development and Construction Act 2009	Sections 31 and 32	Promote the role of and provide support to the overview and scrutiny committees; provide support and guidance to members	Assistant Chief Executive

		and officers in relation to the scrutiny function.	
Registration Services Act		Proper officer for registration of births, marriages and deaths	Assistant Director for Customer Services

Legislation in these tables includes any amendments, re-enactments and subordinate legislation.

PLYMOUTH CITY COUNCIL

Subject: Transfer of Corporate Fraud Team to Devon Audit Partnership

Committee: Cabinet

Date: 13th February 2018

Cabinet Member: Councillor Ian Darcy

CMT Member: Andrew Hardingham

Author: Jonney Steven

Contact details: Email: jonney.steven@plymouth.gov.uk
Phone: 01752 304023

Ref:

Key Decision: No

Part: I

Purpose of the report:

This report recommends to Cabinet a strategy that reduces the costs of the seven-strong Corporate Fraud Team (CFT) whilst maintaining the significant cashable and non-cashable benefits of the team based on a strategic business case. This is achieved by TUPE transferring the team from Plymouth City Council to the Devon Audit Partnership (DAP), of which Plymouth City Council are already a significant partner. The financial benefits are based on the ability of DAP to sell spare capacity in the team to their other partners and customers, generating new income which is passed back to PCC in the form of savings.

The Corporate Plan 2016 - 19:

The business case shows how the recommendations deliver our Pioneering vision through supporting the themes:

- Balancing the books – through the delivery of savings and income
- New ways of working – through a new model for service delivery
- Best use of Council assets – through using this service to further integrate with partners
- Working constructively with everyone – through supporting greater integration across partner organisations

It supports our Growing vision through supporting the theme:

- Quality jobs and valuable skills – through developing the skills of the team with growth potential

It supports our Confident vision through supporting the theme:

- Setting the direction for the South West – through bolstering a shared services partnership to deliver integration across the public sector
-

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land:**

Finance: The Financial outcome of the proposal to transfer the Corporate Fraud Service to the DAP shows a payback by year 2 with the service provided back to the Council contributing net benefit in the region of £50,000 from 2020/21. This reduces the residual efficiency target to circa £22,000 per annum from 2020/21. This is compared to retaining the service in house option of a shortfall of circa £72,000 per annum. The proposals will however cost £4,000 more in year one due to the one off set up costs and the gradual phasing of new income reflecting the time to establish and sell into a new market.

FRAUD SERVICE PCC	18/19	19/20	20/21	21/22
Residual Target to Find	£72,341	£72,341	£72,341	£72,341
DAP Financial Performance	£4,523	(£20,992)	(£50,748)	(£53,072)

Human: Seven members of staff are affected by this proposal and they have been informally consulted in an early engagement session. Staff are positive about the potential of this transfer. Once the decision is endorsed by Cabinet, PCC HR will work with DCC HR on the TUPE transfer of these staff from PCC to DAP (hosted by DCC) with a formal consultation process with unions and staff will be undertaken prior to any transfer being made.

IT: Transferred staff will continue to have access to PCC IT systems as well as the systems that DAP operate.

Land: Transferred staff will share office space with their Plymouth based DAP offices which are currently located in Midland House.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

At this stage there are no implications for these outcomes anticipated.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. It is recommended to approve the transfer of the seven members of the PCC Corporate Fraud Team (CFT) to Devon Audit Partnership, with a contract put in place for DAP to continue to deliver these services.

The reasons for this recommendation are that this transfer will:

- Enable the ongoing work at the same service level of the CFT to investigate and prosecute fraud against PCC
 - Enable the generation of income which will result in an annual saving to the PCC budget
 - Increase the resilience of the CFT
 - Strengthen a shared-services partnership of which PCC are a key partner (also increasing PCC's share of the partnership from 38% to almost 50%)
2. It is recommended to delegate the negotiation and signing of the aforementioned contract to the Joint Interim Strategic Director for Transformation and Change.
-

Alternative options considered and rejected:

The following options have been considered and are rejected as a result of the approval of the recommendations made in this report:

1. Service to remain in house as is
2. Entirely close the service

Published work / information:

None

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	pl171 8.186	Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Transfer of Corporate Fraud Team to Devon Audit Partnership

Report

I. Background on Plymouth City Council's Corporate Fraud Team (CFT)

I.1. Plymouth City Council's Corporate Fraud Team (CFT) investigate and prosecute an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or cause a loss which is perpetrated for the benefit of an individual to the detriment of PCC, by persons outside or inside the Council. These include:

- Social housing fraud
- False insurance claims
- Blue badge fraud
- Concessionary bus travel fraud
- Council tax fraud (Single Person Discount, Council Tax Support)
- Adult social care payments fraud
- Staff fraud (eg false expense claims; sickness absence; and abuse of position)
- School admissions

I.2. The team is comprised of seven members, all full time employees:

- Corporate Fraud Team Manager (Grade H)
- Technical Expert (Visiting) (Grade E)
- Technical Expert (Fraud) (Grade E)
- Technical Expert (Fraud) (Grade E)
- Technical Expert (Fraud) (Grade E)
- Technical Expert (Fraud) (Grade E)
- Intelligence Officer (Grade D)

I.3. The past few years have seen a great deal of change in the counter fraud area within Local Authorities. Our investigation team have moved away from the traditional investigation of housing benefit and council tax benefit to become the Corporate Fraud Team. The implementation of the Government's Single Fraud Investigation Service (SFIS) initiative under the Department for Work and Pensions (DWP) in 2015 meant that all 'benefit fraud' is now investigated by them.

I.4. PCC opted to keep the team in place and as the Corporate Fraud Team to continue to counter other fraudulent threats to our budgets and reputation. This did not occur in all Local Authorities, less than half (45.7%) of councils now have a counter fraud team tackling non benefit fraud. In Devon the situation is even worse, with only Plymouth having an organised and effective deterrent against fraud. There is no other genuine investigative, qualified counter fraud capability within Devon for LA's with any experience of corporate fraud case work.

I.5. This is not a statutory function but the savings generated, both in terms of cashable savings from returned funds and non-cashable savings in terms of costs avoided, have been demonstrated to far outweigh the cost of the team.

I.6. PCC is seen as the leader in the field in counter fraud work in the South West Peninsula; it has an experienced, committed and fully qualified team of investigators and administrators. All investigators are 'Accredited Counter Fraud Specialists' and all other team members are 'Accredited Counter Fraud Technicians' (validated by the University of Portsmouth). As such, there is a good opportunity to sell these services to other authorities who have disbanded their own Counter Fraud teams, utilising the investment we have made in our own team to generate income to help subsidise the service in future. This approach fits well with our Commercial Enterprise strategy.

- 1.7. A central government funded trial two years ago demonstrated the ability of the team to work with other authorities. The PCC CFT organised and ran the successful 'Devon Social Housing Fraud' project from start to finish in December 2015, quadrupling the initial investment of £200k obtained from the DCLG in non-cashable savings.
- 1.8. For the past 18 months the team have been trying to do this, but there appears to be a reluctance from other authorities to outsource this work to another authority. To counter this problem, our proposal is that the Counter Fraud Team are TUPE transferred from PCC to the Devon Audit Partnership where they will be better placed sell their services to other partners and customers of DAP due to existing commercial relationships already in place.

2. Background on Devon Audit Partnership (DAP)

- 2.1. Devon Audit Partnership (DAP) was formed in 2008 when Devon County Council, Torbay Council and Plymouth City Council pooled their internal audit functions into the newly formed partnership. The staff are 'hosted' by Devon County Council who provide their support services and are physically based at offices in Plymouth, Exeter and Torquay.
- 2.2. Since the partnership formed, additional partners have joined including Torridge District Council and Mid Devon District Council. In addition to the work for the partners, DAP also work under contract to a variety of other public sector partners including Devon and Somerset Fire and Rescue Service, Devon and Cornwall Police, Dartmoor National Park and some newly formed academy schools.
- 2.3. The organisation has a not-for-profit business model but any surplus from their operation belongs to the partners based on the ratio of business they put through DAP. PCC's ratio is currently 38% but with the possible additional work from Fraud Services, this would move to nearer 50%.

3. Background on proposed transfer of CFT to DAP

- 3.1. The proposal is to transfer the seven members of the CFT from PCC to DAP, following on from the precedent set when the PCC Audit team were moved from PCC to DAP in 2009.
- 3.2. Simultaneously, PCC will enter into a contract with DAP to provide the services that the CFT currently provide, based on a service level agreement, with the budget that funds this team paid to DAP as an addition to the current contract with DAP to deliver our Internal Audit. The level of the counter-fraud services will remain the same.
- 3.3. Since both PCC, CFT and DAP believe that they will be able to sell services to new customers, including the existing partners and customers of DAP, there will be a reduction in the budget that PCC pays to fund this team. This new work will be undertaken by the existing team, utilising spare capacity.
- 3.4. These income targets will be phased as follows to ensure the team has the time to market and sell the new services and can have a smooth transition to DAP:
 - Year 1 - £5,500
 - Year 2 - £27,500
 - Year 3 - £55,000
- 3.5. In addition, if DAP manage to bring in more income than the above in the first three years, PCC will see a corresponding reduction in the amount they pay to DAP.

- 3.6. In the event that DAP cannot bring in new income, and there is a need to make redundancies, the cost of redundancies will be borne by PCC in years one and two, 50/50 between PCC and DAP in year three and entirely by DAP in years 4 onwards.
- 3.7. The team members transferred will continue to be based in Plymouth, probably in the office space that DAP currently occupy in PCC's Midland House.
- 3.8. A SWOT analysis and risk mitigation report have been prepared to help analyse the benefits of this proposal and are attached in appendix to this report.
- 3.9. Research has also been undertaken by DAP around similar assurance partnerships, including an interview with another assurance partnership in their network (Veritau) which has a counter fraud service similar to that offered by the CFT. Max Thomas at Veritau gave positive feedback on the proposal in terms of the commercial viability of growing the counter-fraud work as part of a wider "assurance-based" offering.

4. Proposed Timeline

- 4.1. 23rd January PCC CMT approval meeting (paperwork by 18th Jan)
- 4.2. 30th January PCC Cabinet Planning Approval Meeting (paperwork by 25th Jan)
- 4.3. 13th February PCC Cabinet Approval Meeting (paperwork by 2nd Feb)
- 4.4. 1st March Formal HR consultation with staff begins
- 4.5. 1st May Transfer of staff

5. Financial Model

- 5.1 The financial case measures a baseline Corporate Fraud (retained in PCC) compared to the DAP proposal over 4 years to determine the level of growth and thus the point at which payback occurs.
- 5.2 The transfer of services into another organisation always creates two financial issues that need to be considered, LGPS Pension and back office Support Services costs. Careful consideration has been given to the presentation of these issues within the business case given the complexity and also the fact that a longer term view is needed to address them.
- 5.3 LGPS Pensions. The Council is ultimately responsible for any LGPS pension deficit that arises from the cohort of former Internal Audit Council employees who TUPE transferred to create DAP. The Council will also be responsible for the LGPS pension liability of the Corporate Fraud employees TUPE transferring. As the Council has this liability where the service is currently provided in-house it has been assumed to be the same in both financial models so has been ignored for the purpose of simplifying the analysis.
- 5.4 One off project costs of £1,500 are assumed for the LGPS pension actuary in the event a review at the point of transfer is needed.
- 5.5 Support Services. In reviewing the support service costs the model is based on an assessment of what support activities would be needed to operate the Corporate Fraud service assuming it transfers to DAP. The Support Service charges not required to operate the service needing to be addressed by the Council over time.
- 5.6 Thus, the business case financials make some key support service assumptions. They are:
 - 1. Only the support service costs that would be needed by the transferring services are in the scope of the financials in the business case.

2. Where these costs are in scope there will be stranded costs with the Council because DAP purchase most of their services from Devon County Council.
3. Support Service costs of activities that are not needed by the Corporate Fraud service are outside the scope of this business case. However, it has to be acknowledged that a separate review of the support services and their costs is needed as the Council changes shape to ensure the level of support service is right for the remaining organisation and any external clients buying back services from the Council.

5.7 There is a residual savings (income) target of £72,341 per annum assumed in the Councils Corporate Fraud budget, after the removal of a vacant post (£27,659). One of the drivers for the proposals for DAP to take on the Fraud service is the better entry to market position DAP has to drive income growth. To measure the internal service, with the residual target in it, against the DAP proposal would not enable a like for like comparison. Therefore, the income target has been removed from the Councils base. In essence the benefit gained from the DAP proposal would be a further contribution towards the residual target of £72,341 pa.

5.8 The Financial position is set out in detail in Appendices 3 with a summary below.

PAYBACK SUMMARY

	1	2	3	4
	18/19	19/20	20/21	21/22
DAP (with PCC consequential costs)	£258,076	£236,968	£211,708	£213,971
PCC Base	£253,553	£257,961	£262,457	£267,043
Difference	(£4,523)	£20,992	£50,748	£53,072
Cumulative	(£4,523)	£16,469	£67,218	£120,289
Payback Period		2		

FRAUD SERVICE PCC	18/19	19/20	20/21	21/22
Residual Target to Find	£72,341	£72,341	£72,341	£72,341
DAP Financial Performance	£4,523	(£20,992)	(£50,748)	(£53,072)
Net GAP for PCC to find (stranded cost)	£76,864	£51,349	£21,593	£19,269

5.9 The key points contained in the analysis are explained below.

1. Payback occurs at year 2
2. The net cost to the Council increases initially in the first year but then reduces over time from year 2
3. Income growth is a risk to DAP
4. Inflation has been included and the Council will fund this in the normal way under the existing arrangements with DAP
5. Additional costs have been assumed for the cost of setting up the arrangements (legal costs and pension actuary costs – worst case scenario)
6. The Council picks up the LGPS Pension deficit (should one arise)
7. DAP require Support Services budget and will use this to buy services from Devon County Council, this will leave the Council with real cash pressures of £3,000 per annum – this is factored into the modelling
8. Budgets have been removed from the baseline for costs that will not be required by DAP for this proposal (Pension deficit recovery rate, apprenticeship levy).

6. Outcomes

6.1. The following outcomes are envisaged from the proposed transfer of the Corporate Fraud team:

- Income generation resulting in savings to PCC
- Income generation resulting in future surplus being returned to PCC
- Improved resilience of service
- Jobs and investment retained in the region
- Strengthened relationships with other local authority partners including more cross-authority working

7. Other Delivery Options Explored

7.1. The following list of delivery options have been considered:

- 7.1.1. Service to remain in house as is
- 7.1.2. Entirely close the service

7.2. The service remaining in house has been rejected because this proposal offers a better financial position for PCC without affecting service levels. We have also attempted to sell services ourselves to bring in additional income but we have not been successful, with the desire to purchase services by neighbouring authorities limited.

7.3. The latter has been rejected due to the cashable and non-cashable savings that the team generates exceeding the cost of the team. The overall position would be worse if we did not have the position because fraud against PCC would go undetected and unchallenged.

8. Conclusion and Recommendation

8.1. A precedent for transferring appropriate services into a partnership with other regional Councils was set in 2009 with the transfer of Internal Audit to DAP. This successful transfer has paved the way for new services to move into DAP where savings can be demonstrated and additional income can be generated.

8.2. The CFT fits well with DAP, both in terms of their current offering and their 'end goal' of offering a wider range of assurance services across the South West Peninsula. Their increased ability to generate income from the existing team members enables PCC to be offered the same service but at reduced cost. The fact that we are a partner and as such, in effect, an owner of DAP means that their success will also be our success.

8.3. As such, it is recommended that the CFT is transferred from PCC to DAP.

Appendix 1: SWOT Analysis

Strengths	Weaknesses
<p>To PCC directly</p> <ul style="list-style-type: none"> Helps address the current budget pressure created by the unmet income target Any commercial success that the service has benefits PCC through their share of DAP <p>To DAP (of which PCC are a partner)</p> <ul style="list-style-type: none"> Fits with DAP vision of transforming into a wider assurance offering Service is already “up and running” allowing DAP to bring a new service to market quickly The team are well regarded as regional experts Would enable us to better compete with South West Audit Partnership The income target is phased with a low weighting in year one to help the service ‘bed in’ 	<p>To PCC directly</p> <ul style="list-style-type: none"> If the service does become very commercially successful, the benefits are shared with other DAP partners <p>To DAP (of which PCC are a partner)</p> <ul style="list-style-type: none"> As Housing Benefit Fraud is no longer with Councils, the appetite to pursue fraud might have diminished (the impact may now be perceived as less)
Opportunities	Threats
<p>To PCC directly</p> <ul style="list-style-type: none"> Reduces the budget pressure from FY2018/19 and in subsequent years Increased resilience of the fraud offering if it expands to do work for others Ability for new team members to specialise in niche areas if it expands to do work for others More ability for partnership working with other LA's in the fraud space, utilising their data to help fraud cases in our area <p>To DAP (of which PCC are a partner)</p> <ul style="list-style-type: none"> To build a new service offering for DAP, which could become the first step in DAP having a wider assurance offer Ability to target potential customers in the existing partners and customers – more likely to buy from DAP as they are a partner rather than a neighbouring LA Further potential public sector customers, again more likely to buy from DAP More kudos for DAP Potential to do some “no win/no fee” type work (i.e. CTax discount etc) with DAP clients Previous/current perceptions that DAP are not “forensic” in their investigation work – this may help to address this perception. Any change in legislation to make this a statutory service puts DAP in a very strong position 	<p>To PCC directly</p> <ul style="list-style-type: none"> If DAP sell the services to others, there might be capacity issues which affect the team's ability to focus on our work (note however that a significant increase in commercial income could fund additional resource) <p>To DAP (of which PCC are a partner)</p> <ul style="list-style-type: none"> The market for these services is not as strong as anticipated and income targets cannot be met. PCC CFT staff see this as a threat and aren't keen on transferring DAP staff see this as a threat or become distracted by the new offer. May result in more management time Not enough management capacity at DAP to sell this service

Appendix 2: Weakness and Threat Mitigation

Weakness/Threat Identified	Mitigation
If the service does become very commercially successful, the benefits are shared with other DAP partners	The initial benefit that the existing team members bring in in terms of additional income will be returned to PCC. Further growth of this service will result in all DAP partners benefiting – which is a fair reward for their investment.
As Housing Benefit Fraud is no longer with Councils, the appetite to pursue fraud might have diminished (the impact is now less)	There is no statutory requirement for Council's to pursue fraud, but the sales and marketing materials that will be developed will demonstrate the cashable and non-cashable savings that the CFT can bring to any of their new customers.
If DAP sell the services to others, there might be capacity issues which affect the team's ability to focus on our work	A detailed Service Level Agreement (SLA) will be developed and will continue to be monitored via our board membership of DAP, with our Section 151 Officer sitting on the board. The transition of the Internal Audit Team has not thrown up any problems in this regard.
The market for these services is not as strong as anticipated and income targets cannot be met	In this unlikely eventuality there may be the need for redundancies which PCC have agreed to cover in the first two years following transfer with shared responsibility in year three. This reduces the risk for DAP, and maintains the same level of risk for PCC in this regard as PCC has with the current situation.
PCC CFT staff see this as a threat and aren't keen on transferring	Informal discussion has been undertaken with the staff and they support the proposed transfer. A formal consultation will also occur once Cabinet have approved this proposal, with a staff engagement/communication plan developed jointly by PCC and DAB.
DAP staff see this as a threat or become distracted by the new offer. May result in more management time	As previous.
Not enough management capacity at DAP to sell this service	A lot of work has already been undertaken by the CFT manager to prepare to bring this service to market and this has been reviewed by the Commercial Enterprise Team at PCC. This should enable the service to be brought to the existing DAP partners and customers quickly and efficiently with minimal input from existing DAP management.

Appendix 3: Financial Analysis

FRAUD SERVICE TO DAP BEST CASE	18/19	19/20	20/21	21/22	TOTAL
Employee costs	£219,620	£224,012	£226,253	£228,515	£898,400
Other employee based costs	£3,193	£3,193	£3,193	£3,193	£12,772
Supplies costs	£5,915	£5,915	£5,915	£5,915	£23,660
Training	£6,500	£6,500	£6,500	£6,500	£26,000
Relevant Support Services (Office, ICT, HR)	£27,907	£27,907	£27,907	£27,907	£111,627
Total Expenditure	£263,135	£267,527	£269,767	£272,030	£1,072,459
Revenue & other Income	(£6,000)	(£6,000)	(£6,000)	(£6,000)	(£24,000)
New income	(£5,500)	(£27,500)	(£55,000)	(£55,000)	(£143,000)
Total Income	(£11,500)	(£33,500)	(£61,000)	(£61,000)	(£167,000)
TOTAL NET Budget	£251,635	£234,027	£208,767	£211,030	£905,459
PCC					
PCC recurring Costs - clientside	£0	£0	£0	£0	£0
Stranded Costs - Vacancy saving					£0
Stranded Costs - ICT (delt)	£1,718	£1,718	£1,718	£1,718	£6,873
Stranded Costs - Insurance	£1,223	£1,223	£1,223	£1,223	£4,892
Stranded Savings Target					£0
					£0
Project Set up Costs (legal and Actuary)	£3,500				£3,500
PCC Savings targets					£0
					£0
					£0
Sub-total	£6,441	£2,941	£2,941	£2,941	£15,265
Net DAP Model with PCC Clientside and Project Costs	£258,076	£236,968	£211,708	£213,971	£920,724

PCC Base Case

FRAUD SERVICE PCC	18/19	19/20	20/21	21/22	TOTAL
Employee costs	£220,390	£224,798	£229,294	£233,880	£908,361
Other employee based costs	£3,193	£3,193	£3,193	£3,193	£12,772
Supplies costs	£5,915	£5,915	£5,915	£5,915	£23,660
Training	£6,500	£6,500	£6,500	£6,500	£26,000
Relevant Support Services (Office, ICT)	£23,555	£23,555	£23,555	£23,555	£94,220
Total Expenditure	£259,553	£263,961	£268,457	£273,043	£1,065,013
Revenue & other Income	(£6,000)	(£6,000)	(£6,000)	(£6,000)	(£24,000)
New income	£0	£0	£0	£0	£0
Total Income	(£6,000)	(£6,000)	(£6,000)	(£6,000)	(£24,000)
TOTAL NET Budget	£253,553	£257,961	£262,457	£267,043	£1,041,013

PAYBACK SUMMARY

	1	2	3	4	TOTAL
	18/19	19/20	20/21	21/22	
DAP (with PCC consequential costs)	£258,076	£236,968	£211,708	£213,971	£920,724
PCC Base	£253,553	£257,961	£262,457	£267,043	£1,041,013
Difference	(£4,523)	£20,992	£50,748	£53,072	£120,289
Cumulative	(£4,523)	£16,469	£67,218	£120,289	
Payback Period		2			

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Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Draft Statement of Accounts 2016/17 and Annual Governance Statement	Carolyn Haynes	29			14									
Strategic Risk and Opportunity Register Monitoring Report and the Integrated Commissioning Risk Register	Mike Hocking				14						15			
Operational Risk and Opportunity Management - Update Report	Mike Hocking	29						7						
Risk and Opportunity Management Annual Report 2016/17	Mike Hocking	29												
Information Annual Governance Report	Mike Hocking / John Finch				14									
Annual Report on Treasury Management Activities for 2016/17	Chris Flower	29												

Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Treasury Management Practices, Principles and Schedules 2018/19	Chris Flower										15			
Mid-Year Treasury Management Report 2017/18	Chris Flower							7						
Treasury Management Strategy 2018/19	Chris Flower							7						
Counter Fraud Annual Report	Mike Hocking / Ken Johnson	29												
Health and Safety Annual Report	Clare Cotter				14									
Internal Audit Annual Report 2016/17	David Curnow / Brenda Davis	29												

Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Half Year Report 2017/18	David Curnow / Brenda Davis							7						
Internal Audit – Progress Report	David Curnow / Brenda Davis				14									
Internal Audit Follow Up Report 2016/17	David Curnow / Brenda Davis				14									
Internal Audit Charter and Strategy 2018/19	David Curnow / Brenda Davis										15			
Internal Audit Plan 2018/19	David Curnow / Brenda Davis										15			
Annual Report to Those Charged with Governance (ISA260 Report) 2016/2017 including Value for Money (VFM) (External Auditor)	External Auditor BDO				14									

Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
External Audit Progress Report	External Auditor BDO	29						7						
Planning Report (March 2018) (External Auditor)	External Auditor BCO										15			
Annual Audit Letter	External Auditor BDO							7						
Planning Letter (External Auditor)	External Auditor BDO	29									15			
Grant Claims and Returns Certification (External Auditor)	External Auditor BDO										15			
Integrated Commissioning – Finance Assurance Review Group – Annual Report 2016/17 including ASW Audit Programme for CCG	David Northey							7						

Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)	Alexander Fry	29												
Protecting the Public Purse – Counter Fraud Annual Report	Mike Hocking / Ken Johnson													
Review of Rolling Work Plan	Lead Officer/DSO	29			14			7			15			
Contract standing orders											15			
Transfer of Corporate fraud team	Steven Johnney										15			
Items to be Scheduled 2017/18														
Director of Children's Services Local Assurance Test Review	Carole Burgoyne	29												

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