

# Public Document Pack

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**Date:** Wednesday, 17 April 2024

**To: All Members of the Audit Committee**

Dear Sir or Madam

**Summons to attend the Audit Committee – Thursday, 25 April 2024, 10.30 am  
– Kenn Room**

A meeting of the Audit Committee will take place as indicated above.

The agenda is set out overleaf.

Yours faithfully

Assistant Director Legal & Governance and Monitoring Officer

To: Members of the Audit Committee

Councillors:

Patrick Keating (Chairperson), Marcia Pepperall, Joe Tristram and Richard Tucker (Vice-Chairperson).

Independent Members:

Peter Bray, Sharon Colk.

**This document and associated papers can be made available in a different format on request.**

## Agenda

### 1. **Public Participation (Standing Order 17 as amended by SO 5A)**

To receive written submissions from any person who wishes to address the Committee. The Chairman will select the order of the matters to be received.

Please ensure that any submissions meet the required time limits and can be read out in five minutes (up to a maximum of 30 minutes).

Requests and full statements must be submitted in writing to the Assistant Director Governance and Monitoring Officer, or to the officer mentioned at the top of this agenda letter, by noon on the day before the meeting and the request must detail the subject matter of the address.

### 2. **Apologies for absence and notification of substitutes**

### 3. **Declaration of Disclosable Pecuniary Interest (Standing Order 37)**

A Member must declare any disclosable pecuniary interest where it relates to any matter being considered at the meeting. A declaration of a disclosable pecuniary interest should indicate the interest and the agenda item to which it relates. A Member is not permitted to participate in this agenda item by law and should immediately leave the meeting before the start of any debate.

If the Member leaves the meeting in respect of a declaration, he or she should ensure that the Chairman is aware of this before he or she leaves to enable their exit from the meeting to be recorded in the minutes in accordance with Standing Order 37.

### 4. **Minutes of the previous meeting** (Pages 5 - 12)

Thursday 25 January to approve as a correct record (attached)

### 5. **Matters referred by Council, the Executive, other Committees and Panels (if any)**

### 6. **Risk Management Strategy** (Pages 13 - 36)

Report of the Director of Corporate Services and S151 Officer (attached)

### 7. **Treasury Management Indicators 2023-24 - Quarter 3 update** (Pages 37 - 50)

Report of the Principal Accountant for Resources & Financial Planning (attached)

### 8. **Audit and Assurance Annual Report 2023-24** (Pages 51 - 64)

Report of the Head of Audit and Assurance (attached)

### 9. **Audit and Assurance Plan 2024-25** (Pages 65 - 82)

Report of the Head of Audit and Assurance (attached)

- 10. Counter Fraud Annual Report April 2024** (Pages 83 - 92)  
Report of the Head of Audit and Assurance (attached)
- 11. North Somerset Council (External) Audit Plan 2023-24** (Pages 93 - 126)  
Report of the External Auditors (attached)
- 12. ICT Mobile Devices** (Pages 127 - 134)  
Report of the Information and ICT Security Manager (attached)
- 13. Proposed Constitutional Changes - Proposed Amendments to the Contract Standing Orders and Public Participation for Planning and Regulatory Committee** (Pages 135 - 194)  
Report of the Director of Corporate Service, Head of Procurement and Assistant Director Legal & Governance (attached)

**14. Urgent business permitted by the Local Government Act 1972 (if any)**

Any item of business which the Chairman is of the opinion should be considered at the meeting as a matter of urgency by reason of special circumstances (to be specified in the Minutes). For a matter to be considered as an urgent item, the following question must be addressed:

“What harm to the public interest would flow from leaving it until the next meeting?” If harm can be demonstrated, then it is open to the Chairman to rule that it be considered as urgent. Otherwise the matter cannot be considered urgent within the statutory provisions.

**Exempt Items**

Should the Audit Committee wish to consider a matter as an Exempt Item, the following resolution should be passed -

“(1) That the press, public, and officers not required by the Members, the Chief Executive or the Director, to remain during the exempt session, be excluded from the meeting during consideration of the following item of business on the ground that its consideration will involve the disclosure of exempt information as defined in Section 100I of the Local Government Act 1972.”

Also, if appropriate, the following resolution should be passed –

“(2) That members of the Council who are not members of the Audit Committee be

invited to remain.”

### **Mobile phones and other mobile devices**

All persons attending the meeting are requested to ensure that these devices are switched to silent mode. The Chairperson may approve an exception to this request in special circumstances.

### **Filming and recording of meetings**

The proceedings of this meeting may be recorded for broadcasting purposes.

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairperson. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting, focusing only on those actively participating in the meeting and having regard to the wishes of any members of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairperson or the Assistant Director Legal & Governance and Monitoring Officer’s representative before the start of the meeting so that all those present may be made aware that it is happening.

Members of the public may also use Facebook and Twitter or other forms of social media to report on proceedings at this meeting.

### **Emergency Evacuation Procedure**

#### **On hearing the alarm – (a continuous two tone siren)**

Leave the room by the nearest exit door. Ensure that windows are closed.

Last person out to close the door.

**Do not** stop to collect personal belongings.

**Do not** use the lifts.

**Follow** the green and white exit signs and make your way to the assembly point.

**Do not** re-enter the building until authorised to do so by the Fire Authority.

**Go to Assembly Point C – Outside the offices formerly occupied by Stephen & Co**

## Minutes

of the Meeting of

## The Audit Committee

Thursday, 25 January 2024

Kenn Room

Meeting Commenced: 10.30 am

Meeting Concluded: 11.57 am

### Councillors:

Patrick Keating (Chairperson)

Richard Tucker (Vice-Chairperson)

Marcia Pepperall

**Independent Members:** Peter Bray, Sharon Colk.

**Apologies:** Barrie Morris (Grant Thornton).

**Absent:** Councillor Joe Tristram.

**Also in attendance:** Councillor Roger Whitfield, Jeff Wring (Audit West), David Johnson (External Auditor, Grant Thornton).

**Officers in attendance:** Amy Webb (Director of Corporate Services), Melanie Watts (Head of Finance), Mark Anderson (Principal Accountant - Resources), Steve Ballard (Principal Accountant - Closure and Systems), Peter Cann (Head of Audit and Assurance), and Jessika Robinson (Committee Services Support Officer).

### AUD Public Participation (Standing Order 17)

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None.

### AUD Declaration of Disclosable Pecuniary Interest (Standing Order 37)

20

None declared.

### AUD Minutes of the meeting held on 23 November 2023

21

The Committee noted that the Independent Committee Members, Peter Bray and Sharon Colk were not recorded in attendance for the November meeting.

**Resolved:** that the minutes of the meeting on 23 November 2023 be approved as a correct record, subject to the attendance records being altered to include Peter Bray and Sharon Colk.

**AUD 22 Matters referred by Council, the Executive, other Committees and Panels (if any)**

None.

**AUD 23 Council Spending Controls**

The Director of Corporate Services delivered the Revenue Budget Update for 2023/24 detailing the Council Spending Controls

The report noted the pressures on the Council's revenue budget and the emergency measures that were being implemented to enable the Council to control spending as part of its plans to end the financial year without an overspend. The measures have been developed by researching and shared knowledge with other Local Authorities, informing the council about the likely outcomes and effectiveness of the measures.

The report outlined the increasing demand on key statutory services, notably in children's social care and home to school transportation and that the income the council receives to fund these costs is fixed and does not increase. Therefore, the council had a budget gap and a legal requirement to balance the budget at the end of each financial year.

A summary of the emergency budget actions was shared including the vacancy management process, a retrospective review of all transactions and a review and reprioritisation of ear-marked reserves

The Committee enquired about the town and parish council General Power of Competency, the scope for transference of North Somerset Council non-statutory duties and the un-capped precepts that town and parish councils have. It was confirmed that there had been instances where ownership of assets and services had been transferred in the past.

**Resolved:** that the Audit Committee noted the council Spending Controls and Revenue Budget Update for 2023/24.

**AUD 24 Audit Committee Workplan**

The Director of Corporate Services presented the Audit Committee Workplan and explained the purpose was to provide a forecast on what items would be bought to Audit Committee and when.

**Resolved:** that the Audit Committee Workplan was accepted.

**AUD 25 Annual Governance Statement 2023/24**

The Head of Audit and Assurance presented the plan for preparing the Annual Governance Statement for 2023/24 and advised that the Audit Committee had specific terms of reference given to it which requires it to consider the Annual Governance Statement and the framework which supports it which included

primarily the local code of corporate governance.

The Committee were asked to note that whilst the report describes the outline process for completion of the statement, work will be completed with the council's Section 151 Officer, as the statement is compiled to identify any detailed parts of the process which may benefit from being refreshed.

Members were advised that feedback previously provided by the Audit Committee in respect of amendments to wording and presentation was accepted and contained within the 2022/23 statement.

The Committee asked how serious incidents that had come to pass were identified. The process was explained and members were guided to section 3.2 of the report. There was a follow-up question about Annex A (External Review column) and what role the Ombudsman had in overall consideration of the AGS. The Officer gave an example of the complaints process and that if a lot of complaints were referred to and upheld by the Ombudsmen regarding a particular service area, then this could identify an issue of significance which could merit discussion/ consideration for inclusion.

**Resolved:** that the Audit Committee noted the Annual Governance Statement 2023/24 and the process for completion of the statement in partnership with the Section 151 Officer.

## **AUD 26** Internal Audit Plan 2024/25

The Head of Audit and Assurance presented the plan for developing the Internal Audit Plan for 2024/25. The Committee were advised that following the development process, they will be presented with a draft Audit Plan in April 2024 for their consideration.

The Audit Committee were asked to:

1. comment on any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2024/25.
2. note the intention to keep the plan under regular review, including a six-month progress assessment, to prioritise resources as required.

The Committee was advised that difficulty in recruiting audit specialists and budget restraints posed a risk to effective audit assurance. Members were then told of examples where the Audit Plan and process had returned value and opportunities for cost savings.

**Resolved:** that the Audit Committee:

1. had commented on the areas or themes it would like to be considered in relation to the Internal Audit Plan for 2024/25.
2. noted the intention to keep the plan under regular review, including a six-month progress assessment, in order to prioritise resources as required

3. acknowledged the significant activity taking place regarding internal audit and noted satisfaction with the actions being taken.
4. noted the request for members to feedback via email to the Audit Committee Chairperson, concerning areas that members would like to be considered on the 24/25 plan
5. noted the proposal to review the plan biannually.

## **AUD 27 North Somerset Council - Audit Progress Report and Sector Update**

The report was presented by the representative for the External Auditor, Grant Thornton. It was requested that the minutes reflect the following inaccuracies with the report:

1. the report title was "Auditor's Annual Report on North Somerset Council 2022/23" and not Audit Progress Report and Sector Update. The latter was incorrectly detailed on both the meeting agenda and workplan.
3. references were made about the "Cabinet" when this should have referenced the "Executive".
2. the report incorrectly referenced Swindon Council. This should have said North Somerset Council.

Assurances were given to the Committee that the contents of the report were specific to North Somerset Council and no other authority. The Committee was advised that it was not possible to unpublish documents that had been made a public record, but this would be corrected by documenting the errors within the minutes.

The Committee were asked to note the following Improvement Recommendations:

3. to strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within particular Corporate Plan outcomes. This would demonstrate clearly how the council was delivering the Corporate Plan outcomes through the capital programme.
4. that the Council should continue the on-going oversight of the action plan undertaken by the Children and Young People's Services Policy and Scrutiny Panel and subsequently to the Executive.

Members expressed it was reassuring to see that internal risks identified align to those that had been identified externally and that it was encouraging that there are so few recommendations.

**Resolved:** that the Audit Committee noted the Auditor's Annual Report on North Somerset Council 2022/23 and the improvement recommendations concerning the



capital programme and Children and Young People's Services.

## **AUD 28 Treasury Management Strategy 2024/25**

The Principal Accountant for Resources presented the report and the Committee were asked to note the Treasury Management Strategy 2024/25. The Audit Committee were asked to:

1. note the contents of the report which summarised the key components of the draft Treasury Management Strategy for 2024/25 and the associated impacts.

The report detailed:

4. how the Council planned to manage its cash-flows and resources in the year ahead to ensure effective treasury management.
3. the proposed Prudential & Treasury Indicators for 2024/25.
4. the proposed policy for making Minimum Revenue Provision in respect of repayment of the Council's external debt, within the revenue budget.

Members were advised the 2024/25 capital strategy was being developed and the final Treasury Management report to the Executive in February would include the actual level of new borrowing to support the capital plans, although this was not expected to vary significantly from that presented to the committee.

Interest rates were high, but it was anticipated that they would not remain so, impacting negatively on the income generated through the council's investments. The representative detailed the Environmental Social and Governance (ESG) investment position and ambition to invest a further £6m in ESG holdings. The Committee then debated the returns, wider impacts, and benefits of ESG investments compared to non ESG investments.

Members asked about the risks concerning treasury management and how these had been mitigated. It was explained that as previously highlighted, interest rates were set to decrease and that the investment strategy supported mitigation of the risks.

**Resolved:** that the Audit Committee noted the draft Treasury Management Strategy 2024/25 and the associated impacts.

## **AUD 29 Update of the Annual Accounts and Accounting Policies**

The Principal Accountant for Closures and Systems presented the Update of the Annual Accounts and Accounting Policies.

The Audit Committee were requested to note the following:

1. the developments in the CIPFA Code of Practice for Local Government

Accounts, inclusive of that there were limited changes to the Code for 2023/24.

5. the officers were proposing no significant changes to existing accounting policies in 2023/24.
4. the officers' initial assessment of the critical judgements made in applying the council's accounting policies, and the major sources of estimation uncertainty identified in the preparation of the 2023/24 accounts.
5. the requirement for the Council's accounts to provide a 'true and fair' view of the council's financial position and transactions, the concept of materiality, the initial assessment of materiality limits applied by officers in drawing up the accounts; and disclosures which, although not material due to their value, were considered material due to their nature.

Members asked questions regarding materiality. It was clarified that Auditors also gave a view on this and that the audit planning process would encapsulate emerging risks.

The Committee were keen to understand North Somerset Council's financial position in context with the local and national picture. It was not possible to provide insight into other authorities, but there were notable factors that had a positive impact on North Somerset Council's position, such as relative organisational stability, being a smaller authority, benefitting from tourism and the council's historic decisions to not make high risk investments.

Members further noted there was potential for further energy price increases and this could have an impact on North Somerset Council

**Resolved:** that the Audit Committee noted:

1. the developments in the CIPFA Code of Practice for Local Government Accounts, including that there were limited changes to the Code for 2023/24.
2. That officers were proposing no significant changes to existing accounting policies in 2023/24.
3. officers' initial assessment of the critical judgements made in applying the council's accounting policies, and the major sources of estimation uncertainty identified in the preparation of the 2023/24 accounts.
4. that the requirement for the council's accounts to provide a 'true and fair' view of the council's financial position and transactions, the concept of materiality, the initial assessment of materiality limits applied by officers in drawing up the accounts; and disclosures which, although not material due to their value, were considered material due to their nature.
5. The update of the council's Annual Accounting Policies

**AUD Urgent business permitted by the Local Government Act 1972 (if any)**

30

None.

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Chairperson

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## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25 April 2024**

**Subject of Report: Risk Management Strategy**

**Town or Parish: ALL**

**Officer/Member Presenting:**

**Amy Webb, Director of Corporate Services and S151 Officer**

**Key Decision: NO**

**Reason:** This is a refresh of the North Somerset Council Risk Management Strategy.

### Recommendations

That Audit Committee approve this refreshed Risk Management Strategy.

#### 1. Summary of Report

Following a request from the Director of Corporate Services the council's [Risk Management Strategy](#) was refreshed in 2022/23 and adopted by Audit Committee in September 2022.

The refresh was intended to ensure that:

- we have a clear vision and set of aims for how we manage risk.
- we are clear on what our risk management approach is including our risk management framework.
- we provide appropriate organisational-wide guidance on how to identify, analyse and control our risks.
- we have assurance that risk is embedded within decision making and is appropriately reported and escalated where needed.

The strategy included a commitment for an annual review and a refresh as needed. The Risk Management Strategy has now been reviewed for 2024/25 and refreshed as follows:

- to reflect the new council Corporate Plan vision and ambitions.
- to update the risk identification process flow to be clear on the difference between the strategic risk register and directorate risks registers and the responsibilities of risk holders and strategic risk owners, and the identification of them.
- to update the risk matrix to be clear on the link between the financial thresholds for strategic risks linked to the council's budget.
- to update the risk analysis section to be clearer on the role of mitigations and/or exploitations when managing risk to provide ongoing assurance.

Accompanying toolkits have also been updated to reflect these changes including the risk management matrix.

Risk management matrix:

Please use the guidance in the impact section		Likelihood				
		Rare – less than a 5% chance	Unlikely – 6% to 20% chance	Possible – 21% to 50% chance	Likely – 51% to 80% chance	Almost certain – 80% plus
Impact ↑	Critical – a major loss to a service including disruption of more than five days with significant impact on staff, a complete failure of project, affecting more than 25% of a budget or for strategic risks more than 5% of the council’s budget, litigation/claims/fines of £1m plus, not meeting our legal duties and putting at risk individuals at risk, impacting on several themes in the Climate Emergency Strategy	LOWMED 5	MEDIUM 10	HIGH 15	HIGH 20	HIGH 25
	High – service disruption of three to five days with high impact on staff, extreme delay to a project, affecting 16% to 25% of a budget or for strategic risks 4% of the council’s budget, litigation/claims/fines of up to £1m, significant impact for at risk individuals, impact on at least two of the thematic areas in the Climate Emergency Strategy.	LOW 4	MEDIUM 8	MEDIUMHIGH 12	HIGH 16	HIGH 20
	Medium – service disruption two to three days with some impact on staff, impact on a project inc. a failure of benefits, affecting 6% to 15% of a budget or for strategic risks 3% of the council’s budget, litigation/claims/fines of up to £500k, there are some safeguarding and duty of care impacts, impacts on at least one of the thematic areas in the Climate Emergency Strategy	LOW 3	LOWMED 6	MEDIUM 9	MEDIUMHIGH 12	HIGH 15
	Low – minimal service disruption with minimal impact of staff, minimal impact to a project, affecting 1% to 5% of a budget or for strategic risks 2% of the council’s budget, litigation/claims/fines of up to £250k, consideration to be given to safeguarding and duty of care impacts, minimal impact to the thematic areas in the Climate Emergency Strategy.	LOW 2	LOWMED 4	LOWMED 6	MEDIUM 8	MEDIUM 10
	Negligible – little service disruption with little impact of staff, minimal impact to a project, affecting up to 1% of a budget or for strategic risks 1% of the council’s budget, litigation/claims/fines of up to £100k, minimal or no safeguarding and duty of care impacts, not impacting any of the thematic areas in the Climate Emergency Strategy.	LOW 1	LOW 2	LOW 3	LOWMED 4	LOWMED 5

**2. Policy**

North Somerset Council is legally required to have robust risk management arrangements in place. Those arrangements are intended to contribute to the good corporate governance of the organisation.

**3. Details**

The Risk Management Strategy includes the vision, aims and approach for how we manage risk in North Somerset Council.

Our vision is as follows:

- Our Risk Management Strategy supports us to make honest, evidence-based decisions and realise opportunities through a good understanding of risks and their likely impact. We are committed to being a risk aware rather than a risk averse organisation.

Our aims are to ensure that:

- Risk management is well structured through an agreed framework of identifying risks to reporting them.
- Risk management is embedded in our organisational activities to support decision-making.
- Risk management is well managed through a robust governance structure.
- Risk management is collaborative, is informed by the best available information, and is continually improved through learning and experience.

Our approach to achieving this vision and the aims is to:

- Have a robust and consistent risk management framework including an agreed risk management matrix.
- Establish clear roles, responsibilities, and reporting lines within the council for risk management.
- Provide a risk management toolkit and detailed guidance to use that toolkit.
- Communicate risk information effectively through our quarterly business planning and performance framework.
- Independently monitor the arrangements in place for risk management on a regular basis.

Alongside this Risk Management Strategy, a number of toolkits are provided to support risk identification, analysis and control, and escalation. These are embedded in the council's Programme Management Office offer. Additionally, guidance on corporate decision making is available to provide additional information in report templates.

The strategy is provided alongside this covering report. Toolkit links are available as part of our Programme Management Office internally for staff as needed.

#### **4. Consultation**

The Director of Corporate Services has sponsored this strategy refresh which has been undertaken by the Head of Business Insight, Policy and Partnerships.

Members of Audit Committee have been consulted on the updates to this strategy and given an opportunity to feedback.

Statutory Officers have been consulted on the updates to this strategy and given an opportunity to feedback.

#### **5. Financial Implications**

None from this report.

#### **6. Legal Powers and Implications**

The updated Risk Management Strategy will continue to contribute to the good governance of the organisation.

#### **7. Climate Change and Environmental Implications**

No specific implications from this report but possible climate impacts, aligned to the themes in the Climate Emergency Strategy, are included in the refreshed Risk Management Matrix to be used as part of any future risk analysis.

#### **8. Risk Management**

Not refreshing the Risk Management Strategy would put the good governance of the organisation at risk. Risk analysis shows this as a MEDHIGH inherent risk and treatment is to mitigate by refreshing the strategy and embedding across the organisation. Once refreshed the residual risk should fall to LOWMED at which point this risk can be accepted.

Theme	Finance and resources (inc. staff)
Risk	Not refreshing the Risk Management Strategy will negatively impact the good governance of the organisation.
Risk holder	Emma Diakou
Strategic risk owner	Amy Webb
Inherent risk	<b>MEDIUMHIGH</b>
Inherent risk treatment	Mitigate
Mitigating / exploiting actions	Update the strategy.
Has the mitigation reduced the likelihood?	YES
Has the mitigation reduced the impact?	YES
Residual risk	<b>LOWMEDIUM</b>
Risk treatment	Accept

## **9. Equality Implications**

No specific implications from this report but possible impacts on residents and on staff are included in the refreshed Risk Management Matrix to be used as part of any future risk analysis.

## **10. Corporate Implications**

North Somerset Council is legally required to have robust risk management arrangements in place. Those arrangements are intended to contribute to the good corporate governance of the organisation.

It is a requirement as part of the Business Planning Framework for all directorates to hold a risk register that is aligned to their business plan and considered at least quarterly by their Directorate Leadership Team.

A strategic risk register is held by Corporate Leadership Team and reviewed at least quarterly by Corporate Leadership Team, by Executive members, and by Audit Committee.

## **11. Options Considered**

To not refresh the Risk Management Strategy might negatively impact on the good governance of the organisation.

### **Author:**

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Corporate Services Directorate  
North Somerset Council  
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### **Background Papers:**

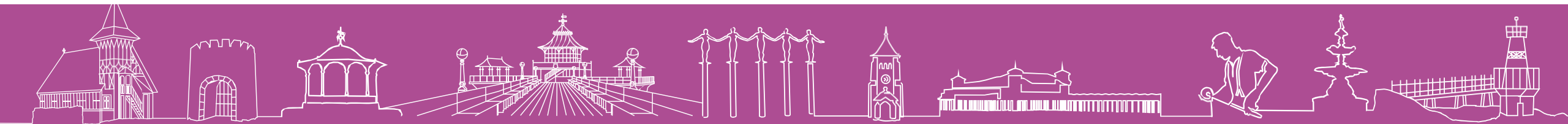
- North Somerset Corporate Plan: [Organisational priorities | North Somerset Council \(n-somerset.gov.uk\)](#)
- North Somerset Council Risk Management Strategy: [Risk Management Strategy](#)



# North Somerset Council Risk Management Strategy

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April 2024



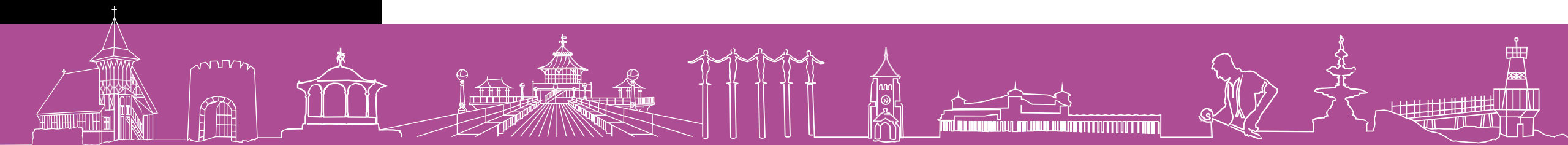
## Overview

North Somerset Council is legally required to have robust risk management arrangements in place. Those arrangements are intended to contribute to the good corporate governance of the organisation and are outlined in this Risk Management Strategy. The strategy supports the delivery of our Corporate Plan vision to be *open, fair and green* and to contribute to our ambitions:

- Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive
- Our communities are caring, healthy and safe, where people help each other to live well
- Our towns and villages are thriving and sustainable places to live, work and visit
- Our council delivers consistently good services and value for money to support our community

This strategy is updated annually in consultation with the council's [Audit Committee](#) and as part of our regular business planning framework.

- [North Somerset Corporate Plan](#)
- [Background and introduction to this strategy](#)
- [Understanding risk](#)
- [Strategy vision and aims](#)
- [Risk management framework](#)
- [Embedding the framework](#)
- [Governance](#)
- [Collaboration, information and continual improvement](#)
- [More information](#)



# Our vision

An Open, Fair, Green North Somerset



## Open

You told us open means being honest and transparent. It means listening to you and your views on the decisions we make. It means being accountable for how we spend your money and ensuring we provide the very best value we can.



## Fair

You told us fair means being accessible and inclusive in how we work. It means listening to the views of all groups and acting on local issues. It means ensuring equity in access to services.



## Green

You told us green means we take our responsibility to respond to the climate emergency seriously. It means we do all we can to understand the impact our actions have on the environment and mitigate them where possible.

# Our ambitions

1.

Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive

2.

Our communities are caring, healthy and safe, where people help each other to live well

3.

Our towns and villages are thriving and sustainable places to live, work and visit

4.

Our council delivers consistently good services and value for money to support our community

# Our values



We act with **INTEGRITY**



We **RESPECT** each other



We **INNOVATE**



We **CARE**



We **COLLABORATE**

## Background and introduction

We are living through a period of rapid change locally, nationally and across the world. In recent years we have declared a climate and biodiversity emergency, have managed through a global pandemic, and a cost-of-living crisis. All of this has happened against a backdrop of a worsening financial position, not just for local government but the country as a whole.

The challenges North Somerset Council have faced have been unprecedented. We are seeing an increase in demand for our services, shifts in the demographic profile of our area contributing to that demand, an ever-evolving digital landscape including the emergence of generative AI, and changing customer expectations. There is evidence that North Somerset continues to show inequality across the life course, with our residents living in more deprived areas having poorer life chances and worsening health and wellbeing outcomes.

However, we continue to be responsive and innovative to address these challenges. We have strengthened our partnerships with local businesses, voluntary organisations, town and parish councils and other public services like health. We have also seen community organisations flourish and become part of the service delivery landscape, offering innovative, trusted solutions to some of these challenges.

All of this means that the risk environment has changed, and we are seeing both an *increased* number of risks and a *change* in the type of risks. It is essential that we have a robust Risk Management Strategy in place, embedded throughout the organisation to manage these risks but also to manage any opportunities they might create.

It is also essential that we manage our risks in a transparent and informed way. We are accountable to our Corporate Leadership Team, our Executive Members, the Audit Committee and our residents for the way in which we implement risk management. We need to continue to demonstrate that we have a structured approach, which is embedded into our planning and reporting cycles and decision making processes at all levels.

Our updated Corporate Plan reconfirms our vision to be open, fair, green and sets out our broad ambitions and commitments for how we want North Somerset and the council to develop. This updated Risk Management Strategy supports that new plan.



# Understanding risk

## What do we mean when we talk about risk?

Every aspect of our work involves some level of risk. From policy making to financial management to the day-to-day delivery of services, risk is inherent in everything we do.

At the simplest level, risk is simply the uncertainty of something happening. That ‘something’ could be a negative threat or a positive opportunity. It becomes a risk if it is likely to have an impact on the achievement of our statutory services and Corporate Plan ambitions either because the negative ‘something’ has not been managed or the positive opportunity was not taken advantage of.

## Where are these risks?

Risks can be operational and/or strategic. Operational risks exist at service or team level and are generally related to the day-to-day work of that service or team. They can become a strategic risk when they are significantly impacting on the achievement of our Corporate Plan ambitions (significant based on the risk scoring). An example being that the finance team will manage a risk around achieving a balanced budget at year end as part of their business-as-usual work. This will become a strategic risk if there is a high likelihood that the budget will not be balanced and so impact on our ambition to ensure ‘our council delivers consistently good services and value for money to support our community’ as well as our statutory responsibilities.

## Why do we need to manage risks?

Being risk aware can help an organisation be more innovative and responsive. By managing risks we can ensure that we understand the risk type i.e. is it operational or strategic, the risk likelihood (how likely it is to happen), and the risk impact (what will happen if it does). We can also consider risk in the wider context of our vision – to be open, fair and green – linking in with our Climate Emergency and reducing inequalities commitments.

Good risk management means that we are actively managing any uncertainty and ensuring there are no surprises, ultimately this means good corporate planning and governance.

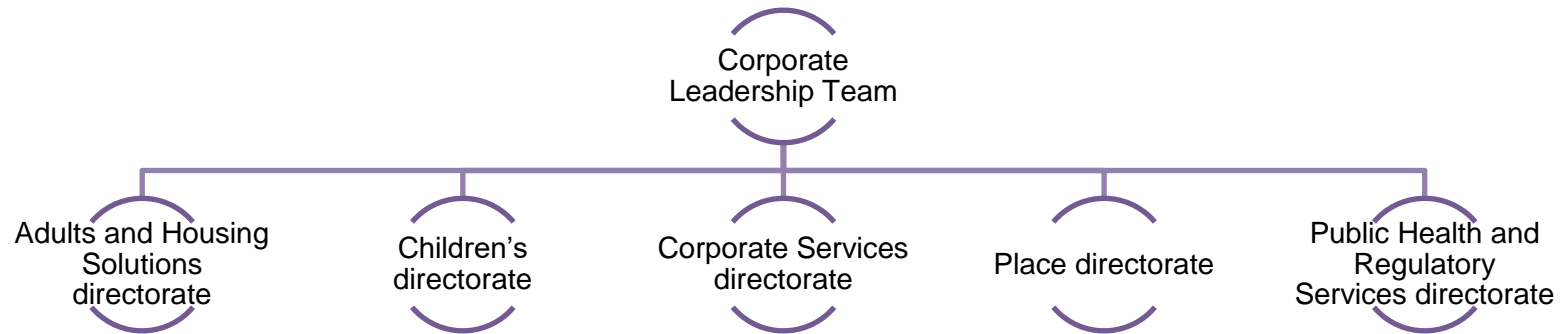


# Managing risk in local government

Councils are by their nature highly complex organisations, responsible for the delivery of hundreds of services for people and businesses across their defined area. Among them are well known functions such as social care, schools, transport, housing, planning and waste collection, but also lesser known services such as licensing, business support, registrar services and pest control.

In North Somerset Council functions are provided across five directorates: Adults and Housing Solutions, Children’s Services, Corporate Services, Place, and Public Health and Regulatory Services, the directors of which sit on our Corporate Leadership Team (CLT) with the Chief Executive.

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The organisation’s risk appetite is set at a strategic level by CLT and guides how much risk we are willing to seek or accept to achieve our ambitions. Our risk appetite will change over time and will always be reflective of our current position in terms of ensuring we fulfil our statutory duties and that we work within our funding envelope. On that basis, we commit to being a risk aware rather than a risk averse organisation and agree that we should encourage managed risk taking at service level in order to work towards achieving our Corporate Plan ambitions. However, risks must be reflected in our operational risk registers so that Directorate Leadership Teams can analyse and control them where needed. We also note that the level of managed risk and the specific appetite for those risks will differ across directorates given the scope of services. So what might be an acceptable level of risk in Corporate Services might not be an acceptable level in Children’s Services. Directors are required to make decisions for their services on what ongoing risk appetite is acceptable.



## Strategy vision and aims

Our vision

### The over-arching vision for this strategy:

Our Risk Management Strategy supports us to make honest, evidence-based decisions and realise opportunities through a good understanding of risks and their likely impact.

We are committed to being a risk aware rather than a risk averse organisation.

Our aims

### The aims of this strategy are that...

- Risk management is well structured through an agreed framework of identifying risks to reporting them.
- Risk management is embedded in our organisational activities to support decision-making.
- Risk management is well managed through a robust governance structure.
- Risk management is collaborative, is informed by the best available information, and is continually improved through learning and experience.

Our approach

### We will achieve these aims by...

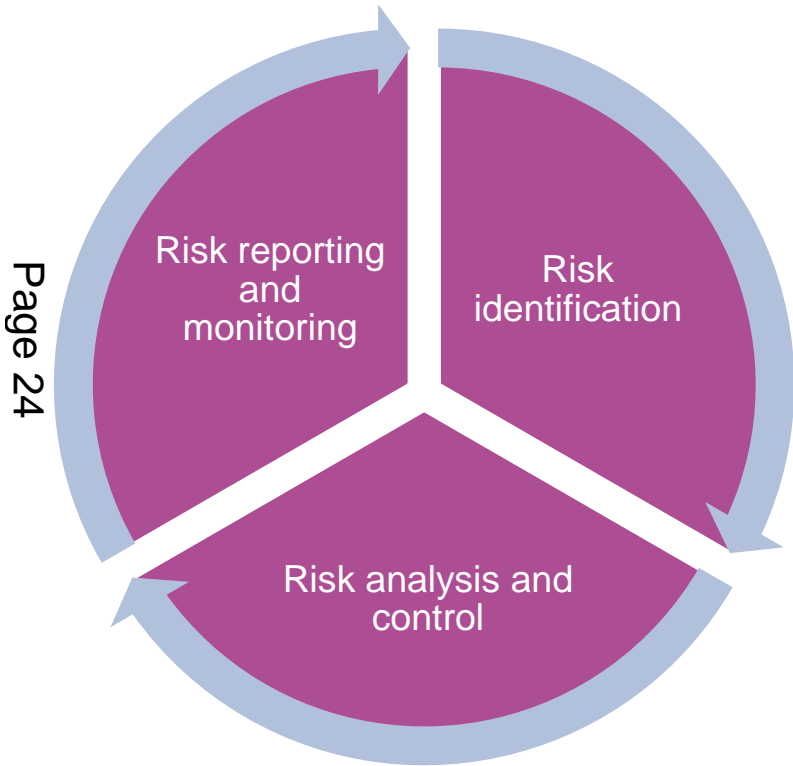
- Having a robust and consistent risk management framework including an agreed risk management matrix.
- Establishing clear roles, responsibilities and reporting lines within the council for risk management.
- Providing a risk management toolkit and detailed guidance to use that toolkit.
- Communicating risk information effectively through our quarterly business planning and performance framework.
- Independently monitoring the arrangements in place for risk management on a regular basis.



# Risk management framework

**Our aim: The risk management processes is well structured through an agreed framework**

Our risk management framework is structured in line with best practice guidance from [HM Treasury](#). It includes risk identification, risk analysis and control, and risk monitoring and reporting.



- **Risk identification:** the process to understand the scope of risk across the organisation and where those risks are held. Risk identification should be part of the wider business planning and performance framework of the organisation so that risk management is embedded within our service delivery.
- **Risk analysis and control:** the process to understand the type of risks, the severity of them, how they will be treated, and the risk holders and strategic owners. This step in the framework is essential to ensure that risk is managed in a consistent way across the organisation and that we are comparing like for like.
- **Risk monitoring and reporting:** the process by which risks are monitored and reported in an integrated, timely and accurate way. This is essential to ensure we have strong corporate governance.





## Risk identification

Risk exists at all levels in the organisation, from day-to-day service activity (operational) through to the business of the Corporate Leadership Team (strategic). The identification of risk – whether operational or strategic – is built into the council’s Business Planning and Performance Management Framework.

This framework aims to monitor progress against our Corporate Plan ambitions. We do this on an annual basis by reviewing what we will deliver in-year against the Corporate Plan action plan (our commitments) and including this in Annual Directorate Statements, which are essentially the business plans for each directorate. These are then reviewed and reported quarterly. Services build their Service Strategies, their Team Plans and undertake their appraisals on the basis of the commitments made in the Annual Directorate Statements. This is the organisational ‘golden thread’ and ensures that all staff are working towards the same goals.

Alongside the development of the Annual Directorate Statements, directorates also identify any risks which might challenge achievement of those commitments. These risks are themed based on whether they are impacting finance and resources, transformational activity, the climate emergency, residents and communities, or corporate governance. These risks and the themes then become the risk registers for each directorate. Any operational risks are picked up to be managed by teams and are used to feed service or project specific risk registers, which in turn may escalate back up into the directorate level risk register.

Strategic risks are identified at an annual CLT risk session where the national and regional risk registers are considered alongside a cross-directorate analysis. All risks are reviewed at least **quarterly** and any newly identified risks folded into the appropriate risk register.

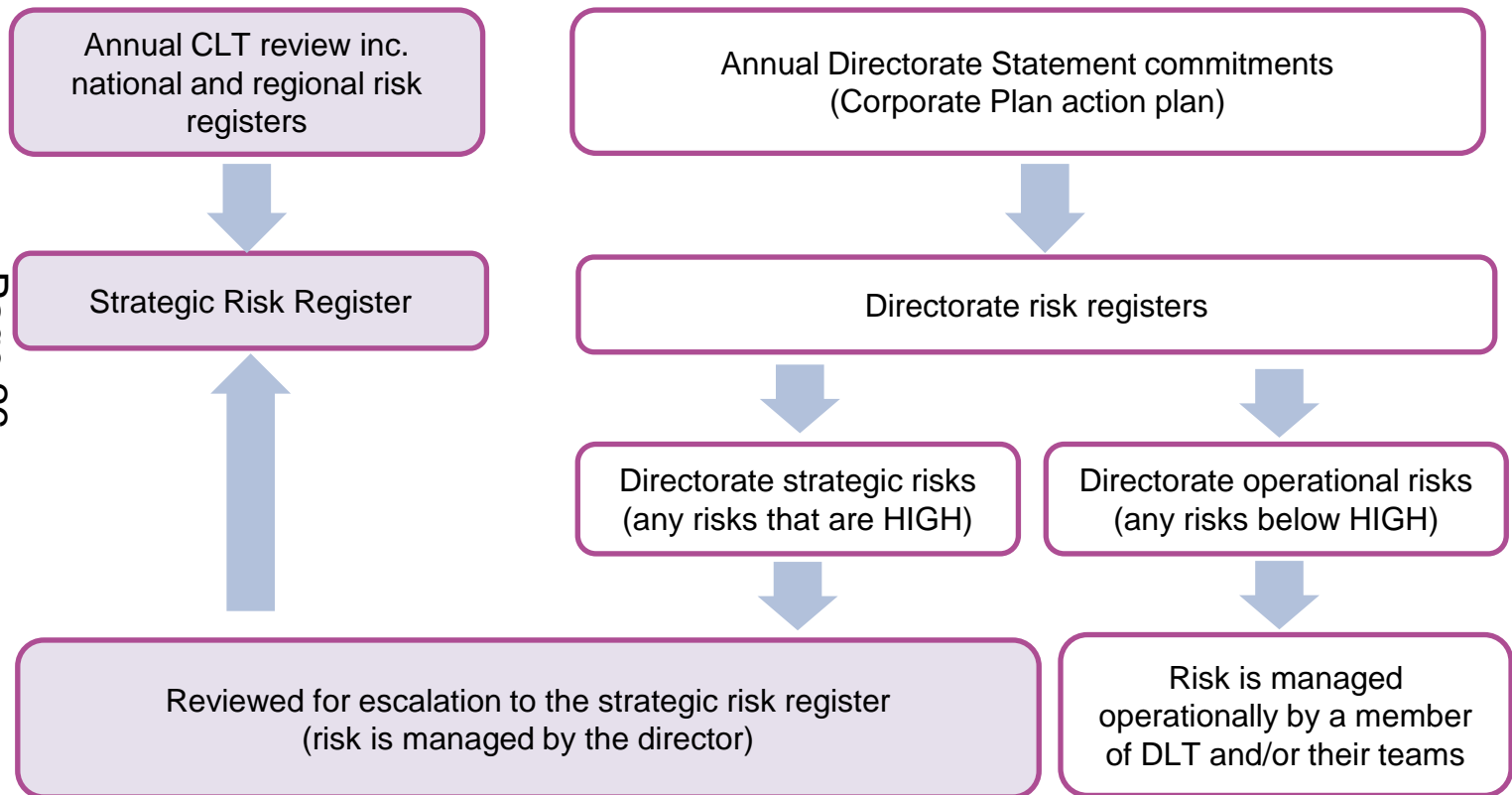
This approach ensures that we have integrated risk management into all levels of our business planning framework, and ultimately how we run our services.



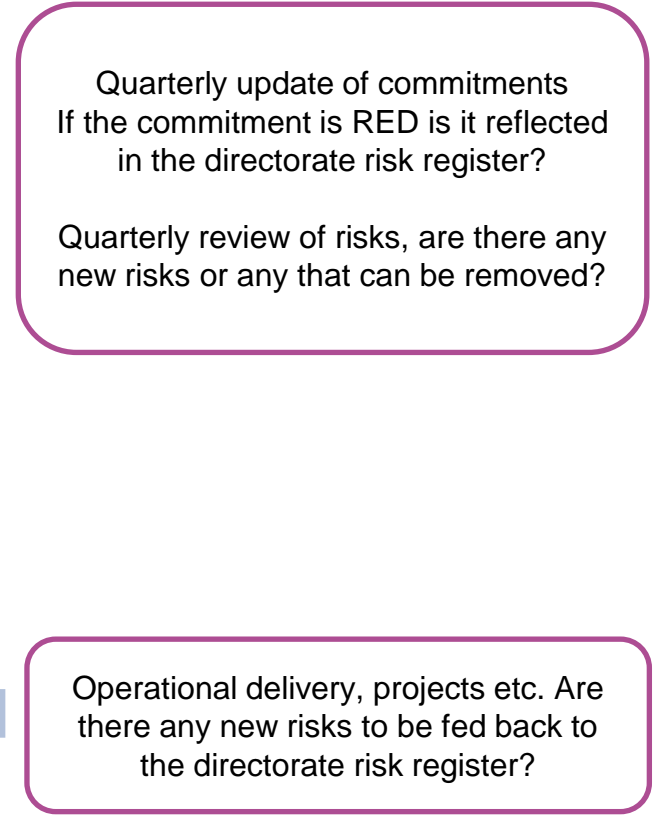
# Risk identification: process flow

Risk identification can be summarised in this process flow diagram:

## Initial identification of risks:



## Ongoing quarterly identification of risks:



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## Risk identification: risk holders and strategic owners

Risk is a part of everything we do. We all manage risk every day even if we don't realise it. As part of the risk identification process all risks within the business planning framework must have:

- A risk holder, usually a member of the Directorate Leadership Team
- A strategic owner, a member of Corporate Leadership Team, usually the director, named officer.

Identification of risk holders and strategic owners ensures that:

### Risk holder

- A risk to the delivery of their commitments, actions and outcomes as identified in the Corporate Plan are properly articulated.
- They have an opportunity to manage that risk using the standard risk management framework, providing consistency across their service areas.
- Can provide assurance to their Corporate Leadership Team lead (director) of their actions to manage that risk or request additional support when needed.

### Strategic risk owner

- A risk to the delivery of their ambition(s) as identified in the Corporate Plan is properly articulated.
- They have an opportunity to review that risk using the standard risk management framework in their Directorate Leadership teams and so provide challenge and support.
- Can provide assurance to the Chief Executive and Executive Members as part of their performance and risk updates and request additional strategic and/or cross-directorate support where needed.

Risks identified as part of day-to-day project management should also have a risk holder and a strategic owner. Generally, the risk holder will be the project manager and the strategic owner the project sponsor. Where risk registers are published (strategic risk register) the risk owner should be named and identified by job title, but the risk holder should be identified by job title only.



# Risk assessment: analysis and control

Once risks and their risk holders and strategic owners are identified, they need to be assessed to understand the likelihood and the impact of the risk. This is an essential part of the risk management framework and is done following a three-step process and using the standard risk management matrix.

## Step one: inherent risk

This is the first assessment of the risk and is meant to understand the risk if no action is taken to manage it. The risk is scored on the likelihood of it happening and then the impact if it does happen. The impact should be considered based on the same factors used to theme the risks:

- Finance and resources(inc. impact on staff)
- Transformational activity
- The climate emergency
- Residents and communities (inc. reputational impact, equalities)
- Corporate governance

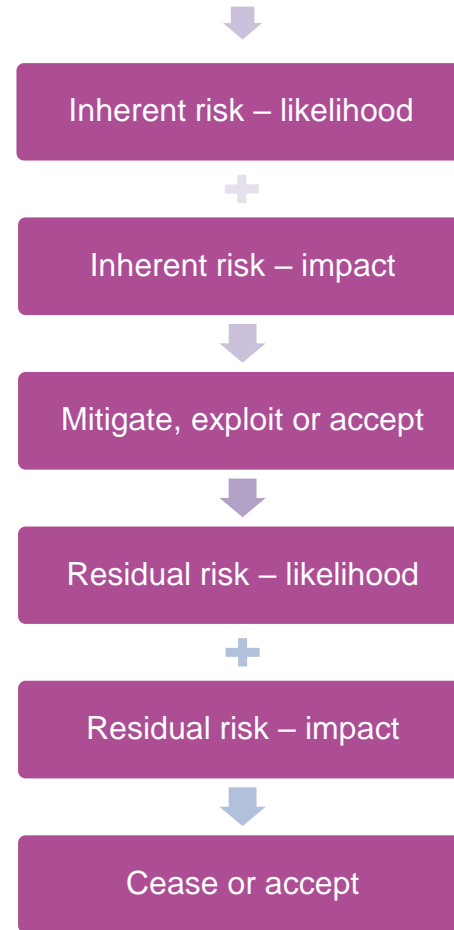
## Step two: action

If the first assessment of the inherent risk shows that it is unlikely to happen and/or will have little impact, then there will usually be no need to take any action to manage the risk and it can simply be accepted. However, if the assessment shows it is likely to happen and/or will have an impact then officers should seek to identify if there are actions that can be put in place to mitigate it, or in the case of an opportunity, to exploit it. Mitigations or exploitations must show clearly how and why they have made a difference to the scoring.

## Step three: residual risk

This is the second assessment of the risk and is meant to re-evaluate the risk, taking into consideration the effectiveness of any identified actions. Once again, the risk is scored on likelihood and impact. However, at this point it may be that the analysis and second assessment show that the risk cannot be managed and in this case the activity that the risk is related to will either need to be ceased or the risk itself will simply need to be accepted if that activity continues.

### Analysis and control flow method



## Risk analysis and control: risk management matrix

This standard risk management matrix is used to ensure there is consistency in scoring of risks across the organisation. It is based on a scoring system which, when combined across likelihood and impact (from 1 to 5), calculates a RAG rating for each risk as either LOW, LOWMEDIUM, MEDIUM, MEDIUMHIGH or HIGH. Risks that score LOW or LOWMEDIUM (below a combined score of 6) at first assessment (inherent risk) will usually not need to be mitigated or exploited or even given a second assessment to determine the residual risk. Risks that score MEDIUM, MEDIUMHIGH or HIGH (above a score of 8) will need to be mitigated or exploited and re-assessed.

Please use the guidance in the impact section		Likelihood				
		Rare – less than a 5% chance	Unlikely – 6% to 20% chance	Possible – 21% to 50% chance	Likely – 51% to 80% chance	Almost certain – 80% plus
Impact ↑ ↓	Critical – a major loss to a service including disruption of more than five days with significant impact on staff, a complete failure of project, affecting more than 25% of a budget or for strategic risks more than 5% of the council's budget, litigation/claims/fines of £1m plus, not meeting our legal duties and putting at risk individuals at risk, impacting on several themes in the Climate Emergency Strategy	LOWMED 5	MEDIUM 10	HIGH 15	HIGH 20	HIGH 25
	High – service disruption of three to five days with high impact on staff, extreme delay to a project, affecting 16% to 25% of a budget or for strategic risks 4% of the council's budget, litigation/claims/fines of up to £1m, significant impact for at risk individuals, impact on at least two of the thematic areas in the Climate Emergency Strategy.	LOW 4	MEDIUM 8	MEDIUMHIGH 12	HIGH 16	HIGH 20
	Medium – service disruption two to three days with some impact on staff, impact on a project inc. a failure of benefits, affecting 6% to 15% of a budget or for strategic risks 3% of the council's budget, litigation/claims/fines of up to £500k, there are some safeguarding and duty of care impacts, impacts on at least one of the thematic areas in the Climate Emergency Strategy	LOW 3	LOWMED 6	MEDIUM 9	MEDIUMHIGH 12	HIGH 15
	Low – minimal service disruption with minimal impact of staff, minimal impact to a project, affecting 1% to 5% of a budget or for strategic risks 2% of the council's budget, litigation/claims/fines of up to £250k, consideration to be given to safeguarding and duty of care impacts, minimal impact to the thematic areas in the Climate Emergency Strategy.	LOW 2	LOWMED 4	LOWMED 6	MEDIUM 8	MEDIUM 10
	Negligible – little service disruption with little impact of staff, minimal impact to a project, affecting up to 1% of a budget or for strategic risks 1% of the council's budget, litigation/claims/fines of up to £100k, minimal or no safeguarding and duty of care impacts, not impacting any of the thematic areas in the Climate Emergency Strategy.	LOW 1	LOW 2	LOW 3	LOWMED 4	LOWMED 5

## Risk analysis and control: assurance on mitigations/exploitations

Actions identified that can be put in place to mitigate, or in the case of an opportunity, to exploit a risk must be considered as part of the overall assurance element of risk management.

If a mitigation and/or an exploitation serves to improve the risk score between inherent scoring and residual scoring, the risk holder must be clear HOW and WHY the scoring is now different against LIKELIHOOD and/or the IMPACT.

The risk management template includes the following options to ensure that there is a clear audit trail against these mitigations/exploitations:

- Inherent likelihood (where 1 is rare and 5 is almost certain)
- Inherent impact (where 1 is negligible and 5 is critical)
- Inherent risk score (combined scores from likelihood and impact)
- Inherent risk treatment
- Mitigating / exploiting actions
- Has the mitigation/exploitation reduced the likelihood?
- Has the mitigation/exploitation reduced the impact?
- Residual likelihood (where 1 is rare and 5 is almost certain)
- Residual impact (where 1 is negligible and 5 is critical)
- Residual risk score (combined scores from likelihood and impact)
- Residual risk treatment



## Risk monitoring and reporting

Risk monitoring and reporting forms part of the quarterly Business Planning and Performance Management cycle which is led by the council's Business Intelligence Service. It follows a structured process from service level monitoring through to reporting to the public.

1. Risks are monitored in the first instance at service level where the risk holder scores the risk using the scoring matrix and associated guidance. These scores are then reported to the Business Intelligence Service.
2. BIS reviews all risk scores and challenges where necessary before reporting via the quarterly Integrated Performance Management dashboard to the Directorate Leadership Team.
3. All members of the DLT including the director (strategic risk owner) review the risks on an exception basis (MEDHIGH or HIGH) to satisfy themselves that the risk is being controlled appropriately and if not to request more detail or adjust their scores.
4. Risks are then reviewed at Corporate Leadership Team also on an exception basis (MEDHIGH or HIGH) who undertake the same process on the Strategic Risk Register.
5. For each directorate quarterly monitoring sessions are held with the Leader of the council, the Chief Executive, the Executive Member, the Director, and the Head of Business Insight, Policy and Partnerships to review all Annual Directorate Statement Commitments and all Directorate Risk Registers.
6. The Audit Committee is also updated on a quarterly basis where the Strategic Risk Register is discussed at committee.
7. All Scrutiny Panels receive a risk register update before the information is then published as part of the public [Corporate Plan data dashboard](#) available on our website.

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At the end of this any newly identified risks or adjusted risks are folded into the next quarter's process.

### Reporting and monitoring flow diagram



# Embedding the framework

## The risk management processes is embedded in our organisational activities to support decision-making

This Risk Management Strategy builds upon the previous strategy and continues to embed risk management within our Business Planning and Performance framework, this ensures a clear link between our Corporate Plan and how we identify, manage and report risks. Alongside this the Risk Management Strategy is strongly embedded in decision making across the organisation to ensure that:

- Officers undertake a risk assessment on any proposal they are making using the standard risk management matrix.
- Officers ensure they have reviewed their proposal against their Directorate Leadership and Strategic Risk Registers – will the proposal impact on any of these risks i.e. will it help mitigate it?
- Where the risk assessment shows risks that are MEDHIGH to HIGH (either at inherent or residual stage) they are always reported as part of the overall proposal including any mitigating actions.

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Decision makers are able to review the proposal and be satisfied that it has been subject to a robust risk assessment.

Together these steps ensure that the decision-making process has had effective scrutiny either at officer or at member level and there is strong assurance that the decision has been properly considered.

### Decision making flow diagram





## Embedding the framework cont...

To support embedding risk in our decision making:

- **Corporate decision making:** Executive, Committee and Corporate Leadership Team report templates include a section on 'Risk Management'. The section requires the report author to undertake a risk assessment using the 'decision making flow diagram'. Links are included in the report guidance to access the matrix and DLT and Strategic risk registers.
- **Financial planning:** the standard risk management matrix is used across Medium-Term Financial Planning to ensure consistency of risk scoring across budget planning. Finance specific risk registers are held and managed by the Finance Service.
- **Project management:** the Programme Management Office (PMO) requires that all transformation and capital projects hold a risk register which considers the risks to delivering the project outcomes before and throughout the project.
- **Partnership working:** the Policy and Partnerships team holds and manages a risk register analysing threats and opportunities that may impact our partnerships objectives.
- **Climate emergency:** the Climate Emergency project manager holds and manages a risk register analysing threats and opportunities that may impact our achievement of being a net zero council and area by 2030.
- **Procurement:** contract standing orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Contract management:** all significant risks associated with all stages of contract management are identified and kept under review in line with this Risk Management Strategy.
- **Information governance:** a risk register is held by the ICT Architecture Board to assess the level of risk and compliance on the use of information.
- **IT:** a risk register is held by Agilisys and reported to the ICT Architecture Board to assess the level of risk and compliance around IT systems and performance.
- **Insurance:** the council's Insurance team manages insurable risks and self-insurance arrangements.
- **Health and Safety:** the council has a specific risk assessment policy to be followed in relation to health and safety risks.

Individual services will also hold their own risk registers where appropriate.



## Governance

### The risk management processes is well managed through a robust governance structure

To ensure risk management is effectively implemented, all officers and members should have a level of understanding of the Council's Risk Management Strategy and regard risk management as part of their responsibilities. Alongside this some officers and members will have specific governance responsibilities.

Who?	Governance responsibilities	Line of defence
Service and Project Managers	<ul style="list-style-type: none"> <li>Responsible for identifying, assessing and appropriately documenting risk within their area (risk holders).</li> <li>Responsible for managing their risks in line with the Risk Management Strategy and escalating risk where needed.</li> </ul>	First line
Heads of Service	<ul style="list-style-type: none"> <li>Responsible for the effective leadership and management of risk in their service area to meet Corporate Plan ambitions in line with the Risk Management Strategy (risk holders).</li> <li>Be a champion for the Risk Management Strategy and encourage open and honest reporting.</li> </ul>	First line
Directorate Leadership Teams	<ul style="list-style-type: none"> <li>Responsible for the strategic leadership and management of risk in their directorate to meet Corporate Plan aims and priorities in line with the Risk Management Strategy (strategic risk owners).</li> <li>Constructively review and challenge the risks involved in decision making for their directorate.</li> <li>Be a champion for the Risk Management Strategy and encourage open and honest reporting.</li> </ul>	Second line
Corporate Leadership Team	<ul style="list-style-type: none"> <li>Responsible for the strategic leadership and management of risk across the organisation linked to national and regional risk registers, ensuring an embedded, council-wide risk management culture.</li> <li>Responsible for owning and managing the Strategic Risk Register in line with the Risk Management Strategy.</li> <li>Ensure members receive regular risk management updates.</li> </ul>	Second line
Internal audit	<ul style="list-style-type: none"> <li>Provide evaluation and challenge on the strategy and on risk registers</li> </ul>	Third line
Executive members	<ul style="list-style-type: none"> <li>Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions and undertake assurance with risk owners.</li> </ul>	Third line
Audit Committee	<ul style="list-style-type: none"> <li>Provide guidance and assurance on the development and implementation of the Risk Management Strategy</li> <li>Approve the Risk Management Strategy.</li> <li>Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions.</li> </ul>	Third line
Scrutiny Panels	<ul style="list-style-type: none"> <li>Regularly consider and challenge the risks involved in achieving Corporate Plan ambitions.</li> </ul>	Third line

## Information and expertise

Risk management is collaborative, is informed by the best available information, and is continually improved through learning and experience

Our risk management framework is structured in line with best practice guidance from [HM Treasury](#) and we are committed to reviewing any new best practice guidance during the annual refresh of the strategy and any recommendations made as a result of external audits.

This risk management strategy is supported through a toolkit which includes the following:

- Risk identification tool
- Risk management matrix
- Escalating risk
- Decision making and governance guidance
- The Strategic Risk Register
- The Directorate Risk Registers

The strategy is also supported by the following training materials:

- An overview of managing risk as part of business planning and as part of the PMO.

## Our values

As we manage risk throughout the organisation we will always do so in line with our values:



## Supporting toolkit links:

- Risk toolkit (within the PMO)
- Decision making and governance guidance
- The Strategic Risk Register
- The Directorate Risk Registers

## Strategy links:

- Corporate Plan: [Organisational priorities | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/organisational-priorities)
- Climate Emergency Strategy: [Climate Emergency | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/climate-emergency)
- Health and Wellbeing Strategy: [Health and wellbeing strategy 2021-24 | North Somerset Council \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk/health-and-wellbeing-strategy-2021-24)

## Questions:

[Business.planning@n-somerset.gov.uk](mailto:Business.planning@n-somerset.gov.uk)



## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25 April 2024**

**Subject of Report: Treasury Management Indicators 2023/24 - Quarter 3 update**

**Town or Parish: All**

**Officer Presenting: Mark Anderson, Principal Accountant, Resources & Financial Planning**

**Key Decision: No**

**Reason:**

Not an Executive decision

### Recommendations

The Audit Committee is asked to note the treasury management prudential indicators and the treasury indicators for Quarter 3 of 2023/24.

#### 1. Summary of Report

The 2021 editions of the Prudential Code and the Treasury Management Code (adopted by the council for 2023/24) introduced a requirement that monitoring of both the prudential and treasury management indicators should be reported to Members on a quarterly basis.

This is the third treasury report for 2023/24 presented to the Audit Committee;

- Quarter 1 was incorporated in the 2022/23 out-turn report in September 2023,
- Quarter 2 (or the mid-year report) was reported in November 2023,
- Due to the 2024/25 Strategy report being taken to the January 2024 Audit Committee, the 2023/24 Quarter 3 update is being taken to this, the next available Audit Committee meeting in April 2024,
- The final 2023/24 out-turn report will be reported to the Audit Committee in September 2024.

#### 2. Policy

The council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the council to consider and approve a series of reports throughout the year on treasury, investment and capital financing strategy, governance and in-year performance monitoring related issues.

#### 3. Details

#### 3 Prudential Indicators

- 3.1 The Prudential Code aims to improve the transparency and consistency of capital investment decisions and so has developed a series of defined **prudential indicators** which ensures that those charged with governance all receive information in a clear and consistent way. The indicators defined within the Code, which are listed in Appendix 2, are focused on being able to understand a forecast of the council’s overall debt levels, in conjunction with the capital programme and investment decisions, and how and when this external borrowing will be repaid.
- 3.2 It should be noted that all of the values presented below currently exclude the potential impact of the adoption of IFRS16 – Leases, which is due to impact on the council’s 2024/25 Accounts. The adoption of this accounting standard is likely to result in new “right of use” assets being created on the council’s balance sheet following a review of the council’s lease arrangements. Assets, lease liabilities and capital financing requirement values will be restated once this work has been completed.

Quarter 3 monitoring of Prudential Indicators

- 3.3 The council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.
- 3.4 **Capital Expenditure:** The council has developed and approved a multi-year capital programme and the latest forecast of planned capital expenditure is summarised below:

*Table 1.1 Capital Expenditure*

	<b>Actual 2022/23 £m</b>	<b>Forecast 2023/24 £m</b>	<b>Estimate 2024/25 * £m</b>	<b>Estimate 2025/26 £m</b>
Capital investments (£m)	66.5	105.0	171.0	127.6

- 3.5 The council has incurred £33.9m of spend on capital projects to date. Investment in year includes £14.5m on the completion of two new schools, £2.6m on housing related projects as well as £15.9m on Place-related schemes, which include planning and design stages of Banwell Bypass, design and implementation of Bus Service Improvement Plan projects, and investment in numerous other highways schemes. The council has not incurred any capital expenditure on its commercial investments.
- 3.6 **Capital Financing Requirement:** The council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with repayments of principal (minimum revenue provision, known as MRP) and capital receipts used to replace debt. The CFR is expected to increase by £21m during 2023/24. Based on the forecast figures for expenditure and financing, the council’s estimated CFR is as follows:
- 3.7 The actual CFR is calculated on an annual basis and is included in each year’s statutory accounts. The relationship between total CFR, which includes historic ex-Avon debt and finance leases, and Loans CFR is shown in the table below.

*Table 1.2: Estimates of Capital Financing Requirement in £ millions*

	Actual 2022/23 £m	Forecast 2023/24 £m	Estimate 2024/25 * £m	Estimate 2025/26 £m
CFR	182.2	190.2	206.9	230.3
Less: CFR re finance leases	22.1	21.3	20.9	20.5
Less: CFR re ex Avon debt	11.3	10.8	10.4	10.0
<b>Loans CFR</b>	<b>148.8</b>	<b>158.1</b>	<b>175.6</b>	<b>199.8</b>

Projected levels of the council's total outstanding debt (which comprises borrowing, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

### 3.8 **Gross Debt and the Capital Financing Requirement:**

In this indicator, projected levels of the council's total outstanding external debt (which comprises borrowing and leases) are compared with the Capital Financing Requirement. The Capital Financing Requirement measures the council's underlying need to borrow for a capital purpose for the current and future year. The actual Capital Financing Requirement as at the year-end is included in each year's statutory accounts.

*Table 1.3: Gross Debt and the Capital Financing Requirement*

	Actual 2022/23 £m	Forecast 2023/24 £m	Estimate 2024/25 * £m	Estimate 2025/26 £m	Debt at 31/12/23 £m
Debt (incl. leases)	170.3	175.7	173.8	177.3	163.1
Capital Financing Requirement	182.2	190.2	206.9	230.3	

3.9 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the table above, the council expects to comply with this requirement in the medium-term.

3.10 **Debt and the Authorised Limit and Operational Boundary:** The council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

3.11 **The authorised limit** is the 'affordable borrowing limit' which the council is required to set in section 3 of the Local Government Act 2003 and cannot be exceeded without acting ultra vires. The authorised limit is set at a higher level than the operational boundary to provide headroom for unexpected borrowing requirements.

3.12 **The operational boundary / limit** should be the council's best estimate of the most likely, prudent, maximum levels of debt to be held during the years in question. The boundary can be exceeded in the short-term should the council need to undertake

temporary borrowing, or debt rescheduling, but should not be exceeded for new long-term borrowing proposals.

*Table 1.4: Debt and the Authorised Limit and Operational Boundary*

	<b>Maximum debt 2023/24 £m</b>	<b>Debt at 31/12/23 £m</b>	<b>2023/24 Authorised Limit £m</b>	<b>2023/24 Operational Boundary £m</b>	<b>Complied? Yes/No</b>
Borrowing	137.5	129.7	225.0	208.0	Yes
Other (ex-Avon debt and finance leases)	33.4	33.4	40.0	35.0	Yes
<b>Total debt</b>	<b>170.9</b>	<b>163.1</b>	<b>265.0</b>	<b>243.0</b>	Yes

3.13 Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached.

**3.14 Net Income from Commercial and Service Investments to Net Revenue Stream:**

The council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below. The net impact or return into the revenue budget is Nil for the year however this is after transfers to / from reserves. The latest forecast indicates that the council will contribute the net surplus of £0.3m into the commercial investment smoothing reserve at the year-end, which is part of the risk management measures surrounding these investments.

*Table 1.5: Net Income from Commercial and Service Investments to Net Revenue Stream*

	<b>Actual 2022/23 £m</b>	<b>Forecast 2023/24 £m</b>	<b>Estimate 2024/25 £m</b>	<b>Estimate 2025/26 £m</b>
Total <b>net</b> income from service and commercial investments	0.1	0	0	0
Proportion of net revenue stream	0%	0%	0%	0%

3.15 **Proportion of Financing Costs to Net Revenue Stream:** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

3.16 The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from council tax, business rates and general government grants.

*Table 1.6: Proportion of Financing Costs to Net Revenue Stream*

	<b>Actual 2022/23 £m</b>	<b>Forecast 2023/24 £m</b>	<b>Estimate 2024/25 * £m</b>	<b>Estimate 2025/26 £m</b>
Financing costs (£m)	12.7	10.6	6.8	9.9



Proportion of net revenue stream	6.9%	5.0%	3.0%	4.4%
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### Treasury Management Indicators:

3.17 In the same way that the Prudential Code requires the council to publish Prudential Indicators, the 2021 CIPFA Treasury Management Code of Practice requires the council to publish a series of Treasury Management Indicators, which provide information relating to how the council manages its cash-flows and investments to support the operational running of the council activities as well as finance the long-term capital investment programme.

#### Quarter 3 monitoring of Treasury Management Indicators

3.18 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £50m at each year-end. This benchmark is currently £52.6m and is forecast to rise to £128.0m over the next three years.

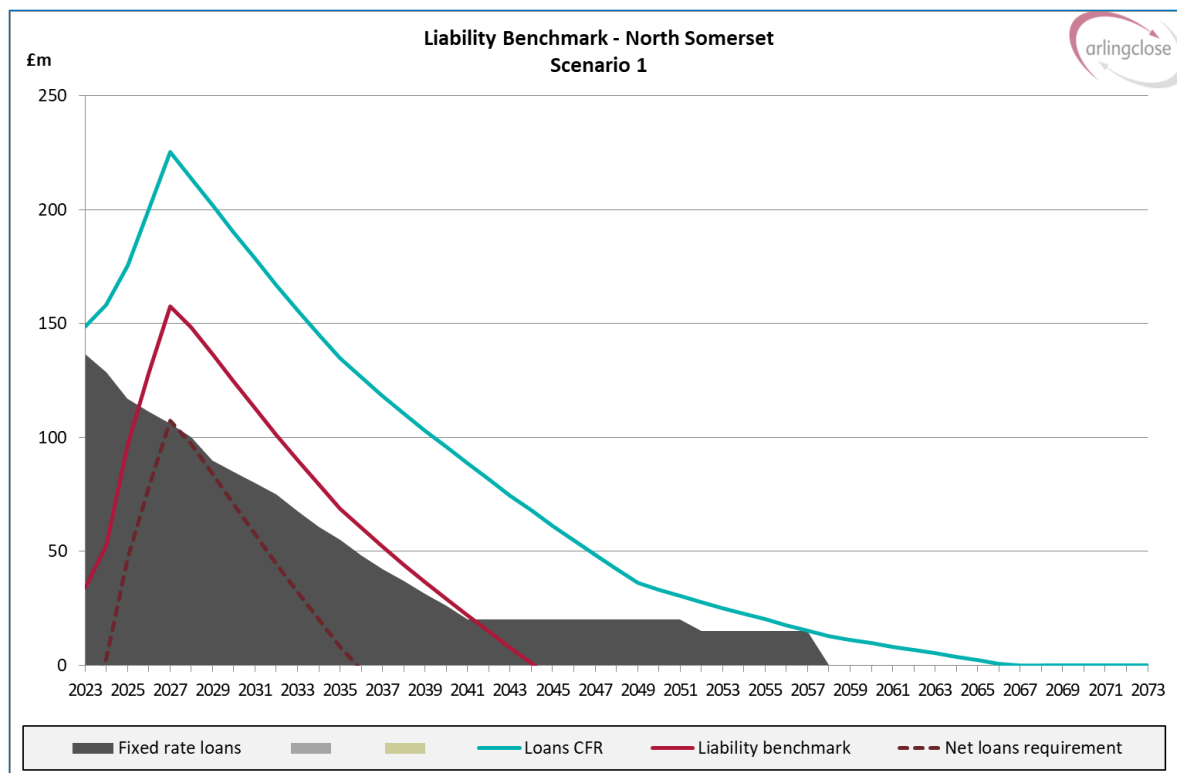
3.19 The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

*Table 1.7: Liability Benchmark*

	Actual 2022/23 £m	Forecast 2023/24 £m	Estimate 2024/25 * £m	Estimate 2025/26 £m
Loans CFR	148.8	158.1	175.6	199.8
Less: Balance sheet resources	-164.8	-155.5	-128.6	-121.7
<b>Net loans requirement</b>	<b>-16.0</b>	<b>2.6</b>	<b>47.0</b>	<b>78.1</b>
Plus: Liquidity allowance	50.0	50.0	50.0	50.0
<b>Liability benchmark</b>	<b>34.0</b>	<b>52.6</b>	<b>97.0</b>	<b>128.1</b>

3.20 The liquidity allowance has been calculated as the strategic pooled funds balance of £10m plus an amount that we don't want cash balances to fall below. This would therefore be around £50m.

3.21 Following on from the medium-term forecast above, the long-term liability benchmark assumes no capital expenditure funded by borrowing after 2027/28, minimum revenue provision on new capital expenditure based on asset life and income, expenditure and reserves all increasing by inflation of 2.5% p.a. This is shown in the chart below together with the maturity profile of the council's existing borrowing.



- 3.22 The chart is indicating that the current debt portfolio (the grey shaded area) is predominantly more than the projected borrowing requirement (the red line, liability benchmark) illustrated where the top of grey area is above the red line. The difference between the two is surplus cash. However, it also indicates that there may be a small c.£1m net borrowing requirement in 2027 (where the dotted red line moves above the grey area).
- 3.23 The actual net borrowing requirement will change based on many factors including, timing of delivery against the approved capital programme, the level of balance sheet resources available, (e.g., new funding from government, or changes to spending patterns).
- 3.24 Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.
- 3.25 **Maturity Structure of Borrowing:** This indicator is set to control the council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 1.8: Maturity Structure of Borrowing

	Upper Limit	Lower Limit	31/12/23 Actual	Complied?
Under 12 months	50%	0%	2.21%	Yes
12 months and within 24 months	30%	0%	13.24%	Yes
24 months and within 5 years	40%	0%	16.13%	Yes
5 years and within 10 years	50%	0%	22.07%	Yes
10 years and above	100%	0%	46.35%	Yes

- 3.26 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 3.27 **Long-term Treasury Management Investments:** The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

Table 1.9: Long-term Treasury Management Investments

	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond a year	£40m	£40m	£40m	£10m
Actual principal invested beyond a year	£0m	£0m	£0m	£10m
Complied?	Yes	Yes	Yes	Yes

- 3.28 Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

### Additional indicators

- 3.29 **Security:** The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 1.10: Security

Credit risk indicator	2023/24 Target	31/12/23 Actual	Complied?
Portfolio average credit score	6.1	5.46	Yes

- 3.30 **Interest Rate Exposures:** This indicator is set to control the council's exposure to interest rate risk. Bank Rate rose by 1.0% during the period, from the prevailing rate of 4.25% on 1<sup>st</sup> April to 5.25% by 31<sup>st</sup> December.

Table 1.11: Interest rate exposure

Interest rate risk indicator	2023/24 Target	31/12/23 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1m	£0.4m	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m	£0.4m	Yes

- 3.31 For context, the changes in interest rates during the period were:

	<u>31/03/23</u>	<u>31/12/23</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.13%
5-year PWLB certainty rate, maturity loans	4.31%	4.19%

10-year PWLB certainty rate, maturity loans	4.33%	5.37%
20-year PWLB certainty rate, maturity loans	4.70%	4.90%
50-year PWLB certainty rate, maturity loans	4.41%	4.67%

#### 4. Consultation

Financial information and performance details are included within the council's monthly budget monitoring processes and key messages are described within the narrative report where required.

#### 5. Financial Implications

Financial implications are contained throughout the body of the report within the relevant sections however, an additional summary has been included to provide a high-level overview of the key components linked with capital financing and investment decisions.

<b>Table 6 – Revised budget impacts – capital financing and interest – 2023/24</b>			
	<b>Budget</b>	<b>Forecast</b>	<b>variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable on borrowing	6,135	5,745	-390
Net interest receivable on investments	-2,689	-7,243	-4,553
Minimum revenue provision	6,851	7,268	417
<b>Total</b>	<b>10,296</b>	<b>5,769</b>	<b>-4,527</b>
MRP analysis;			
- Supported Borrowing Minimum Revenue Provision	900	900	0
- Prudential Borrowing Minimum Revenue Provision	5,141	5,558	417
- Ex-Avon Loan Debt Minimum Revenue Provision	445	445	0
- Finance Leases Minimum Revenue Provision	365	365	0

As can be seen from the table above the council is forecast to show an underspend on these budgets during the year, which will be brought together and aggregated with other areas of council spending, some of which are experiencing significant pressures, notably those demand led services.

#### 6. Legal Powers and Implications

This report is for information only and covers the council's required obligations.

Treasury risk management at the council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

The 2021 editions of the Prudential Code and the Treasury Management Code (adopted by the council for 2023/24) introduced a requirement that monitoring of both the prudential and treasury management indicators should be reported to Members on a quarterly basis.

This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to both of the above CIPFA Codes.

## **7. Climate Change and Environmental Implications**

Until recently the council recognises that it has had limited choice or options in this area however, some degree of change is expected to happen following the emergence of Environmental, Social and Governance (ESG) policies. This is where organisations are choosing to bring other considerations into their treasury strategies and decision-making processes and also introduce new investment products or services to the market.

The development of the council's ESG investment policy during 2023/24 has not detracted from the core functions that need to take place within the existing treasury management strategy, i.e., the management of cash-flows and also meeting the requirements within the approved revenue budget, but it will provide an opportunity to ensure that climate and other environmental implications are considered and reported on in the future.

The council welcomes the introduction of ESG policies and hopes that they will provide a broader range of opportunities that can be considered within future investment decisions, particularly those that will deliver positive outcomes for climate change and the environment more generally.

## **8. Risk Management**

Members will be aware that there is a direct link between the levels of risk and the levels of return achieved on investment, although there are many other factors which also affect the capital financing budgets.

The council's treasury management activities expose it to a variety of financial risks, notably:

- a. credit risk – the risk that other parties might fail to pay amounts due to the council. Includes bail-in risk – the risk that shareholders and depositors in banks and building societies bear losses in the event of counter-party's failure or reduction in net asset value,
- b. liquidity and re-financing risk – the risk that the council might not have funds available to meet its commitments to make payments as they fall due,
- c. market risk (interest rate and price risks) – the risk that financial loss might arise for the council because of changes in such measures as interest rates, investment valuations, and stock market movements.

The council's Treasury Management Strategy sets out the council's approach to managing these risks.

The priority of the Treasury Management Strategy will continue to be the reduction of risk to safeguard public resources.

The risk appetite of the council is low to give priority to the security of its investments. The council will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity.

It should be noted that the council's Treasury Management Strategy sets out how the council manages and mitigates these risks but cannot eliminate risks completely.

## **9. Equality Implications**

Have you undertaken an Equality Impact Assessment? N/A

## **10. Corporate Implications**

The safeguarding of public money is critical to the council's reputation, and the measures contained within the report are intended to address member and public concerns and ensure an appropriate balance of return on investment whilst ensuring managing associated risks.

## **11. Options Considered**

The council is required to undertake a treasury management function to support its financial affairs and there are many options within the component parts.

### **Author:**

Mark Anderson, Principal Accountant (Resources & Financial Planning)

### **Appendices:**

1. Glossary of Terms
2. List of Indicators – Prudential and Treasury

### **Background Papers:**

Treasury Management Strategy 2023/24, Executive & Council – February 2023

Other relevant guidance includes:

- CIPFA – The Prudential Code for Capital Finance in Local Authorities 2021
- CIPFA - Treasury Management in Public Services – Guidance notes for local authorities 2021
- MHCLG – Statutory Guidance on Local Government Investments (3rd edition) 2018

**Authorised Limit** – the maximum amount of external debt at any one time in the financial year.

**Bank Rate** – the Bank of England base rate.

**Capital Financing Requirement** – financing needs of the council – i.e., the requirement to borrow.

**CIPFA - the Chartered Institute of Public Finance and Accountancy.** The institute is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work, in public service bodies, in the national audit agencies and major accountancy firms.

**CLG** – Communities and Local Government – see MHCLG.

**Counterparty** – the organisation the council is investing with.

**Credit Rating** – an assessment of the credit worthiness of an institution.

**Creditworthiness** – a measure of the ability to meet debt obligations.

**ESG** – Environmental, Social and Governance based investment decisions.

**Finance Lease** - a finance lease is a lease that is primarily a method of raising finance to pay for assets, rather than a genuine rental. The latter is an operating lease. The key difference between a finance lease and an operating lease is whether the lessor (the legal owner who rents out the assets) or lessee (who uses the asset) takes on the risks of ownership of the leased assets. The classification of a lease (as an operating or finance lease) also affects how it is reported in the accounts.

**Gilts** – long term fixed income debt security (bond) issued by the UK Government and traded on the London Stock Exchange.

**LIBID** – London Interbank BID Rate – the interest rate at which London banks are willing to borrow from one another.

**MHCLG – Ministry of Housing, Communities and Local Government.** The Government department that sets policy on supporting local government, communities and neighbourhoods, regeneration, housing, planning building and the environment and fire. The name for this Government department has recently changed and is now known as **DLUHC**, which is the **Department for Levelling Up, Housing and Communities**.

**Minimum Revenue Provision** - the minimum amount which must be charged to an authority's revenue account each year and set aside towards repaying borrowing.

**Money Market** - the market in which institutions borrow and lend.

**Money Market Rates** – interest rates on money market investments.

**Ninety-One** – one of the council's cash managers who invest in multi-asset funds. They were previously known as Investec.

**Operational Boundary** – the most likely, prudent but not worst-case scenario of external debt at any one time.

**Pooled Funds** – investments are made with an organisation who pool together investments from other organisations and apply the same investment strategy to the portfolio. Pooled fund investments benefit from economies of scale, which allows for lower trading costs per pound, diversification, and professional money management.

**Prudential Code** – a governance procedure for the setting and revising of prudential indicators. Its aim is to ensure, within a clear framework, that the capital investment plans of the council are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good practice.

**Prudential Indicators** – indicators set out in the Prudential Code that calculates the financial impact and sets limits for treasury management activities and capital investment.

**PWLB (Public Works Loans Board)** - a central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities can borrow to finance capital spending from this source.

**Sovereign** – the countries the council can invest in.

**Tradition UK Ltd** – is one of the council's cash managers who manage £10m of investments on our behalf. Tradition place funds in fixed term cash deposits with a range of financial institutions.

**Treasury Management** – the management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities and the pursuit of optimum performance with those risks.

**Treasury Management Practices** – schedule of treasury management functions and how those functions will be carried out.

**Variable Net Asset Value money market funds** – the principal invested may fluctuate below that invested.



**Prudential Indicators**

Capital Expenditure

Capital Financing Requirement

Gross Debt and the Capital Financing Requirement

Debt and the Authorised Limit and Operational Boundary

Net Income from Commercial and Service Investments to Net Revenue Stream

Proportion of Financing Costs to Net Revenue Stream

**Treasury Management Indicators**

Liability Benchmark

Maturity Structure of Borrowing

Long-term Treasury Management Investments

Additional indicators – security

Additional indicators – interest rate exposures

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## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25<sup>th</sup> April 2024**

**Subject of Report: Audit and Assurance – Annual Report 2023-2024**

**Town or Parish: None**

**Officer/Member Presenting: Peter Cann, Audit West**

**Key decision: no**

### Recommendations

The Audit Committee notes the Internal Audit Annual Report for 2023-24 and the opinion on the Internal Control environment.

#### 1. Summary of Report

This is the closing Internal Audit Annual Report to the Committee for the financial year 2023-24. Included is a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

#### 2. Policy

The work of the Internal Audit Service is to provide independent assurance to the council's senior officers and members that governance, risk management and controls are sufficient to ensure delivery of the council's objectives. As part of meeting statutory and professional requirements the Head of Audit and Assurance is also required to provide an opinion on the council's internal control environment.

#### 3. Details

At its meeting of 9<sup>th</sup> March 2023, the Audit Committee approved the Annual Audit Assurance Plan for 2023-24.

The plan(s) form the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the council's internal control environment.

In determining the scope, depth and breadth of the Audit Plan, the Audit Committee accepts limitations in coverage and the inherent risks associated with this. As resources or organisational risks may change dynamically over a year, audit coverage can be affected, and this may impact on the level of assurance achieved through delivering the audit plan.

#### **4.    **Headline Information for Financial Year 2023-24****

The summary position for the financial year 2023-24 was as follows:

- Work on the 2023-24 plan is almost complete with 36 of 44 pieces of work either finalised/ reporting or substantially in progress.
- The Internal Audit service agreed to defer six audits into the 2024-25 plan, whilst a further two are reported as no longer required.
- There were two audit reports issued (one in draft) where it was considered that the overall systems of internal control provided 'Limited Assurance'.
- The Internal Audit service completed one detailed investigation in the year which related to a whistleblowing referral.
- A lengthy independent review of the Clevedon Seafront/ Hill Road Scheme was also completed.
- All of the recommendations due to be implemented in 2023-24 were followed-up by the audit service. Only one recommendation made within audit reports was not agreed.
- A large amount of fraud awareness work took place and this has been reported in detail separately within the Counter Fraud Annual Report 2023-24.
- State of the Internal Control framework is satisfactory, based on our audit opinions.

#### **1)    **2023-24 Significant Issues****

##### **Assurance Levels**

- 1.1 From the audit reviews completed in the 2023/24 financial year, all but two of the audits completed had an overall audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').
- 1.2 The two audit reports issued where it was considered that the overall systems of internal control were weak ('Level 2') were in respect of Health & Safety, and Adult Social Care - Complaints. Please note that at the time of reporting, the latter audit was issued in draft form and was awaiting a formal response from management. Notwithstanding this fact, the key issues and the overall audit opinion have been discussed and agreed with the client ahead of the report being finalised.

##### Health & Safety

- 1.3 The key issues identified during the review concerned:
  - The Staff Health & Safety Manual was in need of review and update.
  - It was not clear when risk assessments were last undertaken and when they were due for review. No record was held of what risk assessments were required for each department.
  - The Health & Safety team had not yet been trained on using the analysis function of the staff online training system (iLearn). It is also possible that during the migration to the new training system, some staff may have not completed mandatory training.
  - Up-to-date risk assessments were not maintained for Council buildings and there was not an associated master list or database held.

- 1.4 It was identified that key to ensuring an effective and complaint Health & Safety service in the future will be the implementation of new Health & Safety management IT software. At the time of the audit, this software was undergoing penetration testing by ICT. Once in place the software/ system would enable the following benefits:
- Prioritisation and monitoring of work on a risk basis
  - Check that remedial work is being undertaken in a timely fashion
  - Keep a record of when work needs revisiting/ updating
  - Provide accurate data for reporting and analysis
- 1.5 It should also be noted that the Corporate Leadership Team (CLT) had already identified that the Health & Safety service was in need of improvement and subsequent support was being provided in this area. For example, in 2023 an experienced Health & Safety Manager was appointed who will help drive improvement, and as previously mentioned, funding has been agreed to procure a new IT system. This risk has also been included on the Council's strategic risk register for some time.

#### Adult Social Care – Complaints (N.B. report in draft)

- 1.6 Key findings identified during this review were as follows:
- There was one person processing all complaints for both Adults and Childrens Services, whilst in addition this person was managing the Complaints and Information Governance team. There was no formal process in place to cover this role in the event of absence.
  - There insufficient detailed complaints performance and service improvement reporting to DLT/ CLT or management. There was also no formalised system in place to provide analysis of complaints data or share learning across care locations and relevant council functions.
  - The placement of the Directorate Governance & Complaints team within the Childrens Services Directorate could give challenge to the independence of complaint handling within the service.
  - Internal and external complaint guidance was in need of review and update.
  - The utilisation of Case Tracker (Complaints IT System) could be improved, ensuring that it is used uniformly by staff and that all complaints data is recorded within it. Associated procedural guidance and training should also be refreshed, as well as development of Case Tracker to enable root-cause analysis and establishment of themes, and thus allow the Council to identify any changes or areas of training required.
- 1.7 It is proposed that, with the agreement of the Audit Committee, full follow-up reviews are therefore completed on both Health & Safety and Complaints as part of Internal Audit's planned programme of work in 2024-25.

#### Unplanned Work – Clevedon Sea Front/ Hill Road Scheme

- 1.8 During the year, the Internal Audit Service were requested to complete an independent review of the life of the Clevedon Seafront / Hill Road scheme. The purpose of the review was to understand whether there were any areas that the Council could learn from when planning and undertaking similar work in the future.
- 1.9 Internal Audit were tasked with reviewing five key aspects of this scheme. These included:

- Financial planning and management
- Decision making
- Consultation and engagement
- Roles and responsibilities
- Project Management arrangements

- 1.10 Key findings were identified in the review contained within the broad headings of Budget, Time, Consultation and Governance. Upon completion of the work, a [report](#) was published and made available to the public to ensure transparency.
- 1.11 Separately, detailed improvement actions against key findings were discussed with the Council’s Chief Executive, the Director of Place, and the Director of Corporate Services/ Section 151 Officer and an update on progress against the action plan was reported to the Audit Committee in December 2023.
- 1.12 Following further work, including by independent experts AECOM, the Executive Member for Highways and Transport provided a report to the Council’s Executive on 27<sup>th</sup> March 2024. At this meeting, the Executive approved retrospective works, which are to be included as a new project within the Council’s capital programme.
- 1.13 An internal audit review of Capital Governance was included as part of the Internal Audit Plan for 2023/24. The review is seeking to provide further independent assurance over the sufficiency of monitoring, scrutiny, reporting and escalation requirements, and to ensure that improved governance arrangements have been embedded and are operating effectively. At the time of this annual report being published, the audit review was nearing completion and will be reported to the Audit Committee in due course.

## **Investigations & Whistleblowing**

- 1.14 There was one main Audit investigation completed in the 2023-24 financial year.

### Investigation – Employee Whistleblowing

There was one main Audit investigation in the 2023/24 financial year which was previously reported in-year to the Audit Committee. The investigation concerned a whistleblowing allegation made, the result of which concluded that the allegation could not be fully substantiated.

- 1.15 Additional Referrals to Internal Audit for Potential Investigation

There were five other referrals of note that were made to the Internal Audit service regarding potential concerns. Four of these were internal (two whistleblowing), whilst the fifth was an external referral.

These are categorised as follows:

- i) Confidential Whistleblowing Referral - Children’s Services Directorate
- ii) Confidential Whistleblowing Referral – Place Directorate
- iii) Issue referred to Internal Audit – Agency worker
- iv) Issue referred to Internal Audit – Use of Council facilities for personal use

In these four internal instances, whilst initial internal audit work was required, these were then able to be concluded by management without the need for formal

investigation.

For the fifth (external) referral, this concerned a charity that the Council did not have any direct involvement with and thus the complainant was signposted to the Charity Commission and were also given details of the North Somerset Safeguarding Adults Board (NSSAB).

### **Counter Fraud**

1.16 Regular counter fraud updates were provided to the Committee throughout the year and a detailed report of all counter fraud related activity that took place in 2023-24 is presented within a separate paper to this Committee. This covers work completed and progress undertaken by the service, including but not limited to:

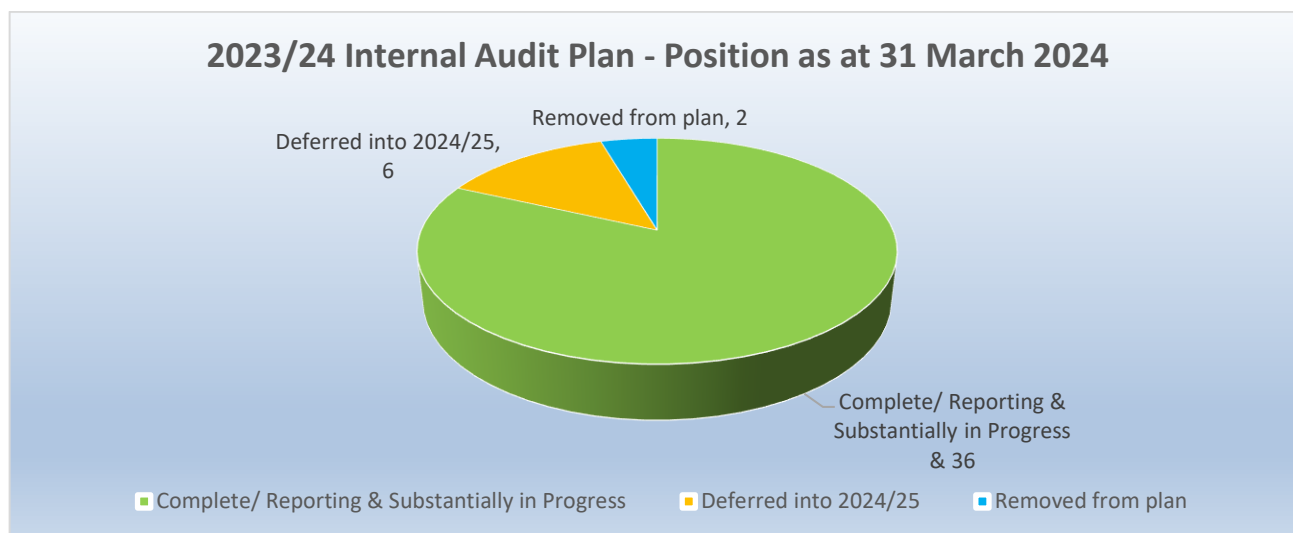
- National Picture and Emerging Risks
- Results from the National Fraud Initiative (NFI)
- Results from internal Data Analytics work
- Staff Information and Awareness
- Internal Audit Targeted Work and Investigations

### **Risk Management**

1.17 The Council's Risk Management Strategy and associated guidance was updated and approved by the Audit Committee in November 2022, with an updated version for approval elsewhere on this meeting agenda. This work was completed by the Head of Business Insight, Policy and Partnerships, with some input from the Internal Audit service. Throughout 2023/24, the Section 151 Officer has provided quarterly Risk Management updates to the Committee.

## 2) Completion of 2023-24 Internal Audit Plan

- 2.1 There were 44 pieces of audit work within the plan. Of the total number of audits:
- 33 audits had been completed or were at reporting stage, and a further 3 audits were substantially in progress.
  - 6 Audits have been agreed to defer into 24/25 (1 In Corporate Services, 1 in Adult Social Services, 1 in Children’s Services and 3 in the Place Directorate).
  - 2 planned pieces of work were no longer required (both in Place Directorate).



### 2023-24 Internal Audit Plan Position Statement

Audit Area	Status	Notes
Fraud - Data Analytics	Complete	Results reported in November 2023 and April 2024 Audit Committee reports
Fraud - National Fraud Initiative (NFI)	Complete	Results reported in November 2023 and April 2024 Audit Committee reports
Fraud - Training, Advice and Guidance	Complete	Work reported in Audit Committee update reports throughout year
Governance - Annual Governance Statement	Complete	2022/23 statement reported to Audit Committee and included within Accounts. 2023/24 statement drafted and will be presented for approval in Sep 2024.
Governance - Audit Committee, Boards, Advice and Guidance	Complete	Undertaken throughout year
Follow-up of Previous Year Recommendations	Complete	Undertaken throughout year
Local Transport Capital Block Funding (City Deal)	Complete	Detailed Grant Review – claim validated and signed off
Food Waste Collections	Complete	Detailed Grant Review – claim validated and signed off
Clevedon Library	Complete	Detailed Grant Review – claim validated and signed off
Local Transport Capital Block Funding (Highways and Pothole Fund)	Complete	Detailed Grant Review – claim validated and signed off
Green Homes Local Authority Delivery Grant	Complete	Detailed Grant Review – claim validated and signed off
Recruitment and Retention	Complete	Audit Opinion Level 4 –



		Substantial Assurance
Customer Service – Performance	In Progress	Work in progress
Corporate Health & Safety	Complete	Audit Opinion Level 4 – Limited Assurance
Duplicate Payments – Root Cause Analysis	Complete	Audit Opinion Level 4 – Substantial Assurance
Council Tax and NNDR	Complete	Audit Opinion Level 4 – Substantial Assurance
Vehicle Mileage Expense Claims	Complete	Audit Opinion Level 3 – Reasonable Assurance
ICT - Governance	Reporting	Work completed, reporting to client
ICT – Project Management	In Progress	Work in progress
ICT – Firewalls	Complete	Audit Opinion Level 3 – Reasonable Assurance
ICT – Cyber Security Incident Management	In Progress	Work in progress
ICT – Cyber Security Logging & Monitoring	Complete	Audit Opinion Level 3 – Reasonable Assurance
Compliance with Council Procurement Process	Reporting	Work completed, reporting to client
North Somerset Environment Company	Deferred	Requested to defer into 2024/25 due to staff availability and to now complete across two audits/ strands
Public Health Funerals	Reporting	Work completed, reporting to client
Sea Front Concessions	No Longer Required	Senior Management advised no longer required (service to be included within Commercial Delivery Model)
Tropicana Income, Stocks and Utility Costs	No Longer Required	Senior Management advised no longer required (service to be included within Commercial Delivery Model)
Planning Services	Complete	Consultancy Review (no opinion)
Parking Services	Complete	Audit Opinion Level 4 – Substantial Assurance
CIL & Section 106 Funding	Deferred	Deferred into 24/25 as agreed with Senior Management
Highways – Payment Bonds	Deferred	Deferred into 24/25 as agreed with Senior Management
Tree Management – Risk Management	Reporting	Work completed, reporting to client
Climate Emergency Action Plan	Deferred	Deferred into 24/25 with new focus as agreed with Senior Management
Clevedon Sea Front/ Hill Road Scheme	Complete	Independent Review
Adult Social Services – New Funding Streams	Reporting	Work completed, reporting to client
Housing – Lettings Service	Reporting	Work completed, reporting to client
Nursing and Residential Home Provider Visits	Reporting	Work completed, reporting to client
Adult Social Care – Complaints	Reporting	Work completed, reporting to client
Unpaid Carers	Deferred	Deferred into 24/25 as agreed with Senior Management due to client availability
Local Authority Designated Officer	Complete	Audit Opinion Level 4 – Substantial Assurance
High-Cost Care and Education Packages	Deferred	Deferred into 24/25 as agreed with Senior Management
School Financial Value Standard	Complete	All SFVS Returns received, analysed and advice given where applicable
Safety Valve Scheme	Reporting	Work completed, reporting to client
Children Missing Education	Reporting	Work completed, reporting to client

## Deferred Audits and Audits No Longer Required

2.2 As reported to the Committee in November 2023, due to the significant work required within the Place Directorate on the Clevedon Seafront/ Hill Road Scheme independent review, combined with the additional time spent on the investigation (see 1.14) and the work spent on referrals that required audit involvement (see 1.15), it was envisaged that some audit activity would be deferred into 2024/ 2025. This was all in the Place Directorate and was as follows are:

- i) CIL and Section 106 Fundings
- ii) Highways – Payment Bonds
- iii) Climate Emergency Action Plan

Further audits have since been requested to now take place in the 2024/ 25 financial year, as follows:

- iv) North Somerset Environment Company (Corporate Services) – this was deferred as agreed with management due a combination of NSEC Senior Management availability and request for enhanced work to now take place in 2024/25 across two strands (Management/ Clienting function and Shareholding).
- v) Unpaid Carers (Adult Social Services Directorate) – due to take place in quarter four of 2023/24 but deferred at Management request due to client unplanned absence.
- vi) High-Cost Care and Education Packages (Children’s Services) – deferred at Management request and now planned for quarter one of 2024/25.

2.3 Two further audits relating to the Tropicana and Sea Front have also been advised by Place Directorate Senior Management as no longer being required. This is due to these functions now being transferred to a commercial operator, with the Tropicana closing for construction and refurbishment between September 2024 to August 2025.

### **3) Implementation of Recommendations**

3.1 The follow-up of recommendations is prioritised on ensuring that critical and high level recommendations have been implemented. This is because the critical and high level recommendations made will have either identified significant risks, or identified improvements that could best help the organisation to achieve its objectives.

3.2 Audit West staff communicate with auditees throughout the review process to ensure that proposed recommendations are understood, are relevant and are achievable within the organisation. Through following this approach, we can report that all of the recommendations agreed in 2023/24 were found to have been implemented where they were due to be.

3.3 As above, whilst all of the agreed recommendations have been followed up with the officer(s) responsible and were implemented as agreed in year, there was one recommendation made within audit reports that was not agreed by the client. This was as follows:

#### Vehicle Mileage Expense Claims

#### **Staff Driving Licence and Vehicle MOT**

The Audit found that as part of the recruitment process, where employees are required to use their private vehicle in carrying out their duties, supporting documentation such as insurance business cover indemnifying the Council, valid driving licence, and current MOT, are not checked.

As a result, it was recommended that where employees are required to use their private vehicles for work then documentation for business insurance cover indemnifying the Council, valid driving licence and current MOT should be produced and checked by managers as part of the recruitment process.

This recommendation was not currently accepted by the auditee as it was considered that the Council does not have sufficient staff resources to implement. However, when the opportunity arises this will be included as part of a review of the checking process.

This is considered a fair response which has been accepted by the Auditor.

#### **4) Compliance with Public Sector Internal Audit Standards**

4.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1<sup>st</sup> April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS. The PSIAS were last revised with effect from 1<sup>st</sup> April 2017 and are based on the Institute of Internal Auditors' International Standards. The objectives of the PSIAS are:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

4.2 The Audit Committee are reminded that an external review of Audit West's conformation against the existing standards took place in late 2022 and the results were received in 2023. The review concluded a rating of 'Generally Conforms', which is the top rating and means that North Somerset Council's internal audit service has a charter, and policies and processes that are judged to be in conformance with the PSIAS / Core Principles and Code of Ethics.

4.3 The IIA released new Global Internal Audit Standards on 9<sup>th</sup> January 2024 and these will become effective 9<sup>th</sup> January 2025. The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.

4.4 Internal audit functions may start adopting the standards now, however the existing (2017) standards remain approved for a one-year transitional period. Audit West staff will be attending workshops throughout 2024/25 to understand more about the new standards, the work that will be needed to adhere to them, and requirements around external assessment.

## **5) Formal Opinion on the Internal Control Framework (2023/24)**

- 5.1 As part of our statutory requirements, the Head of Audit and Assurance in fulfilling the role of the Council's Chief Internal Auditor/ Chief Audit Executive, is required to give an opinion on the internal control framework.
- 5.2 In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.
- 5.3 As highlighted during previous reports to the Audit Committee within 2023/24, we are reporting the state of the internal control framework as satisfactory based on our audit opinions.
- 5.4 The Council's internal control framework had not altered significantly from the previous year and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk continue to be reasonable.
- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
  - Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with.
  - Managers throughout the council are aware of the importance of maintaining adequate and effective governance arrangements.
  - Appropriate arrangements are operated to deter and detect fraud and investigations did not identify any systemic failures.
  - Senior Management - led by the Chief Executive – demonstrate a pro-active approach to the fundamental themes of good governance and risk management.
  - There were no fundamental system failures or control breakdowns to business-critical functions.
- 5.5 Flexible/ hybrid working is now an established method of working in North Somerset Council. However, during 2023/24 we have seen a sustained increase of physical (in-person) internal audit reviews, allowing for greater observation of behaviours and work conversations, which often can provide further insight into the activity being audited. There also remain advantages in providing internal audit services remotely however, including saving time to commute to client locations.
- In 2023/24 there were adjustments to the internal audit plan, however the vast majority of work undertaken continued to take place in the areas planned and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.
- 5.6 The ongoing financial challenge, world events including the conflicts in Ukraine and the middle-east, the ongoing cost-of-living crisis, and the ongoing impacts of Brexit, also places further pressure locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.
- 5.7 The Audit Committee's support of our work and maintaining effective corporate governance is appreciated and I would like to thank elected members and the independent members for their input and guidance.

## **6. Consultation**

The Annual Report refers to facts and opinions that have been included within individual Audit reports which were distributed to, and agreed with, senior managers. The service meets regularly with the directorates to update them on the audit plan and ensures the plan continues to reflect the risks.

## **7. Financial implications**

There are no direct financial implications from this report which is focussed on performance.

## **8. Legal powers and implications**

There are no direct legal implications from this report which is focussed on performance.

## **10. Climate Change and Environmental Implications**

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. There are referenced or noted, where appropriate, throughout the report and associated appendices.

## **11. Risk Management**

Significant risks to the council arising from an ineffective Internal Audit service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit fees and undetected fraud. The Internal Audit Service assists the council in addressing its risk profile. Internal Audit helps by identifying risks, improvement areas and recommending good practice.

It is recognised by Government that the current economic climate in the United Kingdom including the cost-of-living crisis, has the potential to increase the risk of fraud and irregularity as never seen before in the Public Sector. Furthermore, as the Council makes continued cuts in its future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

## **12. Equality Implications**

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

## **13. Corporate Implications**

Failure to deliver the agreed Annual Assurance Plan may result in an inability to provide adequate assurance to officers, members, and the public of the soundness of the council's corporate governance.

## **14. Options Considered**

None, this is a report on previous and current year activity.

**AUTHOR**

Peter Cann – Head of Audit & Assurance

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**BACKGROUND PAPERS**

Annual Audit Assurance Plan 2023/24

Audit Committee March 2023

Counter Fraud Annual Report 2023/24

Audit Committee April 2024

**Appendix A – Description of Audit Assurance Ratings and Opinion:**

Assurance Rating	Opinion
<b>Comprehensive Assurance - Level 5</b>	The systems of internal control are excellent with a number of strengths and comprehensive assurance can be provided over all the areas detailed in the Assurance Summary
<b>Substantial Assurance - Level 4</b>	The systems of internal control are good and substantial assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
<b>Reasonable Assurance - Level 3</b>	The systems of internal control are satisfactory and reasonable assurance can be provided. However there is one area detailed in the Assurance Summary which requires improvement and specific recommendations are detailed in the Action Plan
<b>Limited Assurance - Level 2</b>	The systems of internal controls are weak and only limited assurance could be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
<b>No Assurance - Level 1</b>	The systems of internal controls are poor, no assurance can be given and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

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## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25<sup>th</sup> April 2024**

**Subject of Report: Audit and Assurance Plan 2024-25**

**Town or Parish: None**

**Officer/Member Presenting: Peter Cann, Audit West**

**Key decision: no**

### Recommendations

The Audit Committee approves the Audit & Assurance Plan 2024-25.

### 1. Summary of Report

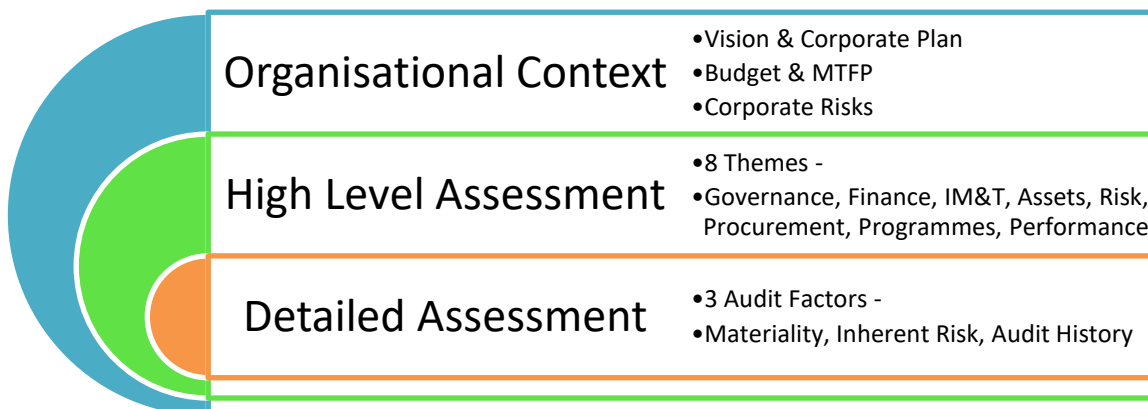
This report outlines the Annual Audit and Assurance Plan 2024-25 which forms the principal work of the Internal Audit Service for the new financial year. The Audit Committee is asked to endorse the plan. Also attached is the Audit Charter for the Internal Audit Service for information in Appendix B.

### 2. Policy

The Annual Audit and Assurance Plan forms a key element of the Council's corporate governance arrangements. The work provides assurance and improves the council's internal controls to ensure delivery of the Council's objectives. The outputs inform the Head of Audit and Assurance opinion of the Council's governance, risk and control environment as well as informing the Annual Governance Statement.

### 3. Details

The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to prepare a risk-based plan and this is attached at Appendix A. The plan is formulated using the Reasonable Assurance Model the essential elements of the model are as follows –



Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 or Corporate Leadership Team) may on occasion mean that a low scoring or new topic is nevertheless included in the Plan, e.g., historically, Covid-19.

The plan process involved extensive consultation between January and end of March 2024 including the following key stakeholders –

- Senior Management
- Directorate Leadership Teams
- Statutory Officers
- Audit Committee

Resources available to deliver work will also inform the quantum of the Plan. Our partnership arrangements also give us ongoing efficiency opportunities to reduce the amount of time spent on reviews and share best practice.

### **Ongoing Review of the Audit Plan**

Whilst relatively small in-year adjustments were required to the agreed audit plans for the previous financial year of 2023/24, the Internal Audit Service will continue to ensure a fluid approach for audit coverage in the next financial year.

Therefore, whilst a full-year audit plan has been produced to cover the period 1<sup>st</sup> April 2024 – 31<sup>st</sup> March 2025, the plan will be kept under continual review and adjusted to cover any further unforeseen requirements over the first six months. A formal review of the annual plan takes place at the six-month stage and, if necessary, the Committee are consulted on any likely changes that are required in order to adequately prioritise and resource the second half of the financial year.

### **Internal Audit Charter & Professional Standards**

The Public Sector Internal Audit Standards (PSIAS) came into effect from 1<sup>st</sup> April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS.

The PSIAS was first revised WEF 1<sup>st</sup> April 2017 and are based on the Institute of Internal Auditors' International Standards. The IIA have since released new Global Internal Audit Standards on 9<sup>th</sup> January 2024 and these will become effective 9<sup>th</sup> January 2025.

The new Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.

Whilst internal audit functions may start adopting the new standards now, the existing (2017) standards remain approved for a one-year transitional period. It is therefore these 2017 standards that internal audit services, including Audit West, are operating under when creating their 2024-25 Internal Audit Plan(s).

The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

A key requirement of the PSIAS is an Internal Audit Charter which defines the internal audit activities, purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Head of Audit and Assurance's functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of internal audit activities.

As part of best practice we always present the Charter annually to the Audit Committee so that you are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.

Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years. An external review of our conformation against these standards took place in late 2022 and the results were received in 2023. The review concluded a rating of 'Generally Conforms', which is the top rating and means that North Somerset Council's internal audit service has a charter, and policies and processes that are judged to be in conformance with the PSIAS / Core Principles and Code of Ethics.

#### **4. Consultation**

In developing the Audit Plan, the Internal Audit Service drew upon local and national intelligence and reports and consulted with a range of stakeholders. The Service used a risk framework to identify the topics to be included in the draft plan.

#### **5. Financial Implications**

The costs of delivering the Annual Audit Plan are contained within the budget set aside for the contract with Audit West. If this work identifies weaknesses in the council's control environment, this may result in additional costs. The work may also identify efficiencies and savings in the council's operation.

#### **6. Legal Powers and Implications**

There are no direct legal implications from this report.

#### **7. Climate Change and Environmental Implications**

The plan process will consider key risks (& opportunities) which will include a continued focus on Climate Change and report back on whether assurances can be given on the delivery of the organisations plan to mitigate the risk in this area.

#### **8. Risk Management**

The Plan describes how Internal Audit will take a risk-based approach in applying its limited resources to provide a sufficient level of assurance to those charged with governance. This includes a risk assessment tool used to inform the content of the Annual Audit Assurance Plan.

#### **9. Equality Implications**

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

## **10. Corporate Implications**

Failure to agree a sufficient Annual Assurance Plan may result in an inability to provide assurance to officers, members and the public of the soundness of the council's corporate governance

## **11. Options Considered**

None as this report follows professional standards.

### **Author**

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### **Background Papers**

Audit Plan – Audit Committee Consultation, January 2024

### **Attachments**

- Appendix A Annual Audit & Assurance Plan 2024-25
- Appendix B Audit Charter

# Audit & Assurance Plan 2024/25

Delivering Independent Assurance to Local Government

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An open, fairer, greener North Somerset

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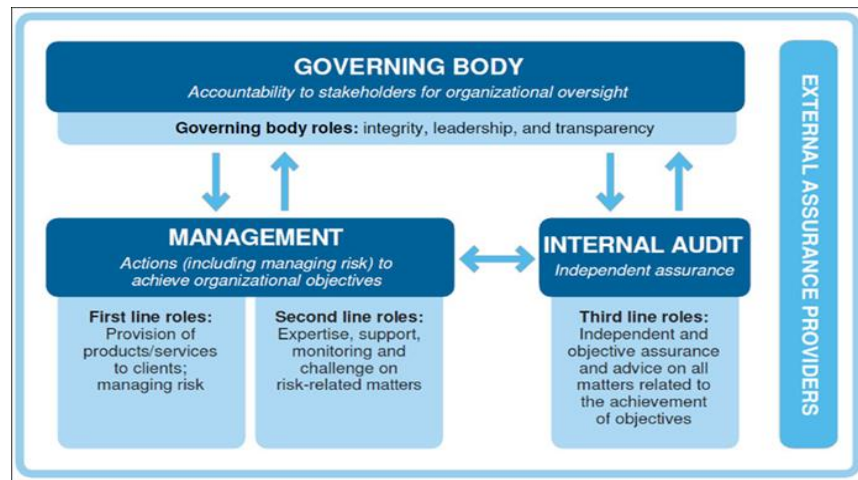
# 1. Our Role

## Introduction

North Somerset Council strives to deliver excellent services to local people and pledges to be an open, fairer and greener Council. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities.

Audit West fully recognises its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

## Three Lines of Defence Model



By being independent of management, Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering Complimentary Assurance Services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2024/25.



## 2. Vision and Values for North Somerset

### Our vision

An Open, Fair, Green North Somerset



#### Open

You told us open means being honest and transparent. It means listening to you and your views on the decisions we make. It means being accountable for how we spend your money and ensuring we provide the very best value we can.



#### Fair

You told us fair means being accessible and inclusive in how we work. It means listening to the views of all groups and acting on local issues. It means ensuring equity in access to services.



#### Green

You told us green means we take our responsibility to respond to the climate emergency seriously. It means we do all we can to understand the impact our actions have on the environment and mitigate them where possible.



### Our values



We act with **INTEGRITY**



We **RESPECT** each other



We **INNOVATE**



We **CARE**



We **COLLABORATE**



### 3. How the Internal Audit Plan is Compiled – Reasonable Assurance Model

A key component of the audit needs assessment is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.

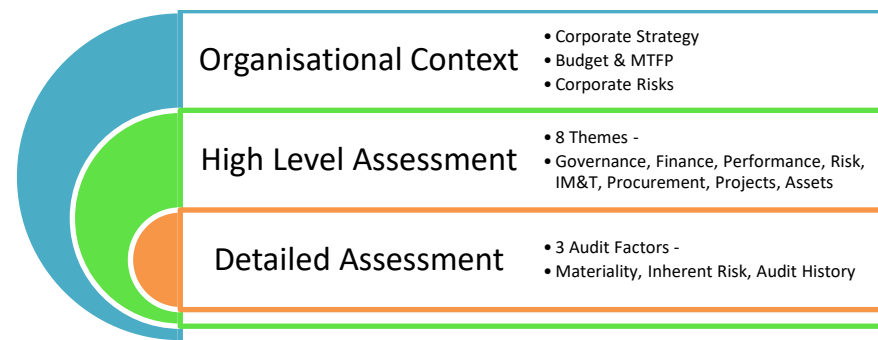


Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

In addition to the Reasonable Assurance Model assessment the annual plan is created by:

1. Consideration of risks recorded in the Council's Corporate and Directorate Risk Registers and objectives within the Corporate Plan and Annual Directorate Statements.
2. Horizon scanning – external publications and networking groups e.g., LACAN (Local Authority Chief Auditors Network)
3. Consultation with Directorate Leadership Teams, key Corporate Officers, Statutory Officers and the Audit Committee – discussions cover any issues, and new / heightened risks based on new or changes in responsibilities.
4. External Review Body findings or planned reviews.
5. Risk scoring long list of potential areas of audit activity based on factors such as: Internal Audit History (previous assurance opinions, time since last review), Inherent Risk (operational, technical, reputational & people), Materiality (income, expenditure, planned savings), and Audit Management knowledge experience.

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In accordance with the PSIA Standards, the plan needs to be flexible to respond to the changing risks and priorities of the Council and, to this end, audit planned activity will be regularly reviewed and changes reported to management and the Audit Committee.

## 4. Detailed Internal Audit Plan

This listing records the core activity of the Internal Audit Service and the planned audit reviews as of 1<sup>st</sup> April 2024.

The recorded 'Quarter' scheduling is an indication of timing of each review but is intended as a guide only and is subject to change. Work in addition to that in the plan is also delivered through audit investigations and general advice to service areas, as is required.

Item	Title	Start (Quarter)	Directorate	Theme
1	Grant Funding Requiring Audit Verification	1/ 2/ 3/ 4	ALL	Finance
2	Compliance with Council Spending Controls	2/3	ALL	Finance
3	Health and Safety - Detailed Follow-up Review inc. New IT System	4	CSD	Risk
4	Learning and Development - iLearn System	2	CSD	Risk
5	Tell Us Once Service	2	CSD	Performance
6	Payroll	1	CSD	Finance
7	Procurement Act 2023	4	CSD	Procurement
8	Procurement - Compliance with Changes to CSO's	3	CSD	Procurement
9	North Somerset Environment Company (NSEC) - Shareholding	3	CSD	Governance
10	North Somerset Environment Company (NSEC) – Clienting/ Management	2	Place	Performance
11	ICT – Asset Management (inc. Mobile Devices)	3	CSD	IM&T
12	ICT – Cyber Security (inc. Staff Awareness)	1	CSD	IM&T
13	ICT - Ransomware	2	CSD	IM&T
14	DWP - Use of Data Requirements	2	CSD	IM&T
15	IR35	1	CSD	Risk
16	Governance - Annual Governance Statement	1/ 2/ 3/ 4	CSD	Governance
17	Governance - Audit Committee, Boards, Advice and Guidance	1/ 2/ 3/ 4	CSD	Governance
18	Follow-up of Previous Year Recommendations	1/ 2/ 3/ 4	ALL	Risk
19	Fraud - Data Analytics	1/ 2/ 3/ 4	ALL	Finance
20	Fraud - National Fraud Initiative (NFI)	1/ 2/ 3/ 4	ALL	Finance
21	Fraud - Training, Advice and Guidance	1/ 2/ 3/ 4	ALL	Finance
22	CIL and Section 106 Funding	3	Place	Finance
23	Highways – Payment Bonds	1	Place	Finance
24	Home to School Transport - Contracts	4	Place	Procurement
25	Corporate Landlord	3	Place	Assets
26	Place Directorate - Major Project	2	Place	Projects
27	Vehicles Registered to NSC	4	Place	Assets
28	Placemaking	3	Place	Assets
29	Adults Safeguarding - Processes	2	Adults	Risk
30	Unpaid Carers	1	Adults	Risk
31	Community Meals	3/4	Adults	Risk
32	Out of County Care Packages	1	Adults	Procurement
33	Court of Protection	2	Adults	Finance
34	Debt Collection/ Deferred Payments	2	Children's	Finance
35	High-Cost Care and Education Packages inc. funding splits	3	Children's	Procurement
36	Complaint Handling (inc. follow-up from 23/24)	3	Children's	Performance
37	Safety Valve Scheme	4	Children's	Governance
38	Children's TBC	1	Children's	TBC
39	School Financial Value Standard (SFVS)	4	Children's	Finance

## 5. Other Key Components of Internal Audit Planned Work

### 1) Fraud – Prevention & Detection

Counter-fraud and corruption arrangements are a high priority for the Council and assist in the protection of public funds and transparency & accountability. Under the Council's Financial Regulations, the Internal Audit Service must be informed of any 'financial irregularities' and we are committed to responding timely to any reported or identified cases through carrying out our proactive work. Our proactive anti-fraud and corruption testing is focussed on those areas / systems considered to be most at risk to fraud.

The CIPFA guidance ('Code of practice on managing the risk of fraud and corruption'), the CIPFA Fraud and Corruption Tracker (CFaCT) survey, and the Fighting Fraud and Corruption Locally strategy, all assist in assessing and informing fraud and corruption risks and planning the work of the Internal Audit service. Nationally, the notable areas of fraud include Housing Benefit, Council Tax/ Single Person Discount, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care). These areas and the risks are considered as part of the audit planning process and this is evident in the list of audit reviews recorded in Section 5, as well as in previous audit plans.

In terms of other proactive work, the Cabinet Office runs a detailed national data matching exercise (National Fraud Initiative - NFI) every two years. Information must be extracted from several Council databases and uploaded to the NFI database run. The results of the most recent exercise were reported in April 2024.

The Council has an adopted an Anti-Fraud and Corruption Strategy and associated policies and these were reviewed and updated in 2022/23. Staff awareness of fraud and scams is very important, and the Internal Audit service provide training and regular bulletins to ensure that staff are reminded of the risks and the need for continued diligence. This work will continue throughout 2024/25.

### 2) Corporate Governance

The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.

The AGS must be seen as a Council wide document, and it is reviewed and approved by the Audit Committee. The Leader of the Council and the Chief Executive are required to sign the document which is then published with the Council's statement of accounts.

The Internal Audit service provide support by using an adopted methodology to carry out an Annual Governance review.

### 3) Independent Certification of Grant Funding

Significant funding is provided to the Council by funding bodies such as the West of England Combined Authority and Government Departments. The Internal Audit service are required to independently verify expenditure and provide an opinion on whether expenditure is in compliance with Grant Terms & Conditions.

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## **Internal Audit Charter**

**This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for North Somerset Council**

### **1 Internal Audit's Purpose and Mission**

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control, processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

### **2 Internal Audit's Statutory Role**

- 2.1 The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“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”.

- 2.2 Section 151 of the Local Government Act 1972 requires the Council to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.

- 2.3 The Audit Committee responsibilities are recorded in its Terms of Reference which were last updated significantly during 2019/20.

### **3 Standards for Professional Practice of Internal Auditing**

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Audit and Assurance will report periodically to the Council’s Chief Financial Officer (S151 Officer) and the Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

## **4 Management's Responsibilities for Internal Control**

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

## **5 Internal Audit Responsibility & Objectives**

- 5.1 Internal Audit is responsible for carrying out an appraisal of all the Council's activities, financial or otherwise, in line with this Internal Audit Charter. Internal Audit will provide an annual opinion to the Council (Audit Committee) and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Internal Audit will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3, Internal Audit will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings of internal assessments and any required actions will be reported to the Council's Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Internal Audit will be to produce a risk based Annual Audit Assurance Plan for approval by the Council's Audit Committee. The Audit Plan will remain flexible to take account of the Council's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Internal Audit will directly employ staff and contract as necessary to provide a service to the Council. This is carried out through a services agreement with Bath & North East Somerset Council who work in partnership with North Somerset Council for Internal Audit Services.

## **6 The Scope of Internal Audit**

- 6.1 Internal Audit's work is not limited to the Council's financial systems and records, it extends to all activities of the Council. This enables Internal Audit to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management. Work includes: reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and, safeguarding Council assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.

- 6.2 Where appropriate, there may be instances whereby Internal Audit works in partnership to meet objectives and deliver services. In these instances, Internal Audit will decide whether to conduct the work required itself or can place reliance on the work carried out by other Auditors or sources of assurance. If Internal Audit were to carry out the work, then access rights need to be established to all systems and documents. Management should ensure these are established as part of the partnership arrangements.

## **7 Internal Audit reporting lines**

- 7.1 The Head of Audit and Assurance fulfills the role of the Council's "Chief Internal Auditor" through its contractual arrangements and reports to the Client - Director of Corporate Services/ Section 151 Officer. The Head of Audit and Assurance has freedom of reporting access without fear or favour to all relevant Members and Officers (including the Leader of the Council, the Chair of the Audit Committee and the Council's Statutory Officers - Chief Executive {Head of Paid Service}; Director of Corporate Services {Section 151} and the Assistant Director Legal & Governance and Monitoring Officer.
- 7.2 The Council has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Head of Audit and Assurance reports regularly to the Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

## **8 Internal Audit Independence**

- 8.1 A critical element of the performance of Internal Audit is independence from the activities it audits. This enables Internal Audit to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence Internal Audit is allowed unrestricted access to Senior Management & Members, as stated in Section 7.1. the Head of Audit and Assurance reports in their own name and has enhanced independence through the contractual arrangements with Bath & North East Somerset Council.
- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out 'consultancy services') in the last two years. In terms of 'consultancy services' this is work which is going beyond providing an opinion on the control environment, i.e., they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- 8.4 Before Internal Audit agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work

would compromise delivery of the service's prime function, then the work would be declined.

- 8.5 Where the Head of Audit and Assurance has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Head of Audit and Assurance will confirm to the Audit Committee at least annually of the independence of the internal audit activity.

## **9 Internal Audit Fraud related work**

- 9.1 Internal Audit does not have responsibility for the prevention and detection of fraud. However, Internal Audit staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Internal Audit work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Internal Audit to be alerted to possible fraud and irregularities will be through the awareness of Council Officer and Members of the Council's Anti-Fraud & Corruption Strategy and associated policies (Anti-Money Laundering Policy; Anti-Bribery & Corruption Policy and Whistleblowing Policy). Internal Audit maintain the Council's Strategy and Policies and report on this to the Audit Committee. The Strategy adheres to the themes and principles of the CIPFA Local Government Counter Fraud Strategy.
- 9.3 Internal Audit assist in the detection of fraud by assisting the Council's Director of Corporate Services (Section 151 Officer) in roles related to the Cabinet Office National Fraud Initiative (NFI). Internal Audit assists Council Services in the preparation and submission of data to the Cabinet Office and then the review and investigation of data matches.
- 9.4 Internal Audit may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if deemed necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted strategies, policies and protocols.

## **10 Internal Audit's Right of Access**

- 10.1 The Accounts & Audit Regulations 2015 provides that any Officer of the Council must make available such documents of the Council which relates to its' accounts and other records as appear to be necessary for the purpose of the Audit.

In addition, the Council's Financial Regulations state that the Head of Audit and Assurance or their authorised representative, shall have authority to:



- Enter at any reasonable times, any operational or administrative Council premises or land and have access to all Council property;
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee of the Council to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the council by an employee or contractor, and any goods purchased on behalf of the Council,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect Council resources, property and assets from loss / waste.

## **11 Relationship with External Audit & other Assurance Providers**

- 11.1 The relationship between Internal Audit and the Council's External Audit should take account their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst Internal Audit is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.
- 11.2 Internal Audit will co-operate and co-ordinate with External Audit and other review agents to:
- Ensure that duplication of work is minimised
  - Consider joint delivery where appropriate
  - Determine the level of assurance that can be obtained from their work
  - Review the reliance that can be placed on that assurance as part of Internal Audit's opinion on the control environment
  - To enable access to all Internal Audit records as appropriate.
- 11.3 As part of its drive to secure efficiencies, Internal Audit will use all sources of assurance available to it to inform its opinion.

## **12 Quality Assurance and Improvement Plan**

- 12.1 The Head of Audit and Assurance has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.

- 12.2 Internal assessments will be carried out to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of internal assessments referencing any related action plans will be reported in the annual report to the Council's Audit Committee.
- 12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.
- 12.4 The Head of Audit and Assurance will inform the Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the Audit Committee.
- 12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council's Annual Governance Statement.

## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25<sup>th</sup> April 2024**

**Subject of Report: Counter Fraud Annual Report**

**Town or Parish: None**

**Officer/Member Presenting: Peter Cann, Audit West**

**Key decision: no**

### Recommendations

The Audit Committee is asked to note the Counter Fraud Annual Report.

#### 1. Summary of Report

This is an update report to outline the main counter fraud activity that took place during the 2023-24 financial year.

#### 2. National Picture and Emerging Fraud Risks

- 2.1 The CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the level of fraud and corruption local authorities have detected, the number of investigations undertaken and the types of fraud encountered.

The CIPFA Tracker Report was last published in 2020 and detailed the main themes for national fraud indicators within Local Government. This can be accessed via the CIPFA website:

<https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fraud-and-corruption-tracker>

The tracker report is supported by the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK public sector was last estimated to be £40.3bn annually, with £7.3bn of this total being lost in local government.

#### 2.2 Internal Audit Coverage of Key Fraud Risks

Key fraud risks specific to Local Authorities continue to include:

- Council Tax Fraud
- Disabled Parking Concessions (Blue Badge)
- Business Rates
- Housing Fraud

Procurement Fraud is also an increasing risk and coverage of this was completed in 2023/24 (Compliance with Council Procurement Process) with two further audits planned in 2024/25 (Procurement Act 2023 and Compliance with Changes to CSOs).

Additional audits completed in 2023/24 that are linked to key Local Authority fraud risks included reviews of Council Tax and NNDR (Business Rates) and Housing (Lettings Service).

Further work proposed within the 2024/25 Internal Audit Plan is to include a review of the 'Tell Us Once' service, which spans across Blue Badges and is an important fraud deterrent. This audit is in part included due to the findings within the recent NFI exercise (see section 3).

Cyber Fraud continues to be a significant challenge across the landscape nationally. Audit reviews of Cyber Security (including staff awareness) and Ransomware are included as part of the 2024/25 planned programme of work in order to provide assurance over the effectiveness of controls in these areas.

### **2.3 Fraud Prevention Networks and Identified Fraud**

The Internal Audit Service obtains information regarding known and emerging fraud risks from a number of sources, organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). NAFN are one of the largest shared services in the country, managed by, and for the benefit of its members, and is hosted by Tameside MBC. Currently, almost 90% of local authorities are members, including North Somerset Council.

As part of the above arrangement with NAFN, Internal Audit has a process in place for onward sharing and discussion of NAFN alerts. This process is in place to raise awareness across the Council of local and national fraud risks and to highlight or investigate areas of known concern.

A fraud alert was received in December 2023, which Internal Audit shared the with the Council's Revenues and Benefits team. The alert was in relation to a Council Tax scam that was cross border with multiple authorities affected. The Alert was sent by NAFN for reference and with a request to review names, addresses and bank accounts known to be used in this fraud activity against Council records to ascertain if there was any similar activity impacting North Somerset Council.

In early 2024, the Revenues & Benefits Client Lead at the Council contacted Internal Audit to report that a match of name had been identified on Council records and that a successful fraud attempt against the Council had been discovered. The fraud had occurred when contact was made with the Council online and also on the phone by somebody claiming to be a customer that was liable for payment of Council Tax at a property. A Council Tax payment was made on a fraudulent credit card, but then later refunded into a different bank account. The total identified financial loss incurred as a result of this fraudulent activity is £437.56.

Further detailed work will be undertaken in 2024/25 (as part of scheduled fraud prevention activity) to establish whether there any further/ revised controls that need to be put in place to reduce the risk of this happening again in future. Meanwhile, the fraud has been reported to NAFN and also to Action Fraud.

### 3. National Fraud Initiative (NFI)

- 3.1 The Internal Audit function also carry out other anti-fraud activity, such as co-ordinating the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.
- 3.2 The NFI is a Cabinet Office initiative, matching data from a large number of public and private sector organisations. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched and data matching reports are made available for each participating organisation to review. It is for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

For Local Authorities such as North Somerset Council, example data sets for matching purposes include (but are not limited to); Housing Benefit, Council, Payroll, Adult Social Care Personal Budgeting and Disabled Parking (Blue Badges).

#### 3.3 Results from the Latest NFI Exercise

The results from the in-year exercise have given estimated savings as follows:

Report title	Total matches	Fraud/errors	Outcome	Cabinet Office Estimates	Total
Housing Benefits	46	0	£0.00	£0.00	£0.00
CTax Reduction Scheme	220	3	£519.35	£116.16	£635.51
Payroll	29	0	£0.00	£0.00	£0.00
Blue Badges	808	185	£0.00	£120,250	£120,250
Waiting List	135	0	£0.00	£0.00	£0.00
Creditors	1377	1	£40,544.52	£0.00	£40,544.52
Procurement	20	0	£0.00	£0.00	£0.00
<b>TOTAL</b>	<b>2635</b>	<b>189</b>	<b>£41,063.87</b>	<b>£120,366.16</b>	<b>£161,430.03</b>

#### i) **Blue Badges – Estimated Savings £120,250**

The Blue Badges matches were in relation to service users that have passed away but the badges remained active. It should be noted that the savings are based on Cabinet Office estimated national 'averages' for the worth of a badge (street value of badges are worth much more in London for example). There is no confirmation that any of the badges have been used inappropriately, as a result the estimated savings provided by NFI might not reflect actual savings to the council.

The matches are a result of the Blue Badges team not being informed when a service user passes away, and as a result the badges are not being cancelled. It should be noted that evidence was provided in-year that all of the notifications received through the councils "Tell Us Once" system had been processed by the Blue Badges team. However, an audit review of this system is proposed as part of the 2024-25 audit plan in order to understand if there are any issues in this area which might mean that information isn't getting shared across departments as it should be.

#### ii) **Duplicate Payment - £40,544.52**

A separate audit review of the 'root-causes' of duplicate payments was completed during 2023/24 (see 4.2) and this included investigation as to how the overpayment of

£40,544.52 identified in the NFI exercise was able to occur. Essentially, it was confirmed that this payment was not picked up as would usually happen with a duplicate purchase order number and value, due to the fact that the contract was a value order.

With a contract value order, a company can send in multiple invoices across the year against one purchase order number. The purchase order number does however have a financial limit set against it, so once the limit is reached then subsequent invoices would be rejected. Since at the time of the duplicate invoice coming in the limit had not been reached it was accepted.

A recommendation was made (and accepted) that the supplier was to be added to a watch list on the supplier master file. This would ensure that when any future invoices from the company are received, staff will be prompted about the issue identified in order to improve controls and prevent a recurrence. In addition, enhanced duplicate payment testing by Accounts Payable has been recommended.

The Audit Committee are advised that the duplicate payment of £40,544.52 has been recovered.

## **4. Internal Audit Targeted Work and Investigations**

### **4.1 Internal Audit Planning and Reviews**

The risk of Fraud is considered during all internal audit planning activity and members can see evidence of this throughout this annual report. This includes thought right from initially building the Annual Audit Plan (i.e. the audit reviews planned to be carried out during the financial year) through to considering the objectives, fraud risks, controls and focus of each review to be carried out, i.e. each individual work programme. As described in this report, work will be carried out in 2024/25 on known key fraud risk areas, including Cyber Fraud, Procurement, Blue Badges (via 'Tell Us Once' review), as well as NFI and Data Analytics reviews.

### **4.2 Data Analytics**

Data analysis and data matching are important tools for identifying fraud and error in local government. The Fighting Fraud and Corruption Locally Strategy for the 2020s recommends that local authorities should share data across its own departments and engage in the use of data analytics as a key response to fraud.

As well as participating in the National Fraud Initiative (see section 3), Audit West wishes to support effective data analysis with the use of existing information that the authority already holds. Therefore, internal data matching takes place regularly throughout the year and this is partly completed via IDEA – an internal audit data analytics software tool.

The work completed in 2023/24 did not identify any fraud, however, it did identify 84 potential duplicate payments totalling £29,637 which had already been picked up by Accounts Payable and already cancelled or reversed. One further duplicate payment was identified to the value of £228.96 which had not previously been picked up but has now been recovered.

The internal matches were completed primarily on data from the payroll and creditor system. The main checks that took place and findings that were identified as follows:

No	Match type	Fraud or Error Identified	Value of Fraud /Error	Total matches identified	Comments
1	Duplicate payments by invoice number, supplier I.D. and amount.	No	n/a	84	A total of 84 potential duplicate payments were identified from the data match. The total value of the matches was £29,637. However, the average value was only £705, due to the highest value invoice being for £20,000. The matches were investigated, and it was identified that that the payments had already been identified by Accounts Payable and had been either cancelled off or reversed. As a result, no outstanding duplicates remained.
2	Duplicate payments by invoice number and amount.	1 error	£228	136	A total of 136 potential matches were identified from the initial data matching. For 1 invoice for £228.96 was identified as being a duplicate, and accounts payable have confirmed that the money has been recovered. No other issues of genuine duplicates were identified, with the matches either being separate payments or having previously been identified and corrected by accounts payable.
3	Supplier gap detection - General Suppliers.	No	n/a	8	A total of 8 gaps were detected in the general supplier file. All the gaps had been previously identified and were the result of issues when the Agresso system was originally set up. No new gaps have been detected.
	Supplier gap detection - Ukraine Grant programme.	No	n/a	7	A total of 7 gaps were detected in the supplier numbers for the Ukraine support payment, no payments have been made and the suppliers were never set up on the system.
	Closed Covid-19 Suppliers.	No	n/a	2	All of the suppliers that had been set up to received Covid-19 payments had been closed down on the system, with the exception of two which were identified as part of the audit. The two open Covid suppliers have subsequently been closed.
4	Duplicate suppliers by bank account.	No	n/a	162	A total of 162 potential matches were identified. These were reviewed and legitimate reasons for the matches exist.
5	Payroll match by	No	n/a	19	A total of 19 matches were identified relating to staff that had duplicate bank details. The matches were reviewed,

	bank account.				and steps taken to ensure that the employees were real. The issue is primarily the result of staff using joint bank accounts with their partner.
6	Duplicate National Insurance Number.	No	n/a	0	No staff were identified as having duplicate national insurance numbers. Staff with multiple jobs were reviewed. No issues with sickness or exceeding maximum hours worked were identified.
7	Over retirement age checked.	No	n/a	60	A total of 60 employees were identified as being over the retirement age. There is no obligation for staff over retirement age to retire. A review of the staff identified that they were employed mainly in casual or part time roles.
	Employees under the age of 18.	No	n/a	3	A total of 3 employees were identified as being below the age of 18. One employee was 15 the other two 17 years old. All of the roles were casual and appear to be compliant with guidance for employment of individuals under 18.
8	Creditors to payroll by bank details.	No	n/a	116	A total of 116 transactions were identified. A sample of transactions were reviewed, and no concerns were identified.

### **Root Cause Analysis**

A root cause analysis review was conducted on the duplicate payments that had been identified either as part of the Data Analytics audit or as part of the National Fraud Initiative. This review sought to identify the reason(s) why potential duplicate payments were not identified prior to the NFI and data analytics work being undertaken, or where they were already identified, work was completed to identify the reasons why the duplicate occurred, how it was detected by Accounts Payable, and if steps can be taken to reduce the number of potential duplicates.

From the analysis conducted the duplicates can be separated into three categories.

- i) Contract Order – see 3.3. (ii)
- ii) Cheque Payments - Whilst the majority of payments made by the Council are via BACS, the Council still makes some payments via cheques. When cheques are then cancelled due to the supplier being paid through another method, this identifies as a duplicate payment. The Council raised a project to reduce the number of cheques being issued to pay one off sundry payment via cheque and instead pay them through the BACS system and this has recently gone live, hence an expected reduction in cheque payments in 2024.
- iii) Incorrect Supplier ID - Matches were identified where the incorrect supplier number had been issued. This can occur when the incorrect supplier ID is selected, as in some instances, the suppliers have the same or similar names. This is usually for companies that want payments to be made to different accounts, and as a result, the supplier will be set up as two different suppliers



so that payments can be made. However, if the wrong supplier ID is selected, then this could initially go undetected, since the name and address of the company are likely to be the same or similar.

The Accounts Payable team are responsible for ensuring that payments are properly authorised in compliance with the councils' procedures. Individual manager and budget holders are responsible for approving the payments and ensuring that they are legitimate.

#### **4.3 Investigations**

During Internal Audit investigations, the themes of prevent and pursue as recorded in the Anti-Fraud and Corruption Strategy are the focus of the work of the Auditor. The key objectives are to:

- a) Identify the breakdown in controls and correct this to avoid further losses
- b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.

There was one main Audit investigation in the 2023/24 financial year which was previously reported in-year to the Audit Committee. The investigation concerned a whistleblowing allegation made, the result of which concluded that the allegation could not be fully substantiated.

#### **4.4 Fraud Reporting**

In the financial year 2023/24, a total of 25 potential fraud referrals were received from the public through our dedicated fraud email address and referral form. The majority of the referrals related to areas such as Housing Benefit and Single Person Discount and were passed to the relevant area for action. We continue however to also receive reports of planning issues, as well as safeguarding concerns, within the referrals and in 2023/24 audits were undertaken within both of these service areas to give confidence that there were no underlying issues leading to these referrals.

#### **4.5 Staff Training and Awareness**

- 4.5.1 The Internal Audit service has continued to provide fraud information and awareness to staff throughout the year, with the staff newsletter 'The Knowledge' being a key channel of communication.

'International Fraud Awareness Week' fell between 12<sup>th</sup> – 18<sup>th</sup> November this year and a special article was published outlining all the key fraud prevention information that is available to officers, and detailing up to date information on the following headings:

- What is Fraud?
- Fraud and Local Government
- Why is Preventing Fraud Important?
- Who Commits Fraud and Why?
- Whistleblowing
- The Evolution of Cyber Fraud
- Our Strategy and Policies
- The Role of Internal Audit in Tackling Fraud
- Training and Resources

4.5.2 The audit service also produced articles for staff which covered the National Fraud Initiative; the new central Government 'Stop! Think Fraud' initiative; the emergence of QR (Quick Response) code fraud, and Whistleblowing.

4.5.3 The audit service has worked with the Inclusion and Corporate Development Manager team to transfer the content of online Fraud Awareness training onto the Council's new 'iLearn' system. Completion of this training is mandatory for all staff.

## **5. Strategy and Policy**

5.1 Nationally, the Fighting Fraud and Corruption Locally 2020 document is the most recent counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.

5.2 The Council's own Anti-Fraud & Corruption Strategy adopts the national strategy at a local level and is the "umbrella strategy" that brings together all fraud related policies. Its objective is to ensure that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses. The Council's Anti-Fraud and Corruption Strategy was refreshed, updated, and then approved in April 2022 by the Audit Committee.

5.3 Policies linked to the Strategy were also reviewed, updated, and approved in April 2022. These included the Whistle Blowing Policy, the Anti-Money Laundering Policy and Guidance, and the Anti-Bribery & Corruption Policy

## **6. Consultation**

The Audit Committee is asked to note the Counter Fraud Update Report.

## **7. Financial Implications**

There are no direct financial implications from this report which is focused on updates, however the Committee are asked to note the financial savings identified in the NFI exercise.

## **8. Legal Powers and Implications**

There are no direct legal implications from this report which is focused on updates.

## **9. Climate Change and Environmental Implications**

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. These are referenced or noted, where appropriate, throughout the report.

## **10. Risk Management**

It is recognised by Government that the current economic climate in the United Kingdom including the cost-of-living crisis have the potential to increase the risk of fraud and irregularity as never seen before in the Public Sector. Furthermore, as the Council makes continued cuts in its future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

**11. Equality Implications**

Embedded within the approach to fraud prevention is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

**12. Corporate Implications**

There is a requirement to have a strategy which applies to all aspects of the council's business and has in place policies and processes to support the prevention and detection of fraud and corruption.

**13. Options Considered**

None.

**Author**

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**Background papers**

Internal Audit Update Report to Audit Committee, November 2023  
2023/24 Internal Audit Plan – March 2023

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# North Somerset Council Audit Plan

Year ending 31 March 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

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## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

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# Key matters - continued

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## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Corporate Services.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Corporate Services Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.



# Key matters - continued



## Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 8.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of North Somerset Council ('the Council') for those charged with governance.

## Respective responsibilities

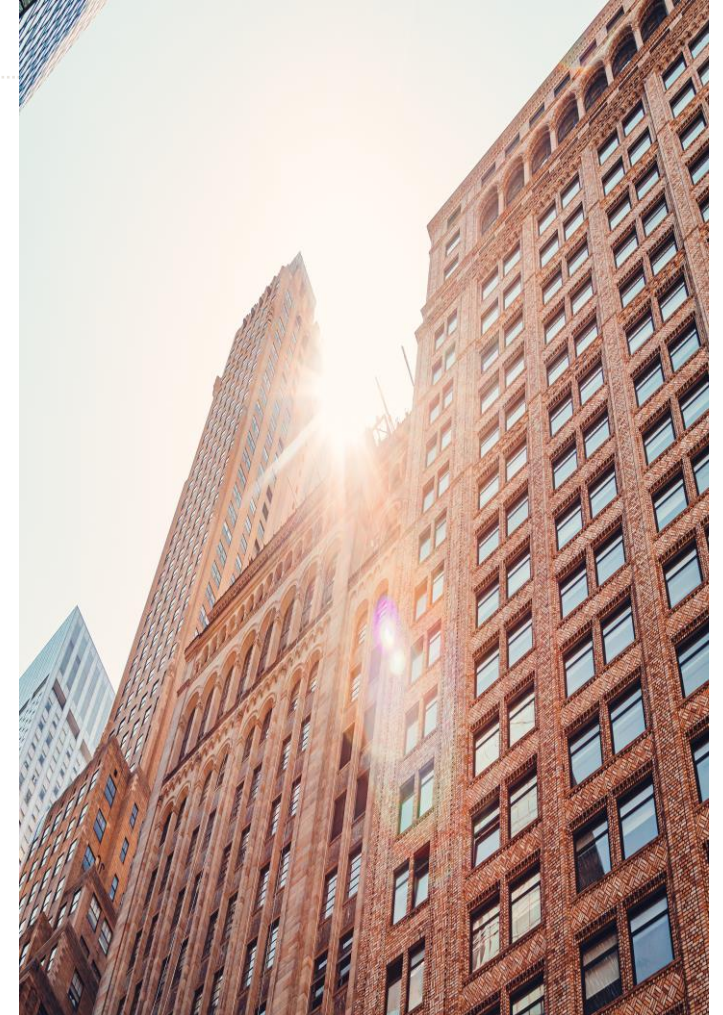
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of North Somerset Council. We draw your attention to these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Land and buildings
- Valuation of investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £8.350m (PY £8.400m) for the group and £8.300m (PY £8.350m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.418m (PY £0.420m) for the group and £0.415m (PY £0.415m) for the Council.

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of North Somerset Environment Company Ltd (NSEC)

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness at this stage. Our work in this area is still ongoing. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our planning visit will take place in February - March, and our final visit will take place between June - September. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

We will work with management to decide on the best approach to deliver the audit. This is likely to be a hybrid approach of onsite and remote working. Our preference is to work on site some of the time to ensure progression of the audit.

Our proposed fee for the audit will be £349,131 (PY: £155,284) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue and expenditure cycles include fraudulent transactions (rebutted)	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p> <p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue and expenditure streams at the audited body, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue or expenditure recognition;</li> <li>• Opportunities to manipulate revenue and expenditure recognition are very limited; and</li> <li>• The culture and ethical frameworks of public sector bodies, including North Somerset Council, means that all forms of fraud are seen as unacceptable.</li> <li>• We note that no significant issues were identified during the prior year's audit in these areas.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the audited body.</p>

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

# Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling Revaluation)	Council	<p>The Council revalues its land and buildings on a rolling basis. In the intervening years, to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, the group requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>• Test revaluations made during the year to see if they had been input correctly into the asset register.</li> </ul>
Valuation of investment properties (Annual Revaluation)	Council	<p>The Council revalues its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The Councils commercial investment portfolio consists of the North Worle District Centre and the Sovereign Centre in Weston Super Mare. Management have engaged the services of an external valuer to estimate the value of these assets at 31<sup>st</sup> March 2024.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met;</li> <li>• Engage our own expert to assess the instruction to the Councils valuer, the Councils valuer report and the assumptions that underpin the valuations of the North Worle District Centre and the Sovereign Light Centre.</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and</li> <li>• Test revaluations made during the year to see if they had been input correctly into the asset register.</li> </ul>

# Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the design effectiveness of management controls over journals;</li> <li>Analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Valuation of the Pension Fund net liability	Council	<p>The Councils pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of the Councils pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>Assess the competence, capabilities and objectivity of the actuary who carried out the group's pension fund valuation;</li> <li>Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>Obtain assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

No changes in the group structure have been identified.



# Group audit scope and risk assessment

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
North Somerset Council	Yes		<ul style="list-style-type: none"> <li>See pages 8-10 for significant risks identified for North Somerset Council</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
North Somerset Environment Company	Yes		<ul style="list-style-type: none"> <li>Management override of controls</li> <li>Non-significant elevated risk in expenditure cut off.</li> </ul>	Review of component auditor's work.

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## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level



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# Other matters

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## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

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## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £8.350m for the group and £8.300m for the Council, which equates to 2% of your prior year gross expenditure.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"><li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li><li>– assist in establishing the scope of our audit engagement and audit tests;</li><li>– determine sample sizes and</li><li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li></ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"><li>– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £10k per individual officer.</li></ul>

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning 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.
4	<b>Other communications relating to materiality we will report to the Audit Committee</b> Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.418m (PY £0.420m) for the group and £0.415m (PY £0.415m) for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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	Amount (£)	Qualitative factors considered
<b>Materiality for the entity financial statements</b>	£8.300m	This is equivalent to approximately 2% of the gross expenditure of the Council for the financial year and is the same percentage and measure as the previous year.
<b>Performance Materiality</b>	£6.625m	<p>We have determined performance materiality at 75% of the materiality. Our rationale is as follows:</p> <ul style="list-style-type: none"> <li>• Senior management and key reporting personnel in the finance function have remained stable from the prior year audit.</li> <li>• There were a low number of misstatements and recommendations arising as a result of the financial statements audits in the prior years, so we have a considered 75% remains appropriate</li> </ul>
<b>Triviality</b>	£0.415m	Set at 5% of materiality.
<b>Group materiality</b>	£8.350m	Group materiality figures have been calculated in the same manner as above but based on the group expenditure rather than the single entity.



# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"><li>A full IT Audit is being undertaken in 2023-24</li></ul>
Northgate iWorld	Revenues and Benefits	<ul style="list-style-type: none"><li>A full IT Audit is being undertaken in 2023-24</li></ul>
iTrent	Payroll	<ul style="list-style-type: none"><li>A full IT Audit is being undertaken in 2023-24</li></ul>
Active Directory	Network	<ul style="list-style-type: none"><li>A full IT Audit is being undertaken in 2023-24</li></ul>

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

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### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

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Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment	Additional risk-based procedures planned
Financial sustainability	Amber No significant weaknesses in arrangements identified, but one improvement recommendation made.	We will follow up progress against the improvement recommendation(s) made and ensure that our work assesses the current arrangements in place.
Governance	Green No significant weaknesses in arrangements identified, or improvement recommendations made.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place as required by the Code of Audit Practice.
Improving economy, efficiency and effectiveness	Amber No significant weaknesses in arrangements identified, but one improvement recommendation made.	We will follow up progress against the improvement recommendation(s) made and ensure that our work assesses the current arrangements in place.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.



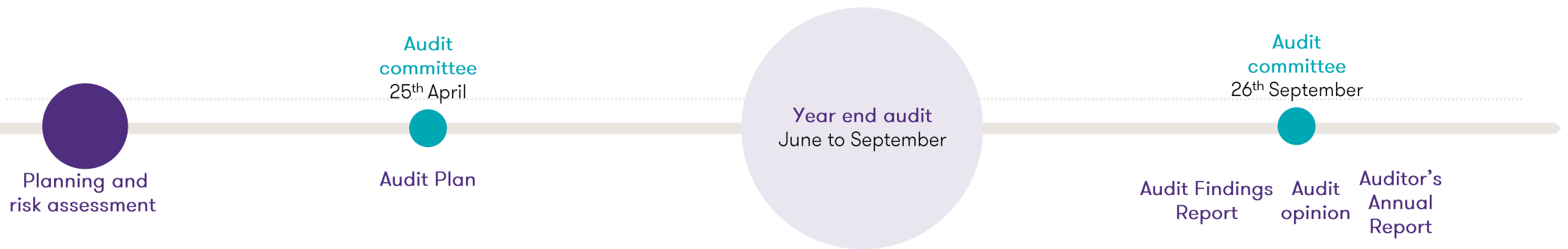
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# Risks of significant VFM weaknesses – continued

We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

Our planning work for 2023/24 is not yet complete, and we will update you separately once this has concluded.

# Audit logistics and team



Oscar Edwards, Audit Manager

Oscar plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



Grace Hawkins, Key Audit Partner

Grace leads our relationship with you and takes overall responsibility for the delivery of a high-quality audit, meeting the highest professional standards and adding value.

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you via inflo.
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

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# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023, PSAA awarded a contract of audit for North Somerset Council to begin with effect from 2023/24. For existing audited bodies – This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £336,581.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

	Proposed fee 2023/24
North Somerset Council Audit (Scale Fee)	£336,581
ISA 315	£12,550
Total audit fees (excluding VAT)	£349,131

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IFRS 16 adoption - As set out on page 25, IFRS 16 will need to be implemented by local authorities from 1 April 2024. The impact of this change will require disclosure in the 2023/24 statements and may necessitate further audit procedures. The impact on our fee of any additional audit work undertaken will be considered at the conclusion of the audit.

## Previous year

In 2022/23 the scale fee set by PSAA was £102,284. The actual fee charged for the audit was £155,284.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

## Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

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# Independence and non-audit services

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## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams [and component audit firms] providing services to the group and Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Non Audit related			
Teachers' Pension Certification	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £349,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Assurance Process	£47,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £47,400 in comparison to the total fee for the audit of £349,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	£59,900		

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.



# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud ( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

**Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)**

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

**Step 2 - Further Reminder (within two weeks of deadline)**

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

**Step 3 - Escalation to Chief Executive (within one month of deadline)**

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

**Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)**

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

**Step 5 – Consider use of wider powers (within two months of deadline)**

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

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# Addressing the local audit backlog - consultation

## Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

**Phase 1: Reset** involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

**Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

**Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- Page 123**
- FRC landing page - [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
  - DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
  - NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

## Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

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# Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

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or 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

## Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.



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## North Somerset Council

### Report to the Audit Committee

**Date of Meeting: 25 April 2024**

**Subject of Report: ICT Mobile Devices**

**Town or Parish: All**

**Officer/Member Presenting: Mike Riggall, Information and ICT Security Manager**

**Key Decision: No**

#### **Reason:**

The subject matter of this report will not result in incurring expenditure or making savings in excess of £500,000 and will not create significant impact in terms of its effects on communities within North Somerset.

#### **Recommendations**

That the Audit Committee notes the steps that have been taken to improve the management of mobile devices within ICT since the report was written in December 2022 and takes the opportunity to raise any ongoing matters of concern with the Information and ICT Security Manager.

#### **1. Summary of Report**

1.1 In its report *ICT Mobile Devices* of December 2022, the internal audit team identified a number of issues relating to the management of mobile technology within the council, resulting in three high level and four medium level recommendations to be actioned. This report discusses each of the recommendations presented in the audit report and details the steps that have subsequently been taken to address the concerns raised.

#### **2. Policy**

2.1 *Maintaining Security* is the second of the eight themes of the ICT Strategy, the aim of which states:

The residents of North Somerset must have confidence in our ability to ensure the integrity, availability and confidentiality of the personal information we process. We therefore undertake to have robust systems and processes in place to protect information from inappropriate disclosure.

#### **3. Details**

3.1 Internal audit assessed the framework of internal control at Level 2, Limited Assurance. Specifically, the executive summary highlighted that *records are not held of lost or stolen devices and therefore we cannot provide assurance that the security*

*risk of all incidents has been properly accounted for. The Council is running versions of the Windows 10 operating system which are not supported. This increases the risk of malicious actors exploiting vulnerabilities in the operating system. Further, an asset register is in place but details of mobile assets, as well as the details of the user, are not always updated.*

- 3.2 In the interests of brevity, the full findings of the audit report will not be repeated in this update<sup>[AW1]</sup><sup>[MR2]</sup><sup>[AW3]</sup>; the reader is instead referred to the report to understand the weaknesses identified and the management actions agreed. The following paragraphs will provide detail of the activities that have taken place since December 2022 in response to the recommendations.

### **Operating System (H1)**

- 3.3 **Recommendation:** *ICT services should update all devices to ensure that they are running a supported version of the operating system. This should be reviewed and actioned on a monthly basis using the ICT Exception Reports.*
- 3.4 The report identified that the council's estate of thin client laptops was built on a version of Windows 10 that was no longer supported by Microsoft. Whilst to use such an unsupported operating system contravenes the council's information security policy, there were two mitigating factors in this instance that were not reflected in the audit report.
- 3.5 The operating system identified was the host operating system of the machine, the sole purpose of which is to allow the laptop to start and connect the user of the machine to the virtual desktop they use on a daily basis. There is no flow of information between the host operating system and the virtual desktop in these circumstances and at no time was the council's internal IT estate threatened.
- 3.6 The council's security policy continues to allow for an NSC virtual desktop to be run from a web client or a desktop client installed on a personal computer, i.e. one not owned or managed by the organisation. In these circumstances, the council has no control over the operating system being used on that personal computer however it has other protections in place to mitigate the risks associated with compromise of the host device such as access control policies and multi-factor authentication.
- 3.7 The virtual desktops highlighted in the report were deployed between February and July 2020 in response to the need to mobilise the workforce to allow services to continue to be delivered during the pandemic. No means was designed to update the operating system on the host machine as the devices were not under central control.
- 3.8 Subsequent to the audit report, all thin client laptops have been recalled and swapped with reconfigured devices that now automatically join a secure management network when they start through which updates can be deployed, and if necessary, forced into use. The standard operating system currently in use across all machines in the estate is Windows 10 version 22H2 which will be supported by Microsoft until 14 October 2025.
- 3.9 The council's IT team works hard to ensure that vulnerabilities are identified and patched according to a patching policy compliant with standard frameworks such as Cyber Essentials and the Cabinet Office's PSN code of connection. This work includes a monthly patching report that scans the entire estate to identify weaknesses such as patches that have been released by vendors but have not yet been applied, and unsupported hardware, software and firmware. The latest patching



report shows that 1780 of 1787 mobile devices are currently running the latest version of Windows 10, and the outstanding 7 are pending upgrades.

- 3.10 **Recommendation:** *The end of version support is clearly published by Microsoft/ Apple well in advance of the end of support so a process should be put in place that ensures devices are upgraded to a supported version timely.*
- 3.11 The Security-as-a-Service function provided by Agilisys maintains oversight of the lifecycle of firmware, software and operating systems in use across the council and feeds into pipeline projects that are created within the Project Management Office to ensure that adequate preparations are made.
- 3.12 A Windows 11 upgrade programme has already been commissioned and will see the removal of Windows 10 from the estate well in advance of the end of Microsoft support in October 2025.

### **Asset Register (H2)**

- 3.13 **Recommendation:** *ICT Services should ensure that an officer is assigned responsibility for the upkeep of the Asset Register.*
- 3.14 Subsequent to the publication of the audit report, the council has introduced the new role of ICT Asset and Information Security Officer and this post was filled on a full-time basis in October 2023. One of the responsibilities for this officer is to monitor the asset register on a regular basis to ensure that accurate information is being maintained.
- 3.15 **Recommendation:** *The Asset Register should be reviewed on a regular basis to ensure that all fields are populated including the user and location of the device.*
- 3.16 We no longer look solely within the asset register for an owner of a device as this may vary on a day-to-day basis. The information in the asset register is supplemented by that from other means of obtaining tracking information such as the Aternity monitoring system used to monitor performance of desktops across the estate that can associate a user of desktop with the hardware device on which the desktop is running.
- 3.17 **Recommendation:** *ICT Services should define how they will monitor and record those ICT devices that are not recognised by the MDM system (polled), such as monitors.*
- 3.18 We acknowledge that there is a lack of accurate asset information relating to monitors that were taken by officers to enable homeworking during the pandemic. Line managers were tasked with maintaining records of people within their teams who had taken monitors for use at home, however, inevitably, this information was not reliably captured and as a result we are currently unable to account for many monitors. Whilst this does not represent good asset management control, it must be considered in the context of the need to mobilise the workforce urgently and maintain statutory services during a time of national crisis.
- 3.19 As part of the office refurbishment programme, 350 new monitors have been procured for use in the Town Hall and all of these devices will appear in the asset

register together with their deployed locations and will be verified by the ICT Assets and Information Security Officer.

3.20 **Recommendation:** *The Leavers process should be amended to ensure that it covers all mobile ICT devices, including monitors.*

3.21 As recommended in the report, the leaver's form on the self-service IT portal has been updated to allow managers to identify any equipment used for homeworking such as monitors that need to be returned.

### **Lost and Stolen Devices (H3)**

3.22 **Recommendation:** *Procedures should be written and implemented for ICT devices that are lost or stolen.*

3.23 A self-service form has now been developed through which officers should report devices which have been lost or stolen. Linked to the form are tasks and activities for IT teams to perform which will be triggered automatically such as wiping of mobile devices that are under MDM control. The service desk system provides the audit trail for the completion of these activities.

3.24 The procedure for reporting lost and stolen devices has been added to the Personal Information Security Policy which features in the newly revised security policy framework which is shortly to be issued.

3.25 **Recommendation:** *ICT should maintain a record of all lost or stolen devices together with the action taken to prevent data loss.*

3.26 As indicated in 3.23 above, the audit trail recommended is created within the Service Desk system from the activities that are triggered by the initial call raised.

### **Allocation of Devices (M1)**

3.27 **Recommendation:** *A policy should be written to ensure that mobile devices are allocated to staff based on their job description and their role.*

3.28 The allocation of technology to individuals is largely driven by the workstyle assigned to each officer. Detailed information on this is published through the Accommodation Strategy Programme pages on the intranet.

3.29 Whilst the new ways of working describe a 'standard offer' of technology for each of the four workstyles, some variations to the offer are inevitable. Not every officer with a workstyle of *mobile worker* for example requires a mobile telephone and each service manager will therefore determine whether one is appropriate depending on the individual circumstances. The ongoing cost of mobile phone contracts are funded from service budgets and hence decisions of affordability must be considered by individual budget managers before the device can be allocated.

3.30 The recommendations of the report are fulfilled through a combination of the council's Hybrid Working Policy available on the intranet and the Asset Management Policy which has been updated to reflect the new ways of working introduced through the Accommodation Programme and confirms the approach outlined above.

### **Policies and Procedures (M2)**

3.31 **Recommendation:** *ICT policies and procedures should be reviewed and updated to ensure that they consider:*

*- staff homeworking arrangements.*

- *reference those ICT policies that are related.*
- *clearly identify the owner of the policy.*
- *Clearly identify the date that the policy was last reviewed.*

- 3.32 Whilst the re-write of the council's information security policy framework is still in the process of being completed however some elements referred to in the audit report such as the remote working and hybrid working policies have been published to all members of staff.
- 3.33 As we continue to work through the revision of the policy framework we are ensuring that all policies are marked as being owned by the ICT Architecture Board and are routed through the board for approval and adoption as they are finalised. Review dates being set for an initial period of 12 months following introduction with a view to this being subsequently extended to two years. Policy reviews are entered onto the ICTAB forward plan.

### **Mobile Data Usage (M3)**

- 3.34 **Recommendation:** *The use of council mobile data whilst at home should be clearly defined in the homeworking policy to ensure that staff that have either a mobile dongle or council issued mobile phone, use their own broadband connection, whilst at home.*
- 3.35 The use of council mobile data whilst working from home is clearly identified in the Hybrid Working Policy,
- When working from home you will need to use your own broadband facilities and meet any increased energy costs – you won't be reimbursed for doing so.*
- 3.36 **Recommendation:** *The council should monitor high usage (defined as over 10gb) per month to identify the reasons for the high usage. Staff that are using the data at home due to lack of broadband connectivity should be reminded that they should either return to the office or should be paying for a mobile data contract.*
- 3.37 Monthly mobile phone bills are analysed by the Programme Management Officer and items of excessive spend are investigated with the relevant officer, primarily with a view to ensuring that the user is on the correct mobile phone data tariff. Additionally, the Head of Support Services and the Information and ICT Security Manager both receive a notification whenever an officer reaches 80% of their monthly data allocation, and again when reaching 100%.
- 3.38 Whilst individual mobile data contracts have allowances, the council suffers no additional cost over the £5 per month basic charge should an individual contract exceed that allowance. The council suffers additional costs only in the circumstances where the collective monthly usage exceeds the combined data allowance of all 2024 devices, which is 2,706 GB (figures are correct as at 12 March 2024).

### **ICT Assets Returned to ICT (M4)**

- 3.39 **Recommendation:** *The Leavers Form should be updated to make It clear that all ICT equipment must be returned to ICT once a user leaves.*
- 3.40 The leaver's form has now been updated in line with the report recommendations and contains a header which states,

*It is NSC policy that ALL assets i.e. laptops, mobiles, iPads etc are to be returned to ICT for all leavers. IT will raise the relevant form in the Managers name for the return of all devices and these must be returned within 5 working*

*days of leavers date. Managers are responsible for returning all IT equipment to Field Services. If the laptop is to be used by another user, the Field services team will need to prepare it for the new user (rebuild, ensure latest updates, add any required software)*

- 3.41 We have processes in place to identify and isolate IT equipment that has not been seen on the network for a period of longer than 60 days. This information is becoming increasingly understood by service managers which, alongside the fact that end user IT equipment like laptops and tablets are now funded centrally, means that there is no benefit to services holding on to equipment previously assigned to officers that have left the organisation.
- 3.42 **Recommendation:** *As part of the off-boarding process, ICT Services should implement a process to chase unreturned devices and update the Asset Register.*
- 3.43 The ICT Asset and Information Security Officer will identify assets that have not been returned, follow up with line managers and HR and ensure that the asset register is update appropriately.

#### **4. Consultation**

- 4.1 Not applicable to this report.

#### **5. Financial Implications**

- 5.1 Not applicable to this report.

#### **Costs**

- 5.2 Not applicable to this report.

#### **Funding**

- 5.3 Not applicable to this report.

#### **6. Legal Powers and Implications**

- 6.1 Not applicable to this report.

#### **7. Climate Change and Environmental Implications**

- 7.1 Where assets have reached the end of their life, they are disposed of ethically and in accordance with Waste Electrical and Electronic Equipment (WEEE) regulations.
- 7.2 Redistribution of IT hardware creates complications for the council in terms of the costs associated with ensuring that it is free from NSC branding and, more importantly, does not contain any council information. Where equipment is otherwise suitable for being redistributed, permanent storage drives such as hard disks and SSD drives will first be removed and destroyed.

## **8. Risk Management**

- 8.1 The audit report clearly identifies risks to the council and suitable mitigations have been presented [AW4] in section 3 of this report in response to the recommendations made.
- 8.2 At a wider level, the council maintains a separate risk register for all IT services within which cyber risks are prevalent and the risk register is reviewed on a monthly basis.
- 8.3 The potential for disruption that relates to cyber attack appears as a risk on the corporate risk register and is managed in accordance with the risk management strategy.

## **9. Equality Implications**

- 9.1 Not applicable to this report.

## **10. Corporate Implications**

- 10.1 The audit report identifies the wider corporate implications and these have been addressed throughout this document.

## **11. Options Considered**

Not applicable to this report.

### **Author:**

Mike Riggall, Information and ICT Security Manager

### **Background Papers:**

Audit Report *ICT - Mobile Devices*, December 2022

ICT Strategy 2021-24

Hybrid Working Policy

Information Security Policy Framework

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## North Somerset Council

### Report to Audit Committee

**Date of Meeting: 25 April 2024**

**Subject of Report: Proposed Constitution changes - Proposed Amendments to the Contract Standing Orders and Public Participation for Planning and Regulatory Committee**

**Town or Parish: N/A**

**Officer/Member Presenting: Director of Corporate Service, Head of Procurement and Asst Director Legal & Governance**

**Key Decision: N/A**

#### **Reason:**

Not an Executive decision.

#### **Recommendations**

1. That the Contract Standing Orders (CSOs) set out in Appendix 1 of the report be recommended to Council for adoption.
2. That Audit Committee provide any comments on the proposed changes to the standing order related to Planning & Regulatory Committee public participation.

### **1. Summary of Report**

The report seeks approval of amendments to the Contract Standing Orders to ensure that they are legally compliant and up to date. The amendments to the Contract Standing Orders are reflective of wider government legislation, are benchmarked against neighbouring authorities and are intended to allow North Somerset Council greater flexibility and access to local supplier markets.

The proposed changes to public participation rules for Planning and Regulatory Committee are being promoted by that Committee's Chairperson and Vice-chairperson following feedback received from town and parish council representatives and seek to afford suitable opportunity for those councils to address the Committee.

### **2. Policy**

The Council has approved a Constitution which sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that the Council is efficient, transparent, and accountable to the local populace. Some of the processes set out in the Constitution are required by law, while others are a matter for the Council to decide upon and approve.

The Constitution contains Articles and Standing Orders containing the basic rules governing the Council's business. Standing Orders and Contract Standing Orders are found in Part 4.

### **3. Details**

#### Contract Standing Orders

The existing Contract Standing Orders were approved in July 2017. The key areas of proposed change are:

- Updates to reflect the UK leaving the EU, removing references to European legislation the Council is no longer subject to.
- Addition of Primary Care contracts (Pharmacies, GP Surgeries) to the list of areas where the CSOs **do not** apply.
- Introduction of a section clarifying the use of Grant funding.
- Threshold changes relating to contract value, approval, and decision-making.
- Introduction of requirements for an annual Commissioning Plan and amendments to the use of combined Commissioning and Procurement Plans.
- Updated reference to a new Social Value policy and guidance.
- Further clarification for the use of framework agreements and framework contracts.
- Clarification on contract award processes.
- Addition of advice regarding Health & Social Care Contracts including reference to the Provider Selection Regime (January 2024).

The proposed revised Contract Standing Orders are included in Appendix 1.

The Procurement Team have developed new guidance, templates, flow charts, processes, and training to support the proposed changes which will be available on approval of the revised Contract Standing Orders.

#### Standing Order 17A – Public Speaking at Planning & Regulatory Committee

Public speaking at committee meetings is at the discretion of the Council and when a council elects, as is the case in North Somerset Council, to have public speaking addresses is carried out in accordance with rules set by the council.

Following feedback from town and parish council representatives the Chairperson and Vice-chairperson of Planning and Regulatory Committee are promoting the changes to Standing Order 17A set out in Appendix 2.

### **4. Consultation**

Consultation on the revised Contract Standing Orders has been undertaken with the Executive, Corporate Leadership Team, Directorate Leadership Teams, the S151 Officer, the Monitoring Officer, and the Head of Finance.

The proposed revisions to Standing Order 17A will be drawn to the attention of all members ahead of publication of the Annual Meeting agenda at which changes will be considered in order that members have opportunity to consider in depth ahead of the meeting.



## 5. Financial Implications

There are no direct financial implications relevant to this report.

## 6. Legal Powers and Implications

N/A

## 7. Climate Change and Environmental Implications

N/A

## 8. Risk Management

Risk	Inherent Risk Score	Residual Likelihood	Residual Impact	Residual Risk	Comments:
Reduced oversight of Procurement Team due to increased thresholds.	Medium	3	2	Low/Medium	Approval levels for Key Decisions and Director approval. Clear responsibilities set out for adherence to the Standing Orders. Training and provision of standard templates and guidance.
Increased opportunity for legally required contract notices not to be published.	Medium	3	2	Low/Medium	Procurement developing mandatory MS forms to facilitate officers registering their contracts and posting award notices.
Reduced compliance with the Local Authorities (Data Transparency) Code 2015	Medium	3	2	Low/Medium	Procurement developing mandatory MS forms to facilitate officers registering their contracts and posting award notices.
Low value contracts may feature a less accessible audit trail for review.	Medium	3	2	Low/Medium	Training and provision of standard templates and guidance.

There are no material risks associated with the proposed change to Standing Order 17A.

## 9. Equality Implications

The proposed changes should not have any material impact on equality or diversity groups.

## **10. Corporate Implications**

The Constitution is a single point of reference containing the principal operating structures and procedures of the authority. The Constitution sets out corporate governance and establishes how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to the local populace.

## **11. Options Considered**

The proposed amendments to the Contract Standing Orders have taken place in consideration of UK law and the position of the Council. The recommendations contained in this report have been developed using the professional judgement of Council officers in consultation with corporate leadership and are designed to provide an appropriate balance of risk, resourcing, accountability, responsibility, consistency, and flexibility.

Not changing Standing Order 17A following feedback is an option but was discounted as not being supportive of the Council's aim to be open and listening when making decisions.

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### **Appendices:**

Appendix 1 Proposed Contract Standing Orders

Appendix 2 Proposed changes to Standing Order 17A

### **Background Papers:**

[North Somerset Council Constitution - December 2023 \(n-somerset.gov.uk\)](https://www.n-somerset.gov.uk)

## **Contract Standing Orders 2024**

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## **PART A – CONTRACTS FOR GOODS, SERVICES and WORKS**

### **1. Introduction**

- 1.1 Contract Standing Orders (CSOs) are the rules that must be used when purchasing Works, Services and/or Goods (supplies).
- 1.2 Council officers and members must comply with these CSOs in all instances when buying Works, Services and Goods (supplies) on behalf of the Council and failure to comply may result in disciplinary action being taken against the officer concerned. Officers have a duty to report any breaches of these CSOs to the director responsible for the procurement.
- 1.3 These CSOs form part of the Council's Constitution and provide the framework that governs the Council's procurement of Contracts for Works, Services and Goods. Following these CSOs helps the Council to demonstrate:
  - 1.3.1 good internal governance;
  - 1.3.2 propriety and the proper spending of public money;
  - 1.3.3 value for money and effective use of resources is being achieved;
  - 1.3.4 the delivery of high quality Works, Services, Goods;
  - 1.3.5 compliance with relevant laws;
  - 1.3.6 controls to deter fraud, bribery and corruption.
- 1.4 Every Contract for Works, Services and Goods made by the Council must conform to all relevant legislation. UK public procurement legislation and policy require that Contracts are awarded fairly, in an open and transparent manner and without discrimination on grounds of nationality and that all potential bidders are treated equally. A Bidder or supplier harmed, or who may suffer harm, as a result of the Council failing to comply with the public procurement regulations will have a right to take action against the Council in the High Court. Remedies available include:
  - 1.4.1 The award of damages;
  - 1.4.2 A financial penalty imposed on the Council;
  - 1.4.3 An order to set aside a decision of the Council to award the Contract;
  - 1.4.4 Suspension of the Tender process;
  - 1.4.5 The inability of the Council to enforce the Contract obligations still to be performed against the Contractor.
- 1.5 Detailed information and guidance on the procurement process and Contract management is available from the Procurement Service and should be used in conjunction with these CSOs.
- 1.6 All figures in these CSOs are **exclusive** of VAT unless stated otherwise.
- 1.7 The Council recognises the value and role of small and medium sized enterprises (SMEs), locally based suppliers and the voluntary, community and social enterprise (VCSE) sector, and will strive to ensure that procurement procedures are accessible, fair and proportionate to the size and complexity of the Works, Services and Goods being procured.

## 2. **Scope**

2.15 These CSOs apply:

- 2.15.1 whenever the Council intends to spend money (or provide other payments in kind) under Contracts for Works, Services or Goods;
- 2.15.2 to expenditure from either capital or revenue sources;
- 2.15.3 to Works and Services concession Contracts;
- 2.15.4 to Goods for re-sale;
- 2.15.5 to both officers and members;
- 2.15.6 where the Council acts as the lead partner in a multi-authority procurement;
- 2.15.7 Where any third party, for example another local authority, is authorised to procure Works, Services and/or Goods on behalf of the Council.

2.16 These CSOs **do not** apply:

- 2.16.1 to Contracts of employment;
- 2.16.2 to acquisitions and disposals of land or buildings unless related to a Contract for Works, Services or Goods;
- 2.16.3 to financial Services in connection with the issue, purchase, sale or transfer of securities or other financial instruments, in particular transactions by the Council to raise money or capital;
- 2.16.4 to service level agreements made between departments within the Council;
- 2.16.5 in the case of civil contingencies;
- 2.16.6 in the case of individual investments which are not deemed as the purchase of Goods or Services for the purposes of these CSOs;
- 2.16.7 where the Council is acting as an agent on behalf of other commissioning authorities, for example the NHS, and is only procuring Contracts on their behalf;
- 2.16.8 where the Council instructs counsel or any external legal advisors to represent or act on its behalf;
- 2.16.9 to out of county social care placements;
- 2.16.10 to resources deployed for unforeseen emergency care packages or accommodation costs aimed at supporting appropriate action to protect individuals from abuse, neglect or homelessness;
- 2.16.11 to social care packages that are, or are considered to be at the time of placement, funded by the ICB as part of continuing health care;
- 2.16.12 primary Care Contracts, including those awarded to pharmacies, GP Surgeries.
- 2.16.13 Contracts to engage artists, shows, attractions, events or other entertainment media to provide entertainment or facilities;
- 2.16.14 Grant Payments: however, you must refer to Part E for further guidance on the definition and use of Grant funding.

2.17 However, in all instances listed in 2.16, all relevant legislation, rules, and guidance must still be complied with together with other relevant parts of the Council's Constitution.

- 2.18 The following entities have their own rules and are not bound by these CSOs except when they participate in joint purchasing with the Council:
- 2.18.1 all schools within the district of North Somerset;
  - 2.18.2 companies in which the Council has an interest **except for** Local Housing Development Vehicles and Local Authority Controlled Companies.
- 2.19 These CSOs do apply to the award of concession Contracts and utility Contracts. If you are seeking to Tender a concession Contract or if the Council, as a “utility”, wishes to procure Works, Services and/or Goods for the purpose of carrying out its “utility activities” of any value you must contact the Procurement Service for advice.
- 2.20 The guidance on the procurement process gives more information on the tendering of Works, Services and Goods by the Council and the procedures to be followed.
- 2.21 Specific guidance on how the CSOs are applied to Contracts relating to Health and Social Care (including Public Health) can be found in Part D.

### **3. Responsibilities**

- 3.1 Overall responsibility for these CSOs rests with the Section 151 Officer. Further information and advice on these CSOs can be obtained from the Procurement Service.
- 3.2 Anyone undertaking purchasing activity on behalf of the Council (but especially in the context of purchasing Works, Services or Goods above prescribed values, (known as FTS (Find a Tender Service) financial thresholds) must comply with all relevant laws and regulations.
- 3.3 The FTS financial thresholds are reviewed every two years in order to comply with the UK's obligations. The most up to date list of thresholds can be found at the following link.

[Guide to Find a Tender Service \(FTS\) and Contracts Finder Thresholds.docx](#)

- 3.4 Directors are responsible for ensuring that:
  - 3.4.1 officers follow these CSOs;
  - 3.4.2 any agent, consultant or Contractual partner acting on behalf of the Council to purchase Works, Services or Goods, or any of them involved in the management of Contracts for the Council, comply with these CSOs;
  - 3.4.3 the central Contracts Register, held by the Procurement Service, is updated on each occasion a Contract is let by the Council which has a total Contract value of £5,000 excluding VAT and above, or is for a duration of three years or longer;
  - 3.4.4 original Contract documents, including the Tender documents of the successful Bidder, are safely kept by the Projects and Property Team in the central deeds store.



#### 4. Definitions of terms used in these CSOs

- 4.1 **Award Criteria:** the evaluation criteria and methodology used to weight, select and award a Contract to a successful Bidder.
- 4.2 **Award Letter:** written confirmation of the award of a Contract by the Council to a successful Bidder, using the standard template.
- 4.3 **Bid:** an offer made by each Bidder to provide Works, Services or Goods to the Council for a particular amount of money on specified terms, normally in the form of a Tender or quotation.
- 4.4 **Bidder:** a person, business, company or other organisation who responds to the Council's invitation to bid as part of the Tender / procurement process.
- 4.5 **Buying:** purchasing Works, Services or Goods from an external supplier or Contractor.
- 4.6 **Call-off Contract:** the Contract made under a Framework Agreement to a framework supplier following the holding of a mini-competition or the placing of an order. Although the Framework Agreement sets out the overarching terms and conditions, each individual "call-off" Contract or order constitutes its own separate Contract under the Framework Agreement.
- 4.7 **Code of Conduct:** the Council's codes regulating the conduct of officers and members.
- 4.8 **Combined Commissioning and Procurement Plan:** all of the requirements of a separate Commissioning Plan and Procurement Plan in one combined document, see 4.10 and 4.46 for clarity on content. When a Combined Commissioning and Procurement Plan is required is set out in 11.3.
- 4.9 **Commissioning:** the process used to plan, procure, evaluate, deliver and monitor the provision of Works, Services and Goods to allow the Council to meet its requirements in the most economical, effective and efficient way.
- 4.10 **Commissioning Plan:** a document which sets out, before the procurement process commences, the Works, Services or Goods to be purchased together with the expected outcomes, using the standard template. The standard template is available from the Procurement Service. This could be a specific plan for each requirement or an annual commissioning intentions plan covering all commissioning requirements over a period. When a Commissioning Plan is required is set out in 11.3.
- 4.11 **Concession Contract:** a Contract under which the Council outsources Works or Services to a Contractor / supplier ('the concessionaire') who has the right to commercially exploit the Works or the Services and who accepts a transfer of the operating risk in return for exploiting the Works or the Services.
- 4.12 **Conflict of Interest:** a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. This may apply to both officers and members.

- 4.13 **Constitution:** a document approved by the Council which:
- 4.13.1 allocates powers and responsibility within the Council and between the Council and others;
  - 4.13.2 delegates authority to act to the executive, committees, executive members and officers; and
  - 4.13.3 regulates the behaviour of individuals and groups through rules of procedure, codes and protocols.
- 4.14 **Contingency Measures:** actions to reduce the impact of, or prevent, identified risks which might affect the successful delivery of a Contract.
- 4.15 **Contract:** an agreement entered into voluntarily by two or more parties that creates a legal obligation on the Contractor to supply Works, Services or Goods to the Council in return for a payment.
- 4.16 **Contractor:** A party that has agreed to supply Works, Services and / or Goods to the Council under a Contract.
- 4.17 **Contract Award Report:** a report prepared by the Contract manager and the Procurement Service which makes a recommendation to the relevant decision-making body (refer to the table at paragraph 11.3) to award the Contract to the successful Bidder.
- 4.18 **Contracts Finder:** Contracts Finder is a government website. All Contracts that the Council advertises over the defined Contracts Finder threshold must be advertised on Contracts Finder. Please refer to the following link for the most up to date thresholds. [Guide to Find a Tender Service \(FTS\) and Contracts Finder Thresholds.docx](#)
- 4.19 **Contract management:** the proactive process to be used by the Council to manage Contract delivery to ensure that the Contractor is fully complying with its Contractual obligations, allows the Council to manage Contractor performance and Contract compliance and minimises risk to the Council of Contractor default.
- 4.20 **Contract Manager:** a named officer who is responsible for ensuring that the Council achieves its objectives, as set out in the Contract. This might not be the officer's job title – they might act in the role of Contract manager for only part of the time.
- 4.21 **Contracts Register:** a list of all the Contracts let by the Council that are over £5,000 in whole-life value or for a period of three years or longer. The register is kept and maintained by the Procurement Service.
- 4.22 **Contract Variation:** an agreement to vary the terms of a Contract. All parties to the Contract must agree to the variation and any variation must be within the original scope of, and made in compliance with, the Contract. Officers must consider whether the Contract is being varied, or whether the variation is so substantial that the original Contract is extinguished and a new one is being entered into.
- 4.23 **Corporate Governance:** the action or manner of governing, managing and overseeing the way that the Council operates.
- 4.24 **Corporate Requirements:** where the requirement for Goods and Services is used by the whole authority rather than individual directorates, for example stationery and agency staff.

- 4.25 **Declaration of Interest:** the requirement on members and officers to declare their financial or other interests or assets that could create a conflict of interest in the performance of their duties.
- 4.26 **Direct Award:** the ability to award a Contract directly to a chosen supplier, when the value is below £25,000 excluding VAT, or following the approval of an exception as outlined at 6.3.
- 4.27 **Disaggregated:** in the context of procurement, to disaggregate is to break down the requirement into smaller chunks to avoid the required governance which is not permitted.
- 4.28 **Disclosable Interest:** a financial interest or asset that could create a conflict in the performance of the duties of a member or officer.
- 4.29 **Dynamic Purchasing System (DPS):** an electronic system similar to an electronic Framework Agreement. A DPS provides a list of Contractors from which the Council can conduct an e-competition for Tenders. Contractors can apply to join the DPS at any time. If considering a DPS of any value advice must be sought from the Procurement Service.
- 4.30 **Exceptions:** limited circumstances in which compliance with these CSOs is waived in accordance with paragraph 6 below.
- 4.31 **FTS:** Find a Tender Service - Find a Tender Service replaced the EU's Tenders Electronic Daily (TED) and OJEU for Contracts in the UK that exceed the thresholds, it is also a term used when referring to value thresholds.
- 4.32 **Framework Agreement:** an agreement made between one or more public bodies and more than one Contractor. A Framework Agreement is a multi-Contractor agreement. A Framework Agreement sets out the terms for making specific purchases ('calls-offs') under the framework. The terms will include the nature of the Works, Services or Goods to be supplied, the unit price, the standards for service delivery and the terms on which future purchases will be made. Purchases can be made:
- 4.32.1 by order without re-opening competition. For example, offering an order to the Contractor with the lowest price; or
  - 4.32.2 following a mini competition.

The Framework Agreement will set out which purchase route is to be used and the procedure to be followed for making specific purchases. A Framework Agreement does not commit the buying organisation(s) (otherwise known as commissioner(s)) to make any purchases and framework suppliers can choose whether or not to accept the order or take part in a mini-competition, unless the Framework Agreement otherwise provides.

- 4.33 **Framework Contract:** similar to a Framework Agreement but made between one or more public bodies and one Contractor only. A Framework Contract is a single Contractor agreement. The Framework Contract sets out the terms for making purchases of Works, Services or Goods. A Framework Contract does not commit the buying organisation(s) to place any order under it. If a buying organisation wishes to buy Works, Services, or Goods under the Framework Contract it will place an order do so in accordance with the terms of the Framework Contract. The Framework Contract Contractor will be Contractually bound to deliver the Works / Services / Goods ordered.
- 4.34 **Goods (supplies):** the term used where the principal reason for the procurement is to purchase, lease, rent or hire-purchase, with or without an option to buy, actual products.
- 4.35 **Grant:** An amount of money awarded to an organisation by the Council for which there is no expectation of receiving a specific benefit in return. The Grant can be awarded for a service or part of a service, but the recipient is under no obligation to provide specific Services. Further guidance on the use of Grants can be found in Part E.
- 4.36 **Lead Partner:** one of the parties to a joint commissioning arrangement who, on behalf of the other parties within the joint commissioning group, agrees to take the lead in the procurement process and (where applicable) responsibility for managing a Contract on behalf of the other parties within the group.
- 4.37 **Light Touch Regime:** the light touch regime applies to those Services identified within Schedule 3 of the PCR 2015, (and any other subsequent legislation) and includes health, social and related Services, as well as other Services.
- 4.38 **Local Authority Controlled Company (LACC):** an organisation controlled by the Council that can be awarded Contracts directly by the Council without the Council having to follow the public procurement regime, provided the following 3 conditions are met;
- 4.38.1 the Council exercises over the LACC a control which is similar to that which it exercises over its own departments;
- 4.38.2 more than 80% of the activities of the LACC are carried out in the performance of tasks entrusted to it by the Council or by other organisations similarly controlled by the Council, and
- 4.38.3 there is no direct private capital participation in the LACC with the exception of non-controlling and non-blocking forms of private capital participation required by national legislative provisions, which do not exert a decisive influence on the LACC.
- If you are considering the creation of a LACC, you must seek the advice of the S151 officer and the Monitoring Officer.
- 4.39 **Mini or Further Competition:** a mini or further competition is a process carried out to place a call-off Contract under a Framework Agreement where the best value supplier has not been specified. It allows you to further refine your requirement whilst retaining the benefits offered under the framework.

- 4.40 **Most Economically Advantageous Tender (MEAT):** the process of assessing a Tender based on quality and price over the life of the Contract. Factors such as the period for completion, maintenance costs, technical merit, and value for money should be taken into consideration.
- 4.41 **Outsourcing:** the process of Contracting out an existing service, which is being provided by the Council, to another party.
- 4.42 **PCR 2015:** the Public Contracts Regulations 2015, the primary legislation governing procurement and Contracting for the public sector in the UK. To be replaced in late 2024.
- 4.43 **Period:** a timeframe as defined by the officer.
- 4.44 **Portal:** a web-based system which the Council currently uses to advertise and run requests for quotes (RFQs) and Tenders.
- 4.45 **Procurement:** the process of obtaining Works, Services and Goods (supplies).
- 4.46 **Procurement Plan:** a plan which sets out the approach to a procurement process. When a Procurement Plan is required is set out in 11.3.
- 4.47 **Provider Selection Regime (PSR) 2024:** The PSR is a set of rules for procuring health care Services in England by organisations termed relevant authorities. Relevant authorities are:
- 4.47.1 NHS England;
  - 4.47.2 Integrated care boards (ICBs);
  - 4.47.3 NHS trusts and NHS foundation trusts;
  - 4.47.4 Local authorities and combined authorities.
- 4.48 **Reverse Auction:** a procedure using the Portal where invited bidders bid against each other, reducing their Tender price in decrements (reducing increments) of a determined value until bidding stops.
- 4.49 **RFQ (Request for Quote):** a request to multiple suppliers (minimum of 3), using North Somerset Council Standard Templates, inviting them to submit a written quotation against a defined set of requirements.
- 4.50 **Seal:** The Council's seal is kept by, and is under the control of, the Assistant Director (Governance & Monitoring Officer).
- 4.51 **Services:** the principal reason for the procurement is considered to be neither Goods/supplies or Works.
- 4.52 **Service Outcome:** a measure of the Contract objectives in terms of service delivery.
- 4.53 **Social Value:** The Public Services (Social Value) Act 2012 imposes a duty on the Council to consider at the pre-procurement stage of any service Contract how the Services proposed to be procured may improve the economic, social and environmental well-being of North Somerset and how the Council may secure that improvement as part of the procurement process.

- 4.54 **Selection Questionnaire (SQ):** the government questionnaire which must be used for pre-qualifying bidders in a procurement process. When conducting a procurement that equals or exceeds the FTS thresholds, this questionnaire must be used.
- 4.55 **Sub-contractor:** an individual, business or other organisation who is hired by the main Contractor to deliver part of the Contract, and who is paid by the main Contractor.
- 4.56 **Supplier:** any person, business, company, public entity or other organisation which offers on the market the delivery of Works, Services and / or Goods to the market.
- 4.57 **Suspension:** the suspension or waiver of compliance with CSOs.
- 4.58 **Tender:** the written document submitted by a Bidder as part of its Tender process in which the Bidder offers to provide Goods, Services and/or Works for the bid price to the Council.
- 4.59 **TOMS:** Themes, Outcomes and Measures – a framework for delivering excellence in measuring and reporting Social Value.
- 4.60 **VCSE:** Voluntary Community and Social Enterprise, the voluntary or non-profit sector of the economy.
- 4.61 **Value for Money:** the optimum combination of whole life costs and quality (or fitness for purpose) of the Goods, Works or Services to meet the Council's requirement.
- 4.62 **Whole Life Contract Value:** the cost of the Contract over its full duration, exclusive of VAT, including the value of any extension periods.
- 4.63 **Works:** the principal reason for the procurement is to carry out one of the following;
- 4.63.1 the execution, or the design and execution, of Works related to one of the activities listed in Schedule 2 of the Public Contracts Regulations 2015. In principle, construction, civil engineering and property maintenance. For a complete list, contact the Procurement Service;
  - 4.63.2 the execution of, or the design and execution of, a work;
  - 4.63.3 the realisation, by whatever means, of a work corresponding to the requirements specified by the Council exercising a decisive influence on the type or design of the work.

## **5. Delegation**

- 5.1 A director may delegate the duties assigned to him/her within these CSOs. For example, a director may delegate to another named officer or officers the authority to approve commissioning or approval of reports for the use of exceptions.
- 5.2 All such delegations shall be formally recorded via a formal Decision, logged with the S151 officer and a record kept within each Directorate.
- 5.3 Delegations may be revoked at any time by the delegating director at which point the delegated duty will revert back.
- 5.4 No delegation shall abrogate or remove the responsibility associated with the duty given to the director. The duty will remain with the director.
- 5.5 Delegated officers cannot approve their own Decisions.

## 6. Suspension of and Exceptions to Contract Standing Orders

6.1 **Suspension** - Only full council has the power to suspend or waive any requirements within these CSOs.

6.2 **Exceptions** - Contracts are only allowable below the relevant FTS Thresholds. If one of the exceptions listed in CSO 6.3 apply then the relevant decision maker in conjunction with the Head of Procurement may approve exceptions to these CSOs (to the extent that they are lawfully able to do so) in genuinely urgent situations and/or where there is a sound legal, financial or value for money reason. The officer must:

6.2.1 Complete, for the relevant decision maker's approval, a prescribed form (**Exception Form**) detailing the exception(s) intended to be used and the reasons for the request. The relevant decision maker is listed in the 'Contract Award approval' column in the table at paragraph 11.3. The reasons available are listed in paragraph 6.3 below.

6.2.2 Ensure that the Supplier completes the Selection Questionnaire (SQ) in full (or appropriate document proportionate to the value) to ensure due diligence has taken place prior to Contract award.

6.2.3 Notify the Procurement Service of the exception (if Granted) by completing the Contract Register Form (available on the intranet).

6.3 Exceptions for below FTS threshold procurements: valid reasons

The following are considered acceptable reasons for seeking an exception:

6.3.1 quantifiable and significant cost and efficiency savings can be achieved through seeking an alternative route;

6.3.2 reasons of extreme urgency mean that normal time limits cannot be met, including as a result of unforeseen emergency or disruption to Council Services. This may include for example, storm damage to public buildings. Not having sufficient time to Tender may not in itself constitute urgency.

6.3.3 the Council would otherwise be exposed to immediate and significant financial, legal or reputational risk that has been identified in the relevant risk register;

6.3.4 only one supplier is objectively able to provide the Works, Services or Goods in question including, but not limited to, where the provision is specialist, where the supplier has exclusive intellectual property rights, artistic or other rights, has a monopoly or where the Goods bought are for re-sale. In such circumstance only that one supplier may be asked to quote / Tender, however the quote / Tender must be evaluated for capability and suitability.

6.3.5 Where the opportunity will be advertised using an RFQ and there is more than one supplier but fewer than three suppliers capable of supplying the Works, Services or Goods to be procured, only those suppliers shall be asked to quote. The number of suppliers in the marketplace may be limited because the opportunity to be procured is of a specialist nature or a supplier has exclusive intellectual property, artistic or other rights in the subject matter or has a monopoly, or the market is weak.



- 6.3.6 Where the opportunity has been advertised using an RFQ or Tender and you invited at least three suppliers but less bids than the minimum required have been received, you are not required to obtain an exception to these CSOs.
- 6.3.7 Additional or new Works, Services or Goods are required which, through unforeseen circumstances, were not included in an existing Council Contract and are necessary for the completion of the Contract and/or cannot be carried out separately. Forgetting to include the additional or new Services in the original Tender/RFQ will not in itself apply to this exception. Any officer wishing to rely on this exception must first have considered whether including additional or new Works, Services or Goods would be a Contract variation and permitted under UK public procurement legislation.
- 6.3.8 Goods are required as a partial replacement for, or addition to, existing Goods or installations and obtaining them from another source would result in incompatibility or disproportional technical difficulties in operation or maintenance.
- 6.3.9 The Council has the benefit of a Local Authority Controlled Company (LACC) under Regulation 12 of the Public Contracts Regulations 2015.
- 6.4 An exception must *not* be Granted where this would mean the Council would be in breach of any laws.
- 6.5 No exception can be relied on until the relevant decision maker, in conjunction with the Head of Procurement, has authorised the exception.
- 6.6 Where an exception is Granted, the exception report will replace the requirement for a Contract Award report.
- 6.7 All Contracts, including the award of a Contract to which an exception has been applied, must demonstrate compliance with:
  - 6.7.1 All applicable legislation and guidance (including equality of treatment, transparency; non-discrimination; proportionality and mutual recognition);
  - 6.7.2 Due diligence must be evidenced in terms of ensuring the supplier meets the council's minimum requirements;
  - 6.7.3 The principles of procurement best practice and value for money;
  - 6.7.4 The requirement to identify and secure appropriate funding;
  - 6.7.5 Appropriate and robust risk management and Contract management arrangements.
- 6.8 **Exceptions - Contracts Equal to or Above the FTS Thresholds**
  - 6.8.1 The application of the FTS procurement rules cannot be exempted. If you require clarification you should consult with the Procurement Service.
  - 6.8.2 The Provider Selection Regime (PSR) allows for the compliant direct award of Contracts under specific circumstances. Please contact the Procurement Service if you believe your requirement falls under the PSR (this will apply to Services that include healthcare only).

## **7. Approvals –Whole Life Contract Value below £159,999**

- 7.1 Officers are required to complete the online Pre-Procurement Engagement Form (available on the intranet) for all Contracts with a whole life Contract value over £5,000 excluding VAT.
- 7.2 Under £25,000 excluding VAT – Quotations are not required and a direct award to a single supplier is permissible. Preference should be given to local and VCSE organisations where they exist and offer value for money and can deliver the Works, Services and/or Goods to be supplied.
- 7.3 Between £25,001 and £159,999 excluding VAT – a minimum of 3 written quotations are required. Use of the Council's e-tendering Portal is optional. When selecting suppliers to quote, preference should be given to local organisations where they exist and offer value for money and can deliver the Goods, Services and/or Works to be supplied.
- 7.4 Officers are required to complete the Contracts Register – New Entry Form (available on the intranet) for all Contracts with a whole life Contract value over £5,000 excluding VAT. This must be completed within 10 working days of the Contract award.
- 7.5 Subject to the completion of 7.4, the Procurement Service is required to:
  - 7.5.1 Enter any Contracts over £5,000 excluding VAT onto the Council's Contracts Register; and
  - 7.5.2 Publish a Contracts Finder Award Notice for any Contracts over £25,000 excluding VAT.
- 7.6 Officers are required to complete the Contracts Register – Amendment Form (available on the intranet) for all variations and extensions to Contracts. See section 30 and 31.

## **8. Approvals – whole life Contract value between £160,000 and £499,999**

- 8.1 Officers are required to complete the online Pre-Procurement Engagement Form (available on the intranet) for all Contracts.
- 8.2 All Council procurements with an estimated whole life Contract value between £160,000 and £499,999 excluding VAT will have two stages of approval:
- A. Combined Commissioning & Procurement Plan;
  - B. Contract Award Report.
- 8.3 Combined Commissioning and Procurement Plan - for procurements where the whole life value is estimated between £160,000 and £499,999 excluding VAT, and where it has not been previously included on the annual Commissioning Intentions Plan, a Combined Commissioning and Procurement Plan can be used. The format of such is a mixture of the criteria laid out in 9.2 and 9.7. There may be an opportunity to use a Combined Commissioning and Procurement Plan where the whole life value is over £500,000 excluding VAT, this will be at the discretion of the Procurement Service. This will not be applicable where the procurement was previously approved in the annual Commissioning Intentions Plan.

It is important that the Procurement Service is engaged at a sufficiently early stage to jointly produce the Combined Commissioning and Procurement Plan with the commissioner.

- 8.4 Contract Award Report – a Contract award report must be approved before the Contract is awarded, which sets out a record of the procurement process, including but not limited to:
- 8.4.1 The subject matter and the whole life value of the Contract proposed to be made;
  - 8.4.2 The procurement process followed;
  - 8.4.3 (where applicable) The results of market analysis undertaken;
  - 8.4.4 Details of the evaluation criteria, the weightings and the results of the evaluation process;
  - 8.4.5 The name of the successful Bidder, unless, when the Contract Award Report is deemed to be a Key Decision (see 8.6) an anonymised version may be submitted for publication along with the relevant Tender details in a separate, confidential appendix.
  - 8.4.6 The reasons why its Tender was selected including overall scores of successful and unsuccessful bidders (anonymised);
  - 8.4.7 The reasons for the rejection of the other bids received;
  - 8.4.8 (where applicable) conflicts of interests detected and subsequent measures taken;
  - 8.4.9 any risks associated with the award of the Contract and measures taken to minimise that risk;
  - 8.4.10 Contract management requirements with specific reference to any outstanding risks to be monitored.
- 8.5 The Contract Award Report will normally be prepared by the Contract manager jointly with the Procurement Service and is used to advise the relevant decision making body.

- 8.6 Where the procurement is led by another Local Authority / public body, please see section 10.
- 8.7 If the whole life value of the Contract to be awarded is more than 10% of the original value previously approved at the Commissioning Plan stage, the subsequent Contract Award report will require approval at the relevant threshold which may result in a requirement for a Key Decision to be published.
- 8.8 Direct award – in the event of a direct award (exception), neither a Commissioning Plan nor Procurement Plan is required. You must evidence within the Exception/Contract Award Report the valid reasoning behind the decision to award a Contract without competition, referring to one of the exceptions as outlined at 6.3. Due diligence must be completed on the supplier.
- 8.9 For the approval stages outlined above, templates are available from the Procurement Service.

## **9. Approvals – whole life Contract value over £500,000**

- 9.1 Officers are required to complete the online Pre-Procurement Engagement Form (available on the intranet) for all Contracts.
- 9.2 All Council procurements with an estimated whole life Contract value over £500,000 excluding VAT will have three stages of approval:
  - A. Commissioning Plan;
  - B. Procurement Plan;
  - C. Contract Award Report.
- 9.3 Commissioning Plan – must be prepared by the Contract manager and approved by the relevant decision maker before a procurement process can commence. The Commissioning Plan must set out:
  - 9.3.1 Contract Title;
  - 9.3.2 Outline scope of the procurement – what is the Council buying?;
  - 9.3.3 Available budget and estimated whole life Contract value, including any extension period;
  - 9.3.4 Contract length, including any Contract extension period;
  - 9.3.5 The end date of any existing Contract (if applicable);
- 9.4 A Commissioning Plan must be completed (either as part of the annual Commissioning Intentions Plan or separately for each individual project) if the Council is intending to become party to a Contract, the procurement of which is being led by another local authority/public body, as per section 10.
- 9.5 Annual Commissioning Intentions Plan - The Commissioning Plan can be in the form of an annual Commissioning Intentions Plan, prepared by the relevant commissioning team and approved by the relevant decision maker. The annual Commissioning Plan must set out:
  - 9.5.1 Title – Commissioning Priorities for the “period”;
  - 9.5.2 Links to Corporate Plan/Strategic Plan for the directorate/team and other relevant report information;
  - 9.5.3 An appendix containing a detailed list of relevant projects expected throughout the year including budget(s) available, and whether a procurement will be undertaken;
  - 9.5.4 Clear information on whether the budget available is made up from the Council revenue/capital budget or is external funding either applied for or expected to be agreed within the “period”;
  - 9.5.5 A commitment to review the Appendix as referred to at 9.5.3, and report on progress at the end of the “period”;
  - 9.5.6 Projects not completed at the review point will be carried over to the new “period” if applicable or removed from the list.
- 9.6 The annual Commissioning Intentions Plan will not remove the requirement for a project specific Commissioning Plan for projects/procurements not originally covered in the annual plan, either by omission or because of a new, previously unknown requirement.

- 9.7 Procurement Plan –The Procurement Plan will set out how the procurement will be managed in order to deliver the best outcomes for the Council. The level of detail in the Procurement Plan should be proportionate to the whole life value of the Contract and the level of risk, but should where relevant include:
- 9.7.1 High level summary of Contract purpose and outcomes, including the approach to reflecting these in the specification;
  - 9.7.2 Governance process, including the engagement of key stakeholders and approval of key documents during the procurement process;
  - 9.7.3 Market analysis, including any work that needs to be done by the Council to market itself to potential bidders as an important customer;
  - 9.7.4 Review of potential performance issues, and how they will be mitigated/managed through the procurement process;
  - 9.7.5 Key risks, including climate emergency and sustainability risks, and how they will be mitigated during the procurement process;
  - 9.7.6 Approach to evaluation, including evaluation criteria and weightings. Evaluation criteria shall include an assessment of the bids against the deliverables to be secured under the Contract;
  - 9.7.7 Legal issues, including terms and conditions for the Contract, Contract length and extensions etc.;
  - 9.7.8 Commercial issues such as pricing strategy, management of change, and performance management/incentives;
  - 9.7.9 Approach to Social Value and method of evaluation in line with the Councils Social Value Policy, including performance obligations, main areas of potential benefit, VCSE and sustainability opportunities;
  - 9.7.10 Approach to Climate Emergency, specifically referencing the risks that have been highlighted using the Climate Emergency Risk Register
  - 9.7.11 Overall projected timescales and milestones;
  - 9.7.12 Approach to assessing and agreeing preferred route to market.
- 9.8 It is important that the Procurement Service is engaged at a sufficiently early stage to jointly produce the Procurement Plan with the commissioner.
- 9.9 Where the procurement is led by another Local Authority / public body, a procurement plan is still required, however please see section 10.

- 9.10 Contract Award Report – a Contract award report must be approved before the Contract is awarded, which sets out a record of the procurement process, including but not limited to:
- 9.10.1 The subject matter and the whole life value of the Contract proposed to be made;
  - 9.10.2 The procurement process followed;
  - 9.10.3 (where applicable) The results of market analysis undertaken;
  - 9.10.4 Details of the evaluation criteria, the weightings and the results of the evaluation process;
  - 9.10.5 The name of the successful Bidder, unless, when the Contract Award Report is deemed to be a Key Decision (See 9.12), an anonymised version may be submitted for publication along with the relevant Tender details in a separate, confidential appendix.
  - 9.10.6 The reasons why its Tender was selected including overall scores of successful and unsuccessful bidders (anonymised);
  - 9.10.7 The reasons for the rejection of the other bids received;
  - 9.10.8 (where applicable) conflicts of interests detected and subsequent measures taken;
  - 9.10.9 any risks associated with the award of the Contract and measures taken to minimise that risk
  - 9.10.10 Contract management requirements with specific reference to any outstanding risks to be monitored
- 9.11 The Contract Award Report will normally be prepared by the Contract manager with the Procurement Service and is used to advise the relevant decision making body.
- 9.12 A Contract Award Report is required to enter into a Contract where the procurement has been led by another local authority/public body, as per section 10.
- 9.13 If the whole life value of the Contract to be awarded is more than 10% of the original value previously approved at the Commissioning Plan stage, the subsequent Contract Award report will require approval at the relevant threshold which may result in a requirement for a Key Decision to be published.
- 9.14 Direct award – in the event of a direct award (via an exception), neither a Commissioning Plan nor Procurement Plan is required. You must evidence within the Exception/Contract Award Report the valid reasoning behind the decision to award a Contract without competition, referring to one of the exceptions as outlined at 6.3. Due diligence must be completed on the supplier.
- 9.15 For the approval stages outlined above, a template is available from the Procurement Service.

## **10. Approvals – Procurements led by another Local Authority / Public Body**

10.15 Where the procurement is led by another Local Authority / public body, the same approval levels and thresholds apply, as per section 11. However, the content within any Decision relating specifically to the procurement, only needs to include the key information, and to reflect that another organisation is responsible for the procurement.

## **11. Approval level and thresholds**

11.1 The value of the Contract is the whole life Contract value. It is not the annual Contract value.

11.2 Contracts must not be disaggregated to avoid FTS thresholds, or any thresholds specified within these CSOs.

11.3 The table below sets out the approvals and thresholds that must be used in conjunction with Sections 7, 8 and 9 of these CSOs.



Estimated Contract Value (Ex VAT)	Permitted Sourcing Options	Mandatory Pre-Procurement Engagement Form	Use Portal	Commissioning Plan approval	Procurement Plan approval	Contract Award approval	Record on Contract Register
<£25,000	Quotations not required; Direct award permissible	Yes £5,000 to £25,000	No	N/A	N/A	Director or delegated Officer	>£5,000
£25,001 to £159,999	Request for Quotation (min. 3* suppliers)	Yes	Optional	N/A	N/A	Director or delegated Officer	Yes
£160,000 to £499,999	FTS Tender (Goods/Services)	Yes	Yes	Combined Commissioning and Procurement Plan, approved by Director advised by Head of Procurement		Director advised by the Head of Procurement or Procurement Manager	Yes
	Request for Quotation (Works)	Yes					
£500,000 to £999,999	FTS Tender (Goods/Services)	Yes	Yes	Executive Member	Director advised by Head of Procurement	Director advised by the Head of Procurement	Yes
	Request for Quotation (Works)	Yes					
£1,000,000 to £9,999,999	FTS Tender	Yes	Yes	Executive	Director advised by Head of Procurement	Director advised by the s.151 Officer and Head of Procurement	Yes
>£10,000,000	FTS Tender	Yes	Yes	Full Council	Director advised by Head of Procurement	Director advised by the s.151 Officer and Head of Procurement	Yes

\*Note: In accordance with CSO 6.3.5, if there are fewer suppliers in the market place capable of supplying the Works, Services or Goods to be procured than the number of bidders which should be invited to Tender and the relevant exception has been approved, you are only required to invite those suppliers capable of supplying the Works, Services or Goods.

## 12. Key Decisions

- 12.1 Key decisions are those taken by the relevant authority (Director, Executive Member, Executive or full Council) according to value, which are likely to:
- 12.1.1 result in the Local Authority incurring expenditure which is or the making of savings which are significant having regard to the Local Authority's budget for the service or function to which the decision relates or [values over £500,000 excluding VAT are considered to be significant];
  - 12.1.2 to be significant in terms of its effect on communities living or working in an area comprising two or more wards in the area of the Local Authority.
- 12.2 In terms of the threshold approval process, it is considered that a Procurement Plan is an internal document and not a key decision as it not asking for approval of expenditure and therefore is not published on the Council's website.
- 12.3 Contract Award Reports are not Key Decisions unless the whole life value of the Contract to be awarded is more than 10% of the original value previously approved at the Commissioning Plan stage. The subsequent Contract Award report will require approval at the relevant Commissioning Plan threshold which may result in a requirement for a Key Decision to be published.

### **13. Signing of Contracts**

- 13.1 Contracts below the relevant FTS threshold and for a duration up to three years may be signed by two authorised officers, either the relevant Director or the Assistant Director or such other officer(s) as the Director has formally authorised (using their delegated powers) to sign Contracts.
- 13.2 Contracts equal to or exceeding the relevant FTS threshold or for a duration of more than three years may be sealed by the Council, as determined by the Assistant Director (Governance & Monitoring Officer).

## **14. Framework Agreements (multi supplier)**

- 14.1 Before the use of any Framework Agreement, advice must be obtained from the Procurement Service.
- 14.2 The intention behind a Framework Agreement is to streamline the competitive process by enabling the commissioners, at any time during the term of the framework, to buy Works, Services, or Goods by placing an order (without re-opening competition) or by holding a mini competition process (competed Services), without having to Tender each individual requirement. Multiple orders or call-off Contracts can be made through the framework. Framework Agreements can be useful where the Council needs to make repeated and potentially high value purchases, such as for temporary staff support or care placements.
- 14.3 It may be possible to access an existing Framework Agreement, let by the Council or another public body. As you would be calling off from the framework this negates the need to conduct a full procurement for the new requirement.
- 14.4 The following principles should be followed when deciding whether to buy Works, Services or Goods under an existing Framework Agreement established by another body:
- 14.4.1 There should be evidence that the framework can be accessed by the Council;
  - 14.4.2 For competed Services, the framework must provide for the holding of a mini-competition.
  - 14.4.3 For the making of a purchase without re-opening competition the framework must clearly identify the criteria for selecting, in order of priority, the Contractor to be first, and subsequently, offered the order;
  - 14.4.4 The framework should offer value for money;
  - 14.4.5 The technical aspects and quality standards of the framework shall meet the Council's requirements.
  - 14.4.6 The Framework Agreement must be let by "a Contracting authority". A private sector company will not be a "Contracting authority" under the PCR 2015.
- 14.5 For procurements equal to or above the relevant FTS threshold, the award of a Framework Agreement is regulated by the PCR 2015.
- 14.6 If the Framework Agreement falls within the PCR 2015 then the term of the framework must not exceed four years. There is a provision to establish a framework for a longer period, but this is only applicable in exceptional circumstances and where it can be justified by the subject of the framework. The Procurement Service must be contacted for advice.

- 14.7 Call-off Contracts can extend beyond the life-span of the Framework Agreement. However, call-off Contracts made close to, or at the end of, the term of the framework that have a disproportionate duration may amount to a breach of the PCR 2015. Before such a call-off Contract is made, advice must be obtained from the Procurement Service.
- 14.8 The use of a Framework Agreement must be approved as part of the Procurement Plan or the Combined Commissioning and Procurement Plan, whichever is appropriate.
- 14.9 There are two approaches to the Contract Award approval process for Framework Agreements and the orders/placements made under them. The Procurement Plan or Combined Commissioning and Procurement Plan must be clear on which method is being used. Either:
- 14.9.1 A Contract Award Report for the approval to establish a Framework and for all expenditure under the Framework, which is authorised at the appropriate level, based on estimated expenditure across of the life of the Framework. No further Contract Award approvals for individual orders/placements would be required; or
  - 14.9.2 A Contract Award Report for the approval to establish a Framework. Contract Award approvals for the individual orders/placements would be required as and when they are incurred in line with the Threshold table in 11.3.
  - 14.9.3 Note that in either case, before any order/placement is made, a purchase order (PO) to the value of the order/placement must first be authorised.
- 14.10 A Framework Agreement is closed for the duration of its operation which means that no new providers and/or suppliers can be added to the framework. If you wish to create a Contract which allows for new suppliers to be added, you must set up a Dynamic Purchasing System (DPS). If you wish to set up a DPS you should contact the Procurement Service. If you are creating a framework under the Light Touch regime, a degree of flexibility is available. Contact the Procurement Service for further information.

## **15. Framework Contracts (single supplier)**

- 15.1 Before the use of any Framework Contract, advice must be obtained from the Procurement Service.
- 15.2 A Framework Contract differs from a Framework Agreement in that it is made with a single supplier, meaning that orders may be placed with that single supplier without competition. When an order is made under a Framework Contract the supplier will be Contractually bound to accept that order.
- 15.3 A single supplier arrangement is likely to be used where the Council wishes to make a high number of purchases over a specified period, the aggregate value of those purchases being of high value, for example the purchase of stationery.
- 15.4 Framework Contracts can be created so that one, or many purchases can be made under it.
- 15.5 The following principles should be followed when deciding whether to use an existing Framework Contract established by another body:
  - 15.5.1 There should be evidence that the framework can be accessed by the Council;
  - 15.5.2 The framework should offer value for money;
  - 15.5.3 The technical aspects and quality standards of the framework should meet the Council's requirements.
  - 15.5.4 The Framework Agreement must be let by "a Contracting authority". A private sector company will not be a "Contracting authority" under the PCR 2015.
- 15.6 For procurements equal to or above the FTS threshold, the award of a Framework Contract is regulated by the PCR 2015.
- 15.7 If the Framework Contract falls within the PCR 2015 then the term of the framework must not exceed four years. There is a provision to establish a framework for a longer period, but this is only applicable in exceptional circumstances and where it can be justified by the subject of the framework. The Procurement Service must be contacted for advice.
- 15.8 Call-off Contracts can extend beyond the life-span of the Framework Agreement. However, call-off Contracts made close to, or at the end of, the term of the framework that have a disproportionate duration may amount to a breach of the PCR 2015. Before such a call-off Contract is made, advice must be obtained from the Procurement Service.
- 15.9 The use of the Framework Contract must be approved as part of the Procurement Plan or the Combined Commissioning and Procurement Plan, whichever is appropriate.

- 15.10 There are two approaches to the Contract Award approval process for Framework Contracts and the orders/placements made under them. The Procurement Plan or Combined Commissioning and Procurement Plan must be clear on which method is being used. Either:
- 15.10.1 A Contract Award Report for the approval to establish a Framework and for all expenditure under the Framework, which is authorised at the appropriate level, based on estimated expenditure across of the life of the Framework. No further Contract Award approvals for individual orders/placements would be required; or
  - 15.10.2 A Contract Award Report for the approval to establish a Framework. Contract Award approvals for the individual orders/placements would be required as and when they are incurred in line with the Threshold table in 11.3.
  - 15.10.3 Note that in either case, before any order/placement is made, a purchase order (PO) to the value of the order/placement must first be authorised.

**16. Light Touch regime (and any subsequent legislation inc Provider Selection Regime)**

16.15 The light touch regime applies to those Services identified within Schedule 3 of the PCR 2015, and include health, social and related Services, as well as other Services.

16.16 The light touch regime applies where the Services are considered to be of lower interest to cross border competition. The Services listed in Schedule 3 are subject to the PCR 2015, but a “light touch” regime applies, and a higher FTS threshold applies.

16.17 Whether or not a service is within Schedule 3 must be decided, on a case-by-case basis as it will be dependent upon the full scope of what is being procured. For example, you may be procuring a multi lot Contract for facilities management Services which include an element of security Services. Although security Services are within Schedule 3 the remainder of the facilities management Services are not. In this instance, although your Contract would have a light touch element, the majority of the Contract would not be light touch and so the entire procurement would be subject to the full PCR 2015.

16.18 Services listed in Schedule 3 of the PCR 2015 are subject to the “light touch regime” and not subject to the full procurement regime of the PCR 2015. Schedule 3 Services include health, social and related Services, and the provision of Services to the community. You must seek advice from the Procurement Service if you consider your service will be subject to the light touch regime before you commence the procurement.

16.19 The Provider Selection Regime (PSR) came into effect on 1 January 2024 and applies to the procurement of Healthcare Services in England by relevant authorities. Relevant authorities are:

16.19.1 NHS England

16.19.2 Integrated care boards (ICBs)

16.19.3 NHS trusts and NHS foundation trusts

16.19.4 Local authorities and combined authorities

The PSR does not apply to the procurement of Goods or non-health care Services (unless as part of a mixed procurement), irrespective of whether these are procured by relevant authorities.

16.20 For further information on Health and Social Care related Services considered “Light Touch” or “PSR” and the differing procurement rules to be followed, please see Part D Health and Social Care Contracts, section 36, or contact the Procurement Service.



## **17. Outsourcing and community right to challenge**

- 17.1 Where it makes economic sense and it is a functional solution, the Council may outsource Services or transfer them to the local community to provide directly.
- 17.2 The 'community right to challenge' is part of the 2011 Localism Act and gives voluntary and community groups, charities, parish and town councils and council employees the right to express an interest in taking over the running of a Council service. The Council must consider and respond to this challenge. Where the challenge is accepted, the Council must then run a procurement exercise in which the organisation making the challenge can bid to run the service (but not necessarily win). Expressions of interest to deliver Services under the 'community right to challenge' shall be dealt with through the Council's adopted 'Process Guide to dealing with expressions of interest under the Community Right to Challenge.'

## **18. Public Works or Services concessions under The Concession Contracts Regulations 2016.**

- 18.1 The Concession Contracts Regulations 2016 apply to above threshold public Works concessions and public service concessions. There are no concession Contracts for supplies.
- 18.2 Key factors of concession Contracts are:
- 18.2.1 the award of the contract shall involve the transfer to the concessionaire of an operating risk in exploiting the works or services encompassing demand or supply risk or both; and
  - 18.2.2 the part of the risk transferred to the concessionaire shall involve real exposure to the vagaries of the market, such that any potential estimated loss incurred by the concessionaire shall not be merely nominal or negligible.
- 18.3 If you consider that your opportunity may be a public Works or a public Services concession Contract you must contact the Procurement Service for advice before beginning any stage of the procurement.

## **19. Social Value**

- 19.1 The overall approach to delivering Social Value through the Council's suppliers is to agree proportionate and relevant Social Value outcomes with bidders during the procurement that are aligned to the Corporate Plan ambitions. There are two different but complementary routes in which this can be achieved. Firstly, Social Value can be built into the Contract as a performance obligation within the requirements/specification. Secondly, bidders can be asked to be innovative about how they might deliver additional Social Value under the Contract, and their responses are assessed as part of the overall evaluation process. These two routes are not necessarily independent i.e., both may be used within the same procurement process.
- 19.2 Procurement documents, in particular the evaluation model, should allow bidders to describe how they will deliver Social Value in addition to the core requirements of the Contract. Procurement documents should also be clear on how responses will be assessed and evaluated.
- 19.3 In addition to the two routes outlined in 18.1, how you should approach achieving Social Value will differ depending on the value of your procurement;
- 19.3.1 For procurements below £159,999 excluding VAT - you should consider Social Value as forming part of your evaluation criteria where appropriate and proportionate to do so, but inclusion is not mandatory. A weighting of up to 10% may be applied. The evaluation will be quantitative only.
  - 19.3.2 For short term Contracts (less than 6 months) and one-off projects/purchases in excess of £160,000 – Social Value must be included as part of your evaluation criteria. A weighting of up to 10% must be applied. The evaluation will be quantitative only.
  - 19.3.3 For long term Contracts (more than 6 months), with a value equal to or greater than £160,000 excluding VAT, a quantitative and qualitative evaluation must be undertaken. Please contact the Procurement Service for advice.
- 19.4 The approach to achieving Social Value through the Council's procurements should be agreed as part of the development of either the Combined Commissioning and Procurement Plan or the Procurement Plan.

## 20. Types of Procedures

- 20.1 Where the opportunity to be advertised has an estimated whole life Contract value above £160,000, the type of procedure to be followed must be determined as part of the development of the Procurement Plan, in consultation with the Procurement Service, prior to advertising. The types of procedure are as follows:
- 20.1.1 **Open Procedure** – where suppliers submit a Tender in response to an advertisement. This is done via an Invitation to Tender (ITT) document, through a single stage process.
  - 20.1.2 **Restricted Procedure** – includes a Pre-Qualification stage via the standard selection questionnaire, which is sent to all suppliers who express an interest in response to an advertisement. A selection of these suppliers is then invited to submit a Tender via an ITT.
  - 20.1.3 **Competitive Dialogue** – a procedure to be used where the procurement is of a very complex nature (technically, legally or financially), and the Council is unable to properly define one or more of these elements within the specification. For the Council to formulate its requirements, it will hold dialogue sessions with bidders during the Tender process.
  - 20.1.4 **Competitive with Negotiation** – this is a three-stage procedure that allows for negotiation after initial Tenders have been submitted.
- 20.2 Where the estimated whole life Contract value is under £160,000 you are not required to conduct a Tender process, and may conduct a quotation process instead, but that doesn't mean you shouldn't use a Tender process if you consider it to be appropriate. Where you do conduct a Tender process, the Open Procedure must be used.
- 20.3 For further information and guidance on the procurement process for Contracts below £159,999 excluding VAT, please see PART F.

## **21. Advertising Online**

- 21.1 The Council uses a web-based system to advertise and run both request for quotes (RFQs) and Tenders. The Portal allows opportunities to either be openly advertised, where any appropriately registered supplier may express interest, or for quotes/Tenders to be sent to specifically chosen suppliers only. All opportunities with a total estimated whole life Contract value of £160,000 and above must be openly advertised in line with the table at 11.3, unless the use of an appropriate Framework is agreed. (For procurements in respect of Health and Social Care Services Contracts please see Part D). Below this figure opportunities may be advertised openly at the discretion of the Commissioner. Whatever the value, where the Council advertises Contracts openly using the Portal the opportunity must also be advertised on the government's Contracts Finder website if the opportunity will exceed £25,000 excluding VAT in value.
- 21.2 Should you elect, at your own discretion, to conduct a formal Tender process for opportunities with an estimated whole life Contract value of under £160,000, you must advertise the opportunity as part of the Tender process.
- 21.3 The process of advertising procurement opportunities via the Portal does not negate the requirement to advertise relevant opportunities in other media, such as Find a Tender service (FTS), Contract's Finder, the Council's website, local newspapers, or any other method, should this be required.
- 21.4 The Council can also publish Prior Information Notices (PINs) as part of a soft market testing exercise to understand the quantity, appetite, and capability of suppliers to deliver potential future Contracts. Under certain circumstances, publishing a PIN can reduce the minimum tender timescales for the procurement.
- 21.5 All suppliers invited to Tender must be issued with the same information at the same time and subject to the same conditions.

## **22. Receipt of Tenders**

22.1 Procurements with an estimated total Contract value below £159,999 excluding VAT, may be undertaken via email or operated through the Portal, depending on the knowledge and experience of the commissioner in the use of the Portal.

22.1.1 Any submissions received after the date and time stipulated in the procurement documents should not be considered;

22.1.2 On checking a submission, any errors or discrepancies affecting the content of a bid should be the subject of clarification with the Bidder.

22.1.3 If you are uncertain about the approach to apply to an error, or the period to grant a Bidder to correct it, then seek the advice of the Procurement Service.

22.2 All procurements with an estimated total Contract value above £160,000 must be operated through the Portal in conjunction with the Procurement Service.

22.2.1 Any submissions received after the date and time stipulated in the Tender documents should not be considered;

22.2.2 All submissions received electronically via the Portal must either be unsealed by the Procurement Service or by officers authorised by the Procurement Service;

22.2.3 On checking a submission, any errors or discrepancies affecting the content of a bid should be the subject of clarification with the Bidder.

## **23. Evaluating Tenders**

- 23.1 Care should be taken to evaluate the bid using the most economically advantageous Tender (MEAT) rather than simply the unit price. The lowest priced Tender may not necessarily offer the best value for money over the life of the Contract; therefore, you should take into account price and quality using agreed price and quality weightings.
- 23.2 Should a submitted bid appear to be priced too low to deliver the required quality of service this should be clarified. The Bidder should be challenged as to how they can deliver the expected quality and requirements at that price. Should this show that the proposed service is indeed unsustainable, the Tender may be rejected. Before any bid is rejected you must take advice from the Procurement Service.
- 23.3 Each bid should be evaluated by scoring objectively in accordance with the award criteria by a panel of appropriate officers. The process and evaluation model should be set out in the Procurement Plan. The Contract should be awarded to the Bidder submitting the Tender that achieves the highest score in the evaluation process.
- 23.4 The criteria used to evaluate each bid must:
- 23.4.1 Be based on the predetermined award criteria specified in the RFQ or invitation to Tender document, including the weightings to be used;
  - 23.4.2 Include the total value of the Contract;
  - 23.4.3 Be strictly observed throughout the Tender process;
  - 23.4.4 Be capable of objective assessment;
  - 23.4.5 Avoid discrimination.
- 23.5 Where the opportunity is above £500,000 excluding VAT, or where there is a perceived risk through the term or nature of the Contract regardless of Contract value, an assessment of the bidders' financial standing should be undertaken to the satisfaction of the relevant Director.
- 23.6 The results of the Tender evaluation process must be recorded in writing.
- 23.7 The Council is not obliged to accept any Tender.

## **24. Awarding the Contract**

24.1 The following applies to all procurements with an estimated Contract value above £160,000:

24.1.1 All bidders should be notified simultaneously via the Portal and as soon as possible, of the intention to award the Contract to the successful Bidder. The unsuccessful bidders must have at least 10 calendar days in which to challenge the decision before the Contract is formally awarded. This 'standstill period' is commonly referred to as the Alcatel period and is a legal requirement of an FTS compliant procurement process.

24.1.2 Where the winning Bidder has identified itself as being within the scope of IR35 Legislation via the Tender process the Authorised Officer must check the Contractors employment tax status on the HMRC website, [Check employment status for tax - GOV.UK \(www.gov.uk\)](http://www.gov.uk), to determine whether the winning Bidder should be paid via the Council's payroll system or via the raising of an invoice on the Council's finance system. If in any doubt, you should contact your directorate HR Advisor.

24.1.3 If the decision is challenged by an unsuccessful Bidder, then the Contract cannot be awarded and the Assistant Director (Governance & Monitoring Officer) must be contacted to advise on the steps to be taken.

24.1.4 The Procurement Service shall (via the Portal) debrief in writing all those bidders who submitted a bid about the relative advantages of the winning Bidder and should disclose:

1. How the award criteria were applied and the scores and relative advantages of the winning Bidder(s);
2. The name of the winning Bidder(s).

24.1.5 All documents should be kept in accordance with the Corporate Retention and Disposal Schedule.

24.2 The following applies to all procurements with an estimated Contract value below £159,999 excluding VAT:

24.2.1 All bidders should be notified simultaneously (via the Portal if appropriate) and as soon as possible of the intention to award the Contract to the successful Bidder.

24.2.2 Unsuccessful bidders must be provided with a breakdown of their scores, the name of the winning Bidder and the winning Bidder's scores. A 'standstill period' is not a legal requirement, however it is considered good practice to allow some time between notifying unsuccessful bidders and making the Contract award.

24.2.3 A legal challenge cannot be made for Contracts which fall below the FTS threshold.

## **25. Reverse Auctions**

25.1 On the advice of, and with prior authorisation from the Procurement Service, electronic reverse auctions may be used for the submission of prices. The specific procedures to be used must be approved by the Head of Procurement and should normally be facilitated via the Portal.



## **26. FTS Thresholds**

- 26.1 The procurement of Goods, Services and Works that equal or exceed the FTS procurement thresholds are covered by the FTS Consolidated Procurement Directive as enforced by the Public Contract Regulations 2015. The Directive lays down strict processes for advertising, timetabling and Contractor selection.
- 26.2 These rules take precedence over all Council and UK national regulations and carry potentially heavy penalties for non-compliance.
- 26.3 There are separate thresholds regarding Services covered within the “Light Touch” regime, the Concession Contracts Regulation 2016 and the Utilities Contracts Regulations 2016, the Provider Selection Regime 2024. If you are uncertain if your opportunity falls under one of these Regulations, you must seek advice from the Procurement Service to understand current thresholds.
- 26.4 All opportunities that equal or exceed the FTS Threshold must be advertised in the FTS and Contracts Finder.

## **27. Contracts**

27.1 All Contracts shall, as a minimum:

- 27.1.1 be in writing;
- 27.1.2 specify what is to be supplied (that is, the Works, materials, Services, matters or things to be furnished, had or done);
- 27.1.3 specify the payment provisions (that is, the price to be paid and when);
- 27.1.4 specify the time-scale within which the Contract is to be performed; and
- 27.1.5 specify the termination provisions under which the Council shall and may terminate the Contract.

27.2 In addition, every Contract involving a purchase of £50,000 and above must also clearly state as a minimum:

- 27.2.1 the performance standards to be met;
- 27.2.2 the insurance requirements;
- 27.2.3 health and safety requirements;
- 27.2.4 equality and diversity requirements;
- 27.2.5 (where relevant) that the Contractor may not assign the Contract or sub-Contract any part of the Contract without prior written consent from the Council;
- 27.2.6 information governance, Freedom of Information and Data Protection requirements;
- 27.2.7 Contract management requirements;
- 27.2.8 a right, given to the council, of access to documents and records which relate to the subject matter of the Contract for monitoring and audit purposes;
- 27.2.9 an obligation on the Council to pay undisputed invoices within 30 days;
- 27.2.10 an obligation on the principal Contractor to pay any Sub-contractor invoices within 30 days;
- 27.2.11 a clause for the prevention of corruption and bribery; and
- 27.2.12 Contract enforcement mechanisms.

27.3 Formal advice from the Assistant Director (Governance & Monitoring Officer) must be sought on Contract terms and conditions for the following Contracts:

- 27.3.1 where the estimated whole-life value of the opportunity is above £160,000 excluding VAT;
- 27.3.2 those involving leasing arrangements;
- 27.3.3 where it is proposed to use the external supplier's own terms;
- 27.3.4 those that are considered to be high risk in terms of service failure or the Council's reputation; or
- 27.3.5 those that are complex in any other way.

27.4 All Contracts must be formally concluded in writing before the supply, service or construction begins. An award letter is insufficient.

## **28. Prevention of Bribery or Corruption**

28.1 Officers must comply with the Council's Code of Conduct and must not invite or accept gift or reward for the award of, or in respect of, the performance of any Contract. It will be for the officer to prove that anything received was not received corruptly. High standards of behaviour are obligatory. Corrupt behaviour will result in disciplinary action being taken against the officer concerned. Offering, promising or giving of a bribe (active bribery) and the requesting, agreeing to receive or accepting of a bribe (passive bribery) is a criminal offence under the Bribery Act 2010 and council employees should take all necessary steps to protect themselves and the Council against committing acts of bribery.

## **29. Declaration of interest**

29.1 Prior to any procurement commencing, officers that will be involved in the development of the specification, evaluation and/or decision, will be required to complete a Conflict of Interest form, specifically for the procurement activity. This is to ensure that all procurements are undertaken fairly and any disclosable interests are known to the Council. This is in addition to any declarations made as part of the annual Register of Personal and Pecuniary Interests. Any interests declared should be documented and managed appropriately. If in doubt, please contact the Procurement Service for advice.

29.2 If it comes to the knowledge of a member or officer of the Council that an individual has, or may have, a conflict of interest in the Contract to be procured or awarded, (not previously declared) they shall immediately give written notice to the PA for their Directorate who will inform the relevant Director, as well as the Procurement Service.

29.3 Such written notice is required regardless of whether the interest is that of a member or officer themselves or a close relative, partner, direct or indirect. An indirect disclosable interest is distinct from a direct disclosable interest in that it is not a Contract to which the member or employee is directly a party.

29.4 The Directorate PA shall maintain a record of all declarations of interests notified by members and officers.

29.5 The Directorate PA shall ensure that the attention of all members is drawn to the Code of Conduct for Local Authority Members.

### **30. Extending the term of the Contract**

- 30.1 If the original Contract includes an option to extend the initial term and the authority to enter into the Contract was given for the whole life Contract value the relevant Director may authorise the extension period via a Director's Decision subject to evidence of satisfactory performance of the Contract.
- 30.2 Where an extension meets the criteria of 30.1, there is no requirement to book onto the forward plan or publish the decision.
- 30.3 If the original Contract does not include an option to extend the initial term or the authority to enter into the Contract was not given for the extension period;
- 30.3.1 the maximum extension period allowed is 50% of the initial (original) term or a maximum of 12 months, whichever is lesser; AND
  - 30.3.2 Authority to extend the initial term must be obtained before the Contract is extended. The value of the extension period will determine who can authorise the extension based on the values in the table at paragraph 9.4 above.
- 30.4 Following permission to extend a Contract, Contract managers must inform the Procurement Service of the extension (see 7.6) and must provide a signed Decision to allow the Procurement Service to update the Council's Contract Register.
- 30.5 Where the whole life value of the Contract equals or exceeds the relevant FTS threshold the PCR 2015 must be fully complied with. Where this applies you must seek advice from the Procurement Service.

## **31. Contract Variation other than extending the term of the Contract**

- 31.1 Instructions to vary a Contract shall be made in writing and before the variation is made approved by the relevant Director and referred to Legal Services for advice where the Contract is subject to the PCR 2015.
- 31.2 Where a Contract (excluding Capital projects with a compensation event/change control mechanism) with a whole-life Contract value above the FTS thresholds is proposed to be increased by a value of 10% or more, an immediate report with the advice of the Procurement Service shall be made to the Section 151 Officer who shall decide what further action is necessary.
- 31.3 Where a variation occurs during the life of the Contract that cannot be met from within existing budgetary provision, an immediate report shall be made to the Section 151 officer who shall decide what further action is necessary.
- 31.4 Where any claim for payment exceeds the original Contract sum by 25% excluding VAT or more, the matter must be referred to the Procurement Service before any settlement is made.
- 31.5 Capital projects with a compensation event/change control mechanism allowed for within the Contract, for example NEC4 Contracts, may manage Contract variations within the project structure/governance, subject to an appropriate delegated authority decision and monitoring at Capital Programme Planning and Delivery Board (CPPDB).
- 31.6 Following permission to vary a Contract, Contract managers must inform the Procurement Service of the variation (see 7.6) and must provide a signed Decision to allow the Procurement Service to update the Council's Contract Register.

## **32. Contract Management**

- 32.1 Directors shall ensure that there is a named Contract manager for each new Contract. For each Contract with an expected value above £160,000 excluding, the Contract manager will work jointly with the Procurement Service during the procurement process.
- 32.2 As part of the procurement process the Contract manager and Procurement Service will agree the Contract management measures that are appropriate for the Contract. This will include, but not be limited to, performance measurement/management, review meetings, risk management, governance and escalation. The approach to Contract management shall be proportionate, with management activity linked to Contract risk and value.
- 32.3 For all procurements with a value in excess of £160,000, following the Contract award, a Contract Management Plan will be developed by the Contract manager with guidance from the lead Procurement Officer.
- 32.4 Contract Managers should consider on-going monitoring of Contractors' financial standing by signing up to Audit's service.

### **33. The Contract Performance framework**

- 33.1 The Council has a performance framework to ensure strong corporate governance of its key Contracts.
- 33.2 Contract managers shall measure Contract performance against the standards and the performance indicators set out in the Contract. Contract managers shall also identify (through a risk assessment) an appropriate set of indicators of the quality of the actual process of Contract management.
- 33.3 For all key Contracts, Contract managers shall meet quarterly with the relevant procurement lead to discuss and complete a quarterly assessment to assure the Council that each Contract is delivering good outcomes and is being well managed. With the exception of capital projects which are monitored at Capital Programme Planning and Delivery Board (CPPDB).
- 33.4 Directors shall ensure that Contracts which are of strategic importance (in terms of the Services offered and/or the Contract value and/or the risk of service failure and/or the reputational risk to the Council) shall be referred to the Council's corporate leadership team (CLT). Significant Contracts which are under-performing shall also be referred to CLT.

## **PART B – LAND AND BUILDINGS**

### **34. Purchasing and Leasing**

- 34.1 Purchasing and leasing of land and buildings shall be made in compliance with the Council's Financial Regulations and Disposal of Land & Property Procedures.
- 34.2 No property related Contract sale, purchase, tenancy, lease or third party rights shall be entered into without the involvement of Assistant Director (Governance and Monitoring Officer), (through the Section 151 Officer).

## **PART C – DISPOSAL OF ASSETS OTHER THAN LAND OR PROPERTY**

### **35. Disposal of Assets other than Land or Property**

- 35.1 Disposal of other assets (other than land and building) shall be made in compliance with the Council's Financial Regulations.
- 35.2 In addition, there shall be clear documentation agreed and signed by the budget holder, their line manager and the Director detailing:
  - 35.2.1 Why the item is no longer required.
  - 35.2.2 A statement as to the physical condition of the item.
  - 35.2.3 An estimated market value for disposal.
- 35.3 The Section 151 Officer must be informed of the proposed disposal of any item listed on the Council's Asset Register. The relevant Service Accountant must be informed of the proposed disposal of items originally obtained through leasing arrangements.
- 35.4 Serviceable surplus Goods shall be first offered for disposal within the Council. If no internal interest is received the item can be disposed of externally. If it is perceived that the Goods are usable in their present state for their original purpose, then the Council may be able to sell the item. Careful consideration should be given to the selling of Goods as the Council must comply with the Consumer Protection Act 1987 and the Consumer Rights Act 2015 Compliance with the Act rests with Directors.
- 35.5 The Council is able to supply office furniture to the general marketplace, providing the furniture is in a usable condition and not likely to cause injury.
- 35.6 Any item identified as being beyond economic repair shall be scrapped. If it is perceived that there is a scrap value, the item shall be sold as scrap. Electrical, gas, or mechanical items identified as no longer 'fit for purpose' shall only be sold as scrap or for refurbishment to an established company in the business of handling scrap or reconditioning items. Any sale document must clearly show that the item is being sold for scrap or refurbishment value only. Such items must not be offered for direct sale to the general market.

## **PART C Continued**

- 35.7 Motor vehicles can be offered for direct sale providing that the vehicle has a valid MOT certificate, is otherwise roadworthy and has no other obvious defects.
- 35.8 The item may either be sold through public auction or by private treaty. If to be sold by private treaty:
- 35.8.1 Where the estimated disposal value is under £500 at least one written offer shall be obtained and retained, and the highest offer shall be accepted.
  - 35.8.2 Where the estimated disposal value is between £500 and £50,000 then at least three written offers must be sought and retained, and the highest offer shall be accepted.
  - 35.8.3 Where the estimated disposal value is over £50,000, advice must be sought from the relevant Finance Business Partner or the Section 151 Officer, who shall recommend an appropriate disposal method for approval by the Director, or relevant delegated authority.
- 35.9 No surplus Goods may be given or sold to any Council officer Member or their immediate family, except when won via public auction.
- 35.10 Further advice on disposal considerations must be initially sought from the Procurement Service.



## **PART D – HEALTH AND SOCIAL CARE CONTRACTS**

### **36. Regulations and Guidance**

- 36.1 The Council recognises that the procurement of health and social care Services involves a range of unique considerations, which are different and/or additional to those that apply to the procurement of other Goods, Services and Works. Health and social care Services are treated differently for the purpose of the EU Public Procurement Directives (Regulation 74 Public Contracts Regulations 2015 and any subsequent legislation) and the Provider Selection Regime (01/01/2024). The Council is also mindful of the duties in respect of the commissioning of social care Services brought into force by the Care Act 2014, the Children Act 1989, the Children Act 2004, the Childcare Act 2006, the Child Poverty Act 2010, the Children and Families Act 2014 and associated regulations and statutory guidance (all as amended). This, along with the intention to integrate Services between Health and Social Care more fully and the introduction of the Provider Selection Regime for Health-related Contracts means that, in order to reflect these principles, the Council has adapted these standing orders setting out the underlying principles and administrative procedures that will be followed in relation to the procurement and award of Contracts for such Services.
- 36.2 The Council recognises that the Care Act 2014 introduces and consolidates a number of duties which will be relevant to its commissioning and procurement functions and decisions. The Council also recognises the unique considerations involved in the procurement of Children’s Services and is mindful of its duties in respect of the Children Act 1989, the Children Act 2004, the Childcare Act 2006, the Children and Families Act 2014 and the UN Convention on the Rights of the Child. Accordingly, in procuring Contracts for the Services, from the formulation of the specification for a Service and throughout the Tender and award process, the Council and its officers will take account of the Council’s duties to:
- 36.2.1 promote the well-being of the individuals who will be in receipt of the Services;
  - 36.2.2 take account of the specific needs of different categories of users including in particular, disadvantaged and vulnerable groups, including children;
  - 36.2.3 provide and arrange Services which will contribute towards the prevention or delay in the development of or reduction in the needs of adults and carers in the area;
  - 36.2.4 promote the integration of care and support with health Services;
  - 36.2.5 promote the involvement and empowerment of users;
  - 36.2.6 provide a variety of different providers of the Services in its geographical area;
  - 36.2.7 facilitate a variety of high-quality Services from which an individual can choose to obtain the Services;
  - 36.2.8 properly shape and maintain the sustainability and innovation of the market for the Services; and
  - 36.2.9 make available to Providers information about demand for the Services, both current and forecast and other relevant data about the market.

## **PART D Continued**

- 36.3 The Council and its officers will take into account longer term commissioning strategies and information about the market for the Services available to the Council through Market Position Statements, Joint Strategic Needs Assessments and other analysis when designing, procuring and awarding Contracts for the Services.
- 36.4 The Council will ensure that the best interests of children affected by procurement and commissioning decisions are treated as a primary consideration, meaning that they are considered first and only not followed if outweighed by the cumulative impact of other considerations.
- 36.5 The Council will safeguard and promote the well-being and welfare of people who are or maybe in receipt of the Services.
- 36.6 The Council will ensure that all Providers have robust safeguarding procedures in place and managed effectively. keep under review the educational, training and social care provision for children and young people who have special educational needs or a disability and consider the extent to which this provision is sufficient to meet the needs of the children and young people concerned;
- 36.7 The Council will ensure that there are sufficient social care Services for disabled children to allow such Services to continue until such time as there is a final decision on their case by adult Services;
- 36.8 The Council will base commissioning on strategic needs assessments and evidence that the Services procured will be effective at meeting needs and desired outcomes. This will include ensuring that data in relation to numbers of children and their particular needs is accurate and kept up-to-date; and
- 36.9 The Council will adopt a whole system approach to designing universal, targeted and specialist Services to improve outcomes for children 'in need', children at risk of entering care, looked after children and children involved in the youth justice system including those in custody.
- 36.10 The Council will encourage collaborative working in the form of consortia of Providers, joint commissioning, multi-agency working and pooled budgets.

## **37. Tendering Processes**

- 37.1 Prior to the Tender of any Contract for any Health and/or Social Care Services, the Council will explore the nature of such Contracts and the funding sources to determine whether the Provider Selection Regime shall apply as opposed to the Public Contracts Regulations 2015 (or subsequent legislation).
- 37.2 Where it has been determined that the Provider Selection Regime shall apply the relevant rules shall be followed in order to award the Contract. This may involve tendering the opportunity to the open market where appropriate to do so and the publication of any such award in line with the requirements of the regulations.

## **PART D Continued**

- 37.3 Prior to the Tender of any Contract for any Health and Social Care Services, the Council will, where appropriate, engage in transparent dialogue with Providers and explore the submissions and ideas (whether formally or informally) presented by Providers when developing the specification for a Contract for such Services as provided for in the UK Regulations.
- 37.4 Where it has been determined that the Public Contracts Regulations 2015 apply and the value of a Contract for the Services exceeds the Light Touch Regime FTS Threshold, the authorised party as defined within the Threshold table at 11.3 will be responsible for deciding the process to be followed to ensure that the requisite details of the Contract are made known in line with the general Contract Standing Orders (CSOs). The Council will be required to record and accept any risk in not advertising the Contract as specified in the CSOs, see below.
- 37.5 Following consultation, and subject to the terms of the Council's core Contract Standing Orders and any overriding thresholds it has set, a competitive procedure for the Tender of the Contract may not be required, or only a limited competition is required. Such a decision may be appropriate for the reasons including (but not limited to) the following:
- 37.5.1 that it can be demonstrated that the Contract is of no interest to Providers in other EU member states; and/or
  - 37.5.2 the total sum to be paid under the Contract is so low that Providers located in other EU member states would not be interested in bidding for the Contract; and/or
  - 37.5.3 the Service is of such a specialised nature that no cross-border market of suitable Providers exists; and/or
  - 37.5.4 the existing Provider(s) of the Service is(are) the only Provider(s) capable of delivering the Service to meet the needs of the individual(s) concerned; and/or
  - 37.5.5 an innovative, highly specialised, cost effective or unique Service is being offered by a particular Provider(s) and the Council wishes to evaluate the effectiveness of that Service; and/or
  - 37.5.6 the nature of the Service is such that it will not or cannot be adequately specified in advance because of the nature of the social care needs of the service user(s) concerned; and/or
  - 37.5.7 there are special circumstances such as ownership of land or property, geographic locations or particular skills or experience of Providers of the Services which limit the choice of Provider; and/or
  - 37.5.8 the application of a competitive Tender process would adversely affect or result in the loss of a linked service; and/or
  - 37.5.9 it has become urgent to provide the Service because of an emergency, crisis or as a result of unforeseen circumstances which are not attributable to the Council.

## **PART D Continued**

- 37.6 Officers will be required to maintain a list of all Contracts which they decide do not require to be procured through a traditional competitive Tender on the basis of the determinations made under 36.14 above.
- 37.7 All Tender processes will be proportionate to the value of the Contract, the nature of the Services and the Council will endeavour to produce clear and accessible documentation.
- 37.8 The Council will avoid duplicative or excessive paperwork in the Tender process and will consider wherever possible using e-procedures which reduce the demand on administrative resources.
- 37.9 Procurement processes for the Services will involve realistic timescales which allow Providers sufficient time to meet and respond to the necessary requirements.
- 37.10 The Council will, give proper consideration to the financial and economic criteria it imposes on Providers through any procurement exercise for Services to ensure that they are proportionate to the Contract in mind, and that small Providers, and Providers that are new in the market, are not unfairly or unnecessarily excluded from the procurement procedure.
- 37.11 The Council will endeavour to provide appropriate information to Providers before and during the course of any tendering processes to ensure that Providers are able to provide adequate detail in the Tender responses and are able to provide prices which are firm and capable of being delivered. Where possible this will include an adequate and sufficient amount of detail on any staff that might be subject to a TUPE transfer, the associated costs and pensions arrangements.
- 37.12 All of the above does not negate the requirement for approval by the appropriate authority. The (annual) Commissioning Intentions Plan, Procurement Plan if appropriate, and Contract Award Report/Exception Report will still be required.

## **PART E – GRANTS**

### **38. Differentiation between Contracts and Grants**

38.1 This guidance has been produced to assist in clarifying whether an arrangement with a supplier is a Contract or a Grant agreement. Throughout this note, “organisation” includes individuals, trusts, unincorporated associations, and companies, whether private, not for profit or charitable.

38.2 There is no one factor that determines whether an arrangement is a Grant agreement or a Contract. The arrangement must be considered as a whole. In summary:

38.3 An arrangement will be a Contract where:

38.3.1 The council is buying a service, i.e. the council will receive a benefit in exchange for payments made to an organisation. The benefit can be a service provided directly to the council, or sometimes to a third party (e.g. recipients of social care Services)

38.3.2 The organisation is obliged to provide the service in question, it cannot decide to not provide the service and repay any funds received to the council. If the organisation fails to provide the service, the council will be able to make a claim against the organisation for any losses the council suffers as result of this failure.

38.4 An arrangement will be a Grant where:

38.4.1 The council gives Grant monies to an organisation without receiving a benefit in return.

38.4.2 The organisation is not obliged to provide the specific service. The organisation can decide not to provide the Services, and its only obligation will be to repay the Grant monies it has been given. See example below.

38.5 Please note whether an arrangement is labelled a Contract or a Grant agreement is irrelevant. You must consider the substance of the arrangement.

## **PART E Continued**

### **39. Example of a Grant**

39.1 A third sector organisation provides counselling to over 65s with mental health issues. Following an open and transparent Grant award process, the council decides to provide Grant monies to this organisation to assist with the provision of such counselling.

39.2 The arrangement will be a Grant agreement if:

39.2.1 The council simply views the counselling as 'a good thing' that it wishes to support. The Grant monies are given voluntarily, and the council does not receive a benefit in return for the Grant monies given.

39.2.2 Counselling is provided in a way that meets the organisation's objectives, e.g., the organisation decides who can attend, when the counselling sessions are to be held etc;

39.2.3 The organisation may choose whether to provide the counselling, or return the Grant monies given to the council;

39.2.4 Any surplus Grant monies must be returned to the council.

39.3 A Grant agreement will only be suitable if the non-delivery of the counselling service will not have any negative consequences for the council. A Grant agreement would not be suitable for example where the council:

39.3.1 Has a statutory duty to provide such counselling (i.e. the council must ensure the service is provided or it will be in breach of its statutory duties, under a Grant agreement the organisation could decide whether to provide the service); or

39.3.2 Is under an obligation to a third party to provide such counselling; or

39.3.3 Has identified a gap in its provision of care to the elderly with mental health Services and wishes to specify how, when and to whom the service will be provided.

## **PART E Continued**

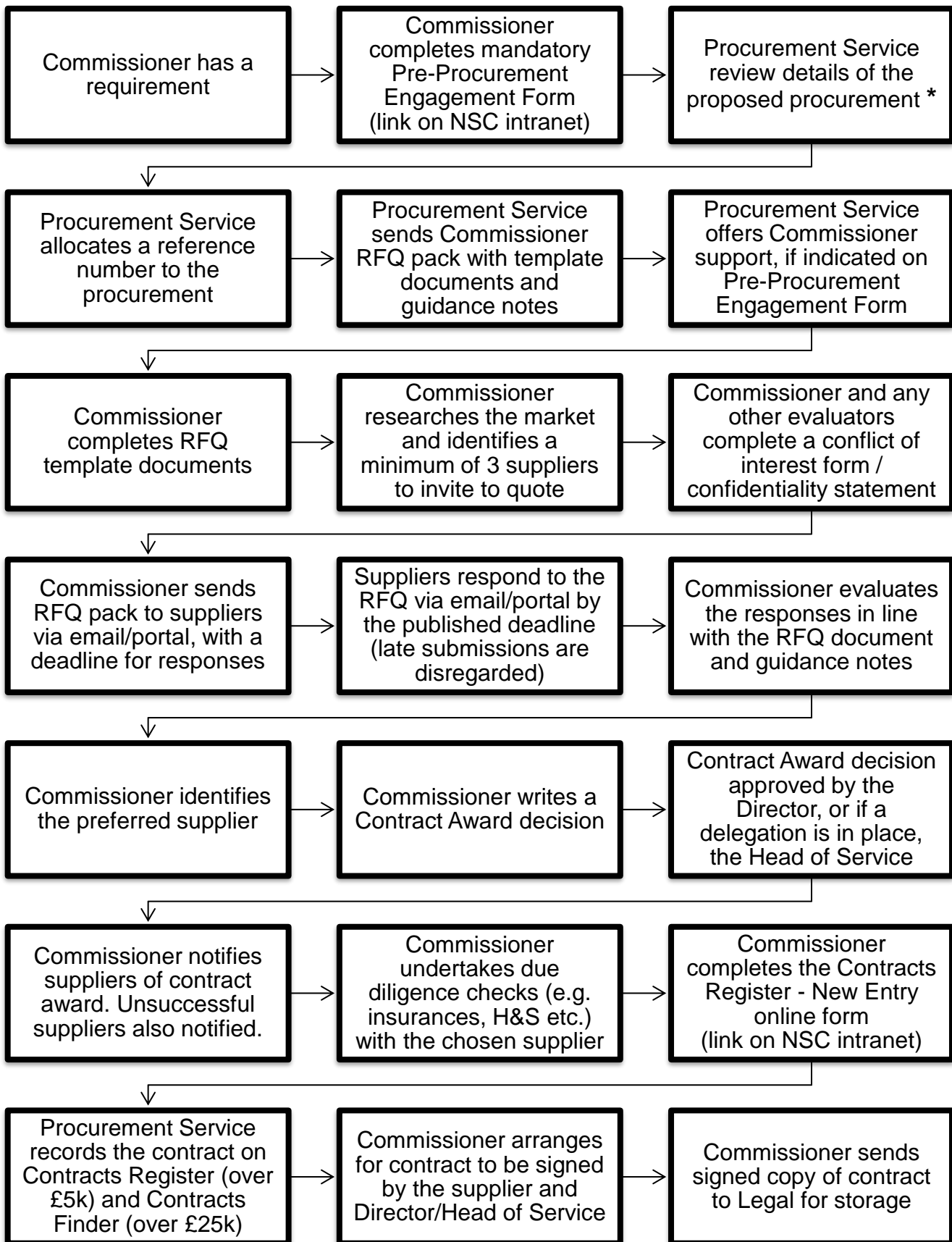
### **40. Administration of Grants**

- 40.1 Grants must be awarded following an open and transparent award process and should not be directed to a specific organisation.
- 40.2 If the Grant being awarded is below £159,999 excluding VAT, you can create your own award process and administer via email.
- 40.3 For Grants over £160,000 excluding VAT, please contact the Procurement Service for advice on the best way to approach this.

#### **What happens under a Grant agreement if the organisation does not provide the service?**

- 40.4 If the organisation does not spend the Grant monies on providing the Services, its only obligation will be to repay the Grant monies to the council. Under a Grant agreement, the organisation can decide not to provide the service in question and simply repay the Grant monies to the council.
- 40.5 The organisation will not have any further liabilities to the council. If the council suffers any loss caused by the organisation not providing the Services for which the Grant was given, the council will not have any right to make any claims against the organisation. A Grant agreement will not be suitable where the council requires Services to be provided.

**PART F – PROCUREMENT PROCESS FOR CONTRACTS BELOW £159,999**



\* **Note:** if the value of the estimated procurement is over £160,000 excluding VAT, or the Commissioner intends to use a Framework (any value), the Procurement Service will work with the Commissioner to procure this requirement. A Pre-Procurement Engagement form needs to be completed for all procurements irrespective of value, as per 8.1 of the CSOs.



## Proposed changes to Standing Order 17A – Public speaking at Planning and Regulatory Committee

Proposed deletions shown in red strikethrough and new provisions shown highlighted yellow

### STANDING ORDER 17A – PUBLIC SPEAKING AT PLANNING AND REGULATORY COMMITTEE

17.16 This Standing Order applies to the Planning and Regulatory Committee when determining planning applications. Standing Order 17 applies to business of the Planning and Regulatory Committee other than when determining planning applications

17.17 Public speaking about applications for planning permission will be allowed at the start of relevant agenda items in accordance with the following requirements.

17.17A The Town or Parish Council in whose area the application site is situated, as statutory consultee, will be afforded the opportunity to speak via its Chairperson or Vice-Chairperson, or Chairperson or Vice-Chairperson of its Planning Committee. The Chairperson or Vice-Chairperson, or Chairperson or Vice-Chairperson of its Planning Committee must advise of the intention to speak in writing to the Assistant Director Legal and Governance by 12 noon three working days before the meeting

17.18 ~~Notifications~~ Requests to speak, indicating whether the speaker supports or objects to the application, must be made in writing to the Assistant Director Legal and Governance by 12 noon three working days before the meeting.

17.19 If both the applicant and supporters of the application are present, the applicant may speak or defer to a supporter

17.20 If there is more than one person wishing to object or support an application, the Chairperson will invite those persons to agree a spokesperson among themselves. In default of agreement the Chairperson may select one person to speak.

17.21 Public speaking about applications for planning permission will normally be limited to ~~three~~ ~~four~~ minutes per applicant/supporter, and ~~will be limited to three minutes for supporter and three~~ ~~four~~ minutes for the objectors. The Chairperson may, in the event of an agenda with many items, adjust the normal speaking time limits in the interests of the efficiency of the meeting. The Chairperson will ensure parity of speaking time limits between applicant/supporter and objectors. Speakers will be advised if the normal limit is adjusted by the Chairperson. Each speaker will only be permitted to address the committee once and will not be able to participate further during consideration of the item.

17.22 The Committee will hear those speaking at the meeting in the following order unless the Chairperson considers it preferable in conducting the business of the Council to hear speakers in a different order: - the Town or Parish Council Chairperson or Vice-Chairperson, or Chairperson or Vice-Chairperson of its Planning Committee first, the speaker against the application ~~first~~ second and the applicant or their supporter ~~second~~ third. Members of the committee may raise questions or points of clarification with any public speaker

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