



**Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 29 November 2018 at 10.00 am in Committee Room 1 - City Hall, Bradford**

**Members of the Committee – Councillors**

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	Reid

**Alternates:**

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
Cooke	Lal Watson	J Sunderland

**Notes:**

- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
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- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

**From:**

Parveen Akhtar  
City Solicitor

Agenda Contact: Fatima Butt - 01274 432227

Phone: 01274 432227

E-Mail: fatima.butt@bradford.gov.uk

**To:**

## **A. PROCEDURAL ITEMS**

### **1. ALTERNATE MEMBERS (Standing Order 34)**

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

### **2. DISCLOSURES OF INTEREST**

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

*Notes:*

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) Officers must disclose interests in accordance with Council Standing Order 44.*

### **3. MINUTES**

**Recommended –**

**That the minutes of the meeting held on 27 September 2018 be signed as a correct record (previously circulated).**

(Fatima Butt – 01274 432227)

#### 4. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

#### **B. BUSINESS ITEMS**

##### 5. **REVISION AND RE-ISSUE OF THE LOCAL AUTHORITY'S SCHEME FOR FINANCING SCHOOLS, FINANCIAL REGULATIONS FOR MAINTAINED SCHOOLS AND SCHOOLS CONTRACT STANDING ORDERS**

Members are advised that a consultation has been completed on proposals put forward by the Local Authority for amendments to the three documents (Scheme for Financing Schools, Financial Regulations for Maintained Schools and Schools Contract Standing Orders) that set out roles and responsibilities in the delegation of financial responsibilities to the governing boards of schools maintained by the Local Authority.

The Assistant Director of Finance and Procurement will submit **Document "S"** which reports that a consultation with maintained schools on amendments to the three documents took place between 11 July and 12 October 2018.

The Schools Forum on 17 October 2018 approved, using its statutory powers, the amendments to the Scheme. The Schools Forum has recommended that the Governance and Audit Committee now approves the amended documents for implementation.

#### **Recommended-**

- (1) That the Committee note that the amended Scheme for Financing Schools (Appendix 3) was approved by the Schools Forum on 17 October 2018.**

- (2) **That the Committee be asked to approve the amended Financial Regulations for Maintained Schools (Appendix 1 attached to Document “S”) and Schools Contract Standing Orders (Appendix 2 attached to Document “S”).**

(Andrew Redding – 01274 432678)

**6. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 26 JULY 2018**

The Council’s Financial Regulations require the minutes of the meetings of the West Yorkshire Pension Fund be submitted to this Committee.

In accordance with the above the Director of West Yorkshire Pension Fund will submit **Document “T”** which reports on the minutes of the meeting of the West Yorkshire Pension Fund Joint Advisory Group held on 26 July 2018.

**Recommended-**

**That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 26 July 2018 be considered.**

(Rodney Barton – 01274 432317)

**7. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 1 NOVEMBER 2018**

The Council’s Financial Regulations require the minutes of the meetings of the West Yorkshire Pension Fund be submitted to this Committee.

In accordance with the above the Director of West Yorkshire Pension Fund will submit **Document “U”** which reports on the minutes of the meeting of the West Yorkshire Pension Fund Joint Advisory Group held on 1 November 2018.

**Recommended-**

**That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 1 November 2018 be considered.**

(Rodney Barton – 01274 432317)

8. **INTERNAL AUDIT PLAN 2018/19 - MONITORING REPORT AS AT 30 SEPTEMBER 2018 INCLUDING THE RESPONSE TO THE EXTERNAL REVIEW OF INTERNAL AUDIT**

Previous Reference: Minute 5 (2018/19)

The Assistant Director, Finance and Procurement will submit **Document “V”** which monitors the progress made by Internal Audit against the Internal Audit Plan for 2018/19 as at 30 September 2018. The report also includes an update on progress made in implementing the recommendations of the external review of Internal Audit.

**Recommended-**

**That the Committee:**

- **Takes assurance from the results to date that show that the control environment of the authority is overall satisfactory.**
- **Endorse the anticipated coverage and changes of Internal Audit work during the year.**
- **Requires Internal Audit to monitor the control environment and continues to assess areas of control weakness and the ability of management to deliver improvements to the control environment when required.**

(Mark St Romaine – 01274 432888)

9. **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - REVIEW OF LOCAL GOVERNMENT COMPLAINTS 2017/18**

The Assistant Director of the Chief Executive’s Office will submit **Document “W”** which summarises the number of complaints and investigations undertaken by the Ombudsman for the year ended 31 March 2018 and compares Bradford’s performance against that of other local authorities.

**Recommended-**

**That the Committee takes assurance from the result of the Local Government and Social Care Ombudsman’s Annual Review of Local Government Complaints 2017/18, that the Authority’s complaints process is overall satisfactory.**

(Irina Arcas – 01274 435269)

**10. EXTERNAL AUDIT REPORT RECOMMENDATIONS INFORMATION TECHNOLOGY UPDATE**

The Council's external auditors Mazars undertook an audit in the first quarter of 2016 to assess a selection of key Council IT systems as part of the audit of the financial statements

The Assistant Director, Transformation and Change will submit **Document "X"** which shows the Council's progress on implementing two External Audit Recommendations from the 2016 review undertaken by Mazars.

**Recommended-**

**That the update on the External Audit Report Recommendations relating to the Council's Information Technology systems be noted.**

(Column Sheridan-Small – 01274 434047)

**11. EXTERNAL AUDIT PROGRESS REPORT**

The External Auditor will submit **Document "Y"** which updates the Committee on progress with the 2018/19 audit and highlights key emerging national issues which may be of interest to the Committee.

**Recommended-**

**That the Committee notes and considers the External Audit Progress Report (Document "Y").**

(Mark Dalton – 0113 387 8735)



## **Report of the Assistant Director, Finance and Procurement to the meeting of the Governance and Audit Committee to be held on 29 November 2018.**

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### **S**

#### **Subject:**

Revision and re-issue of the Local Authority's:

- Scheme for Financing Schools (the 'Scheme'),
- Financial Regulations for Maintained Schools (FRfMS), and
- Schools Contract Standing Orders (SCSOs).

#### **Summary statement:**

A consultation has been completed on proposals put forward by the Local Authority for amendments to the three documents that set out roles and responsibilities in the delegation of financial responsibilities to the governing boards of schools maintained by the Local Authority.

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Andrew Crookham  
Director of Finance

#### **Portfolio:**

**Leader and Corporate Portfolio Holder**

Report Contact: Andrew Redding,  
Business Advisor  
Phone: (01274) 432678  
E-mail: [andrew.redding@bradford.gov.uk](mailto:andrew.redding@bradford.gov.uk)

#### **Overview & Scrutiny Area:**

**Corporate**

## **1. SUMMARY**

- 1.1 A consultation with maintained schools on amendments to the three documents took place between 11 July and 12 October 2018.
- 1.2 The Schools Forum on 17 October 2018 approved, using its statutory powers, the amendments to the Scheme. The Schools Forum has recommended that the Governance and Audit Committee now approves in full the three amended documents for implementation.
- 1.3 The amended documents are attached to this report.
  - 1.3.1 Appendix 1 – The Financial Regulations for Maintained Schools.
  - 1.3.2 Appendix 2 – Schools Contract Standing Orders.
  - 1.3.3 Appendix 3 – The Scheme for Financing Schools.

## **2. BACKGROUND**

- 2.1 The Scheme, the FRfMS and the SCSOs are documents, which overlap. To briefly explain their individual purposes:
  - 2.1.1 The Scheme for Financing Schools is the over-arching statutory document, which sets out the framework for the operation of the delegation by the Local Authority of financial responsibilities to the governing boards of schools maintained by the Local Authority. All local authorities are required to have a Scheme. The document sets out at a relatively high level the roles and responsibilities of governing boards and the Local Authority and the powers that the Local Authority has in the management of its schools' finances. The Department for Education (DfE) provides a template on which local authorities are required to base their Schemes. This template includes certain provisions that all local authorities must write into their Schemes. Additional guidance from the DfE explains to local authorities about the flexibility they have to amend or add provisions according to local circumstances and policies. The Scheme also signposts where schools can find additional guidance and the detail of the Authority's working protocols e.g. for the control of surplus balances and the management of deficit budgets. The national Schools and Early Years Finance Regulations permit the Local Authority to amend the provisions within the Scheme, subject to the approval of the Schools Forum. Where the Schools Forum does not approve the Local Authority's proposals for amendment, the Local Authority has the right of appeal to the Secretary of State, who will make a final judgement.
  - 2.1.2 The Financial Regulations for Maintained Schools is the Authority's document, which sets out in more detail than in the Scheme respective responsibilities and powers in the management / delegation of financial responsibilities to maintained schools in Bradford. This document sets out the 'musts'. It forms the basis of the Authority's Guide to Financial Procedures, which is a bigger document that provides further guidance and advice to maintained schools in their financial management. Once the amendment of the FRfMS has been approved the Guide will be updated and re-published.
  - 2.1.3 Schools Contract Standing Orders is the document, which sets out in more detail

the requirements placed on maintained schools by the Local Authority in their procurement of contracts, goods and services. Currently, the SCSOs are incorporated into the FRfMS. The Authority has proposed, in the interests of clarity and accessibility, to establish a separate SCSOs document.

### **3. OTHER CONSIDERATIONS**

3.1 The amendments to the three documents have been put forward with the aims of:

- 3.1.1 Ensuring that our provisions remain accurate and refer correctly to legislation and officer posts / committee structures within the Authority.
- 3.1.2 Incorporating recent changes in requirements, including changes in legislation, since the provisions were last updated.
- 3.1.3 Responding to feedback from the Authority's Internal Audit Team on areas of weakness found in school's financial accounting and also where our current provisions would benefit from greater clarity or amendment.
- 3.1.4 More clearly setting out for schools their responsibilities in the procurement of contracts, goods and services.
- 3.1.5 More clearly signposting for schools the Authority's working protocols and additional guidance.
- 3.1.6 Expressing more clearly (but not materially altering) existing requirements placed on schools in areas where the Authority holds concern about compliance, and
- 3.1.7 Establishing new or firmer provisions (and materially altering requirements placed on schools) in areas where the Authority holds concern about compliance.

3.2 A summary of the amendments is provided in the paragraphs below.

#### **Financial Regulations for Maintained Schools – Appendix 1**

3.2.1 The document has been amended throughout to update references to legislation and adjusted references to Authority policies and Authority director / officer job, team and committee titles. Regulations have been re-numbered and merged in places to incorporate additions and deletions. Reference to all out of date requirements, such the requirement for an annual Best Value Statement, have been removed. References to the 'Education Client' have also been removed as this is no longer relevant.

3.2.2 The following provisions have been added i.e. these are not present in the current document and they add to the requirements placed on schools in their financial management:

3.2.2.1 Regulation 25 – Prevention of money laundering.

3.2.2.2 Regulation 26 – Value Added Tax (VAT).

3.2.2.3 Regulation 27 – School Companies.

3.2.2.4 Regulation 28 – Partnerships and Joint Ventures.

3.2.2.5 Regulation 29 – Proposals to Transfer Services to an External Provider.

3.2.3 The following provisions are already contained within the current document in some form, but have either been materially amended i.e. they add to or alter the requirements placed on schools, or have been substantially re-written to improve clarity:

3.2.3.1 Regulation 1 – Application. Paragraph 1.4 (clarification that the Governing Board can delegate some but not all powers to the Headteacher). Paragraph 1.7 (added that exceptions to the FRfMS must be reported to the Governance and Audit Committee annually).

3.2.3.2 Regulation 2 – Financial Controls and Procedures. Paragraph 2.1 (added that school staff must comply with the Governing Board’s accounting and financial systems).

3.2.3.3 Regulation 4 – Provision of Financial Information and Reports. Paragraph 4.4 (added that Governing Boards must comply with the Schools Financial Value Standard). Paragraph 4.5 (added that Governing Boards must comply with additional reporting requirements set by the DfE).

3.2.3.4 Regulation 5 – School Staff Remuneration. Paragraph 5.1 (added the requirement for all payments to workers to comply with IR35 regulations).

3.2.3.5 Regulation 6 – Cash, Banking and Investments. Paragraph 6.1 (amended simply to match the existing provisions of the Scheme for Financing Schools, which control school banking and investment arrangements). Paragraph 6.2 (added simply to reflect the requirement to report banking arrangements that are already set out in the Authority’s annual financial year-end guidance).

3.2.3.6 Regulation 7 – Borrowing Arrangements. All paragraphs have been amended to provide more clarity on the definition of leases and hire purchase agreements. Paragraph 7.5 (added the requirement that schools obtain legal advice before entering into leases to ensure they do not enter inadvertently into finance leases).

3.2.3.7 Regulation 9 – Expenditure Requirements. Paragraph 9.4 (amended to clarify the Headteacher’s responsibility to report concerns to the S151 Officer (which is the Council’s Chief Financial Officer)).

3.2.3.8 Regulation 12 – Income Arrangements. Paragraphs have been updated to better cover the issues that the Governing Board must consider in the provision of external services and the requirements of such contracts to be in writing. Paragraph 12.5 (added a provision regarding credit notes). Paragraph 12.6 (amended the provision on the authorisation of debt write-off).

- 3.2.3.9 Regulations 13 - Review of Fees, Charges, Remissions and Use of Premises (amended to be clearer about the requirement for annual review).
- 3.2.3.10 Regulations 15 & 16 – Management of Assets. Paragraph 15.2 (added a reference to attractive and portable items). Paragraph 16.1 (added the requirement to arrange the safekeeping of private property).
- 3.2.3.11 Regulation 17 – Private Funds and Community Facilities (removed the requirement to have funds relating to community facilities held separately, reflecting the already adjusted DfE directed provisions of the Scheme for Financing Schools).
- 3.2.3.12 Regulation 18 – Information Management (added reference to the SIRO and the IAO).
- 3.2.3.13 Regulation 19 – Contracting Arrangements (Schools Contract Standing Orders has become a separate document so this provision now refers only to this document. The numerous individual provisions on SCSOs in the current FRfMS have been deleted).
- 3.2.3.14 Regulation 23 – Public Accountability Requirements. Paragraph 23.5 (amended to reflect current DfE requirements for the registration of interests and the publication of these). Paragraph 23.6 (added the requirement for the reporting of the suspicion of or known financial irregularity or loss to the Authority’s Corporate Fraud Unit).

### **Schools Contract Standing Orders – Appendix 2**

- 3.3 The Schools Contract Standing Orders were previously included within the Financial Regulations for Maintained Schools. The Authority proposes now to separate these into a separate document.
- 3.3.1 The proposed re-issued version of the SCSOs, at Appendix 2, includes a substantial amount of non-material technical change, in particular to update references to legislation and Authority committees but also to improve clarity. The proposed SCSOs have been written in a format that is more in line with the Standing Orders used by the Authority.
- 3.3.2 The most significant amendment that is proposed is to increase the threshold above which 4 written quotations are required to be sought; from £4,000 to £10,000 (paragraph 6). This is proposed with specific reference to feedback from Internal Audit around enforcement and compliance, recognising that the current £4,000 threshold has not been uplifted for some time. Under the proposals, schools would be required to seek 4 written quotations where goods and services have a value between £10,000 and £75,000. Schools must still be able to demonstrate best value for money on purchases below £10,000 and this may include still seeking written quotations.
- 3.3.3 The proposed re-draft of the SCSOs removes all references to selective tendering, or an expectation regarding the use of Council approved supplier lists, as this is no longer permitted.

3.3.4 The proposed re-draft also is written to encourage schools to use the Authority's existing contract templates (for specifying contract conditions; paragraph 17) and to emphasise the requirements placed on schools to comply with IR 35 Regulations where contracts include payments for professional services (paragraph 16).

### **Scheme for Financing Schools – Appendix 3**

3.4 The Scheme was most recently re-issued at 1 April 2018 to incorporate revisions directed by the Department for Education. The Authority took the opportunity to amend the document at this time to ensure that references to legislation and Authority officer / director titles remain accurate.

3.4.1 Amendments that are proposed to the Scheme are highlighted in yellow in Appendix 3. A yellow highlight in the list of contents at the beginning of the document signposts that the provision is proposed to be amended. Where the proposed amendment represents a material change the provision the title of the paragraph and the change itself are highlighted in yellow. Where the adjustment is only technical or only for the purposes of clarity only the change itself is highlighted in yellow. However, the changes are also set out below.

3.4.2 The following Scheme provisions are proposed to be materially amended i.e. they add to or amend the requirements placed on schools, or advice to schools, in their financial management:

3.4.2.1 Provision 2.1.6: The value limit of debt write off is clarified to be £500 and the provision set in the Financial Regulations for Maintained Schools for the authorisation of the write off of a value greater than £500, by the Council's Chief Financial Officer, has been transferred into the Scheme.

3.4.2.2 Provisions 2.11 and 8.3: The Authority proposes to clarify that the notice period that schools should give in ceasing contracts or SLAs with the Authority should be 3 months where the contract does not specify. The date of 31 March for the establishment of SLAs for the next financial year / 31 August for the next academic year has also been clarified within the Scheme.

3.4.2.3 Provision 2.12: The Authority proposes an amendment to directly replicate the DfE's template to state that balances remaining from central earmarked funds specifically allocated to the school by the Authority will be recovered from schools rather than may be recovered.

3.4.2.4 Provision 3.5.1: The requirement for schools to have between 3 and 5 bank signatories has been copied across from the Guide to Financial Procedures to the Scheme, for the purposes of clarity. The Authority proposes to be clearer in the Scheme that only employees either of the school or the Authority can be bank signatories. Governors, for example, that are not employees of the school or the Authority cannot be bank signatories.

3.4.2.5 Provision 4.10: The reference specifically to capital loans for solar panels has been removed. Although loans from the Authority for solar panels are still permitted, the Authority would now expect schools to use the Salix route.

- 3.4.2.6 Provision 10.4: A paragraph has been added to clarify the restrictions on the advice that the Authority's Legal Team can provide to schools, where there would be a conflict of interest, and on issues related to exclusions, admissions and SEND.
- 3.4.3 The following provisions are proposed to be amended. However, these do not materially alter the requirements placed on schools, or the advice to schools:
- 3.4.3.1 Provision 1.2: This provision now references the separate Schools Contract Standing Orders document (as do provisions 2.1.1, 2.1.3, 2.4 and 2.10). Provision 1.2 has been amended also to add clearer signposting of additional existing governing protocols and the Financial Regulations for Maintained Schools, providing hyperlinks to webpages on Bradford Schools Online.
- 3.4.3.2 Provision 2.10: The provision in the current Scheme sets out a number of bullet points on contracting and purchasing requirements that are lifted directly from the DfE's Scheme template. On review, and responding to the feedback that these bullet points cause confusion, it is proposed to remove them. This in itself does not materially alter the requirements on schools or advice to schools; the bullet points set out only what the DfE says the Scheme cannot do in terms of placing requirements on schools. As our SCSOs (appendix 2) comply already, it is not necessary to state these 'do not's' within our Scheme and it is expected that this will help clarify the procurement requirements placed on schools.
- 3.4.3.3 Provision 2.14: includes a link to further guidance provided for schools by facilities management. It also includes clarification on notification requirements.
- 3.4.3.4 Provision 4.9: The Scheme now has clearer signposting of the Authority's existing governing protocol for the management of deficit budgets and clarification (written into this protocol already) that deficits can only be authorised by the Council's Chief Financial Officer or his / her representative.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

- 4.1 The revision of the three documents as proposed does not have direct financial / resources implications.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 One of the key aims of the revision of the three documents is to strengthen governance arrangements.

#### **6. LEGAL APPRAISAL**

- 6.1 Two key aims of the revision of the three documents are to ensure that our provisions remain accurate and that they refer correctly to legislation, incorporating recent changes in requirements.
- 6.2 The three documents are interwoven. However, decision making responsibilities are split between the Local Authority and the Schools Forum. Please see paragraph 9.

**7. OTHER IMPLICATIONS**

**7.1 EQUALITY & DIVERSITY**

Not applicable

**7.2 SUSTAINABILITY IMPLICATIONS**

Not applicable

**7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Not applicable

**7.4 COMMUNITY SAFETY IMPLICATIONS**

Not applicable

**7.5 HUMAN RIGHTS ACT**

Not applicable

**7.6 TRADE UNION**

Not applicable

**7.7 WARD IMPLICATIONS**

Not applicable

**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

Not applicable

**7.9 IMPLICATIONS FOR CORPORATE PARENTING**

Not applicable

**7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

Not applicable

**8. NOT FOR PUBLICATION DOCUMENTS**

Not applicable

## **9. OPTIONS**

- 9.1 The national Schools and Early Years Finance Regulations permit the Local Authority to amend the provisions within the Scheme for Financing Schools, subject to the approval of the Schools Forum. Where the Schools Forum does not approve the Local Authority's proposals for amendment to the Scheme, the Local Authority has the right of appeal to the Secretary of State, who will make a final judgement.
- 9.2 The Schools Forum, on 17 October 2018, approved the amendments to the Scheme for Financing Schools. The Schools Forum also recommended that the Governance and Audit Committee now approves the amendments to the Financial Regulations for Maintained Schools and Schools Contract Standing Orders documents in full for implementation.
- 9.3 Further consultation will be required with the Schools Forum and with schools should the Committee not accept the Schools Forum's recommendation to approve the amended FRfMS and SCOs documents as set out. Was the position to arise where the Local Authority and the Schools Forum are in disagreement regarding the provisions within the three documents, to the extent that the Local Authority and the Schools Forum disagree on the content of the Scheme for Financing Schools, the Local Authority would be required to ask the Secretary of State for Education and Skills to decide.

## **10. RECOMMENDATIONS**

- 10.1 That the Committee note that the amended Scheme for Financing Schools was approved by the Schools Forum on 17 October 2018.**
- 10.2 That the Committee be asked to approve the amended Financial Regulations for Maintained Schools (Appendix 1) and Schools Contract Standing Orders (Appendix 2) documents.**

## **11. APPENDICES**

- Appendix 1 – The Financial Regulations for Maintained Schools  
Appendix 2 – Schools Contract Standing Orders  
Appendix 3 – The Scheme for Financing Schools

# **Final Draft Post Consultation - Financial Regulations for Maintained Schools**

## **1. Application**

- 1.1 These Financial Regulations are made in accordance with:
  - 1.1.1 the provisions of S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 to provide for the proper administration of the Council's financial affairs.
  - 1.1.2 the Bradford Local Authority Scheme for Financing Schools (the Scheme).
  - 1.1.3 the School Standards and Framework Act 1998.
- 1.2 These regulations are designed to provide a balance between giving schools the freedom necessary to exercise their delegated authority whilst maintaining accountability for the management and control of public funds.
- 1.3 Funds devolved and delegated to the School's Governing Board by the Council remain the property of the Council and, subject to limited exceptions, are spent by the Governing Board or the Headteacher as agent for the Council.
- 1.4 These regulations state the principles of financial control and administration to be followed by the Governing Board who are legally responsible for their application and compliance. The Governing Board may delegate some but not all powers to the Headteacher in accordance with the Scheme. The Governing Board or Headteacher acting under their delegated powers may authorise other school staff to act in the name of the school within these Financial Regulations and those staff must follow these Regulations. Failure to comply with these Financial Regulations may result in disciplinary action against the school staff concerned. Failure to comply with these Financial Regulations may also lead to a Notice of Concern and suspension of the school's delegated budget.
- 1.5 Where indicated, these regulations also place specific responsibilities on the Strategic Director Children's Services.
- 1.6 Subject to Regulation 1.8. the Governance and Audit Committee may alter these Financial Regulations on the recommendations of the Council's Chief Financial Officer (S151 Officer) and Strategic Director Children's Services only after appropriate consultation with schools.
- 1.7 The Council's Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the school's interest. The Council's Chief Financial Officer must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.
- 1.8 The Council's Chief Financial Officer can alter the financial limits in these regulations because of the changes in the value of money or where changes are required in order to comply with legal requirements. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee and inform schools of any such changes in writing.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.
- 1.10 In applying these Financial Regulations the Governing Board must comply with the requirements of the:
  - 1.10.1 Scheme For Financing Schools (the Scheme).

# **Final Draft Post Consultation - Financial Regulations for Maintained Schools**

- 1.10.2 Guide to Financial Procedures in Schools (the GFPS), and
- 1.10.3 any other legal requirements.

## **FINANCIAL CONTROLS AND PROCEDURES**

### **2. Accounting Control**

- 2.1 The Governing Board must establish accounting and financial systems, which meet the requirements of the Regulations of the Schools Standards and Framework Act 1998, Section 48, and the accounting arrangements of the Council. School staff must comply with these accounting and financial systems.
- 2.2 The Strategic Director Children's Services should ensure that Governing Boards provide details of their accounting transactions in a format agreed with the Council's Chief Financial Officer for inclusion within the Council wide accounting financial systems.

### **3. Audit Arrangements**

- 3.1 The Governing Board is responsible for the provision of information in order that the Council's Chief Financial Officer can monitor, review and report on:
  - 3.1.1 The soundness and adequacy of financial management control systems and how they are implemented.
  - 3.1.2 How far established policies, plans and procedures of the school are complied with and the financial effect.
  - 3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to:
    - Fraud
    - Waste, extravagance and inefficiency.
- 3.2 In order to fulfil this function the Council's Chief Financial Officer can:
  - 3.2.1 Visit all premises to see cash, stores and other property.
  - 3.2.2 Access any necessary documents or data sources they think necessary.
  - 3.2.3 Ask for any other information and explanation they think necessary.
  - 3.2.4 Produce a written report to the Headteacher and Governing Board.
  - 3.2.5 Attend any meeting of the Governing Board or its committees.
- 3.3 All suspicions or knowledge of losses or irregularities relating to cash, property, stores or other financial matters must be reported immediately to the Governing Board by any member of the staff at the school or any Governor having any such suspicions or knowledge. The Governing Board must have arrangements in place to deal with such reports, which must include immediately reporting the matter to the Council's Corporate Fraud Unit. The Council's Chief Financial Officer will discuss the action to be taken, and must report serious losses and irregularities to the Governing Board, the Strategic Director Children's Services and the Governance and Audit Committee.
- 3.4 The Governing Board is required to ensure that all prime financial records kept in school are retained for the minimum periods required by law.

## **Final Draft Post Consultation - Financial Regulations for Maintained Schools**

3.5 The Governing Board must reply within two months to any Audit report received giving details of action taken. The Strategic Director Children's Services is responsible for appropriate procedures being in place to ensure that intended action is implemented. The Council's Chief Financial Officer must tell the Governance and Audit Committee every year about any replies to reports, which are still outstanding.

### **4. Provision of Financial Information and Reports**

4.1 The Strategic Director Children's Services must produce a statement under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 showing the actual expenditure incurred by the Local Authority on behalf of all schools and the actual expenditure incurred by each school.

4.2 The Governing Board is required to comply with all the requirements set out in the Scheme regarding the provision of financial information and reports.

4.3 The Governing Board must obtain and consider a financial monitoring report at least once per term.

4.4 All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard and complete the assessment form on an annual basis.

4.5 All local authority maintained schools must also demonstrate compliance with additional reporting requirements set out by the Department for Education, such as Pupil Premium and PE and Sports Grant Premium.

### **5. School Staff Remuneration**

5.1 The Governing Board is responsible for ensuring that the arrangements for paying school staff are in accordance with the Scheme and rules issued and systems established by the Council's Chief Financial Officer. Payments to workers must comply with IR35 Regulations.

5.2 The Governing Board is responsible for ensuring that all information, which is used for making payments to school staff is accurate. Where this information is passed to the Council for payment, the Council is responsible for the accuracy of payments made in accordance with information received. Where the school processes payroll themselves, or passes this to a third party for processing, the Governing Board must ensure the integrity and accuracy of this process in accordance with requirements and guidance given in the GFPS.

5.3 The Governing Board may nominate members of school staff to authorise payroll documents for payment and must notify the Council or other payment service provider of all such nominated persons.

### **6. Cash, Banking and Investments**

6.1 The Governing Board must ensure that public money is managed in accordance with the Council's Treasury Policy Strategy Statement subject to the additional limitations detailed below:

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- i) School budget funds must be held in a bank account with Barclays, HSBC, Lloyds TSB or RBS (Nat West) (RBS only if the account was opened before 1 October 2012).
  - ii) Investments must only be made in accordance with written procedures approved by the Governing Board. These procedures must comply with the requirements of the Council's Treasury Policy Strategy Statement and the current Scheme for Financing Schools.
  - iii) The maximum permitted period of an investment is 1 year.
  - iv) Investments must be made under the name of the School on behalf of the Council.
- 6.2 The Governing Board must make a return to the Council's Chief Financial Officer on the 31 of March each year detailing the Institutions used and amounts involved.
- 6.3 The Governing Board must ensure arrangements are in place for the sound and efficient operation of the School's bank accounts. School bank accounts in which school delegated funds are maintained must not be allowed to go overdrawn and must not have an overdraft facility.
- 6.4 The Governing Board is responsible for ensuring that there are safe and efficient arrangements for the control of and access to blank cheques, the preparation and signing of cheques and the monthly reconciliation of the cash books with bank statements.

### **7. Borrowing Arrangements**

- 7.1 The Governing Board must not negotiate overdraft facilities or loans to the school.
- 7.2 The Governing Board must not enter the school into a finance lease unless prior approval has been given in writing by the Secretary of State. A finance lease would transfer substantially all the risks and rewards of ownership to a school. It is a form of borrowing and must not be entered into by a school without prior Secretary of State approval.
- 7.3 The Governing Board must not enter the school into a hire purchase agreement as it is similar to a finance lease.
- 7.4 The Governing Board may enter the school into an operating lease. An operating lease is any lease which is not a finance lease. It will have the character of a rental agreement with the leasing company usually being responsible for the repairs and maintenance of the asset.
- 7.5 The Governing Board must receive and retain written legal advice from a professional advisor (financial or legal) or the Council's Legal Department prior to signing a lease agreement to ensure that it is an operating lease. Advice from the leasing company on the nature of the lease is not sufficient.

## **BUDGET PREPARATION AND OPERATION**

### **8. Budget Management**

- 8.1 The Governing Board must ensure that appropriate arrangements are in place to meet the requirements for the approval and submission of school budgets in accordance with the Scheme and GFPS.

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- 8.2 The Governing Board must operate their budget in accordance with the [Scheme](#), the [GFPS](#), the Authority's [Schools Surplus Balances Protocol](#) and the Authority's [Deficit Budget Protocol](#).

### **EXPENDITURE REQUIREMENTS**

#### **9. Expenditure Limits**

- 9.1 Subject to any requirements in the Scheme the Governing Board may spend up to the total financial resources available to them in the most efficient and cost effective manner for the purposes of the school and in accordance with any requirements in the Scheme.
- 9.2 Where the Governing Board has delegated day to day management of the budget it has approved to the Headteacher, the Headteacher is responsible to the Governing Board for all expenditure incurred and any variations within the total budget.
- 9.3 The Governing Board must take due consideration of all commitments to expenditure, particularly related to staffing levels, which extend from one financial year to the next.
- 9.4 Where the Headteacher has a professional concern about expenditure decisions being made by the Governing Board the Headteacher has the responsibility to report the matter to the Council's Chief Financial Officer.
- 9.5 All financial transactions must be authorised by the Governing Board or their nominee, except in the circumstances set out in the Scheme where the budget share of a school can be charged by the Local Authority without the consent of the Governing Board.

#### **10. Invoices**

- 10.1 The Governing Board is responsible for ensuring that invoices are checked prior to payment, and for the integrity and accuracy of the school's payment system.
- 10.2 The Governing Board must nominate persons to certify invoices for payment and must maintain a record in school of such nominated persons. Only persons nominated by the Governing Board may authorise payment for any goods, works and services supplied to the school.
- 10.3 As far as possible the Governing Board should ensure that the placing of orders for goods, works and services, the receiving of goods, works and services, and the certification of payment of them are carried out by different persons.

### **CAPITAL EXPENDITURE**

#### **11. Expenditure Arrangements**

- 11.1 Schools have the right to receive explanatory information about Capital Expenditure Programmes relating to them.

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## **INCOME REQUIREMENTS**

### **12. Income Arrangements**

- 12.1 When the Governing Board provides goods or discretionary services to Boards or individuals external to the school, the Governing Board must ensure
- 12.1.1 A sound business case is established.
  - 12.1.2 The Governing Board has legal authority to carry out the service.
  - 12.1.3 All relevant financial, employment and legal aspects have been properly considered.
  - 12.1.4 The Governing Board is not exposed to unreasonable or disproportionate financial or other risk.
  - 12.1.5 The Governing Board, through its actions, does not expose the Council to unreasonable or disproportionate financial or other risk.
- 12.2 The Governing Board has the responsibility for making arrangements for the collection, receipt, recording, banking and safe-keeping of all the school income in accordance with the GFPS.
- 12.3 The Governing Board has the responsibility for making arrangements for credit facilities and for recovering outstanding debts, for all school income in accordance with the GFPS.
- 12.4 All contracts where the Governing Board agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.
- 12.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the Governing Board or their nominated member of school staff before they are raised.
- 12.6 Debts up to £500 may only be written off by the Governing Board when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable. Debts over £500 may only be written off by the Council's Chief Financial Officer when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable by the Council's Chief Financial Officer. Credit facilities should not be provided to an individual/organisation that the Governing Board has previously had to write off a debt for.
- 12.7 The Governing Board is responsible for arrangements for the submission of grant applications to funding agencies, the proper processing and certification of grant claims and the proper management of grant monies received.

### **13. Review of Fees, Charges, Remissions and Use of Premises**

- 13.1 The Governing Board shall determine all fees, charges and remissions and review them each year. The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular, where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.

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- 13.2 Governing Boards may enter into lettings arrangements for use of school premises and retain all income from such lettings. The premises of a community, community special or voluntary controlled school belong to the Council and the Governing Board of such a school may not sell or dispose of these premises, and except in the case of caretakers' service tenancy agreements, may not enter into any tenancy agreement in relation to these premises.

### **MANAGEMENT OF ASSETS**

#### **14. Safekeeping of Assets**

- 14.1 The Governing Board is responsible for making suitable arrangements for the safekeeping and proper use of equipment, property and other assets in their control.

#### **15. Keeping of Inventories**

- 15.1 The Governing Board must supply the Strategic Director Children's Services with such information as is required to maintain the Authority's Asset Register.
- 15.2 The Governing Board must ensure that an inventory record system is operated in accordance with the guidance in the GFPS, which requires an up to date record of assets to be maintained. In accordance with the Scheme the inventory must include items over £1,000 and, at the Governing Board's discretion, such items as it decides below £1,000 including those that are considered attractive or portable.
- 15.3 Inventories must be regularly updated and all items should be physically checked at least annually.
- 15.4 All plant and equipment must be clearly marked to show they belong to the School.

#### **16. Private Property**

- 16.1 When the School is entrusted with private property, it is the responsibility of the Governing Board to ensure that there is a complete inventory made, arrangements are made for its safekeeping and arrange for any appropriate insurance cover.

#### **17. Private Funds and Community Facilities**

- 17.1 A Private Fund can only be set up with the approval of the Governing Board, who must make appropriate arrangements for recording and safekeeping of such funds. The Governing Board must ensure that funds that do not come from Local Authority sources are clearly accounted for separately from Local Authority funds.
- 17.2 Local Authority monies must not be paid into Private Fund accounts.
- 17.3 Private Funds must be reported to and reviewed by the Governing Board annually. The Governing Board must arrange for an annual audit of such funds. A copy of the audited accounts must be forwarded to the Strategic Director Children's Services.

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- 17.4 Accounting arrangements for such funds must be in accordance with the requirements of the Scheme and the appropriate procedures and standards required by these Financial Regulations and the GFPS.

### **INFORMATION MANAGEMENT**

#### **18. Security and Control**

- 18.1 The Governing Board shall make suitable arrangements for the identification, recording securing and proper use of all:
- 18.1.1 computer hardware/software and associated technologies owned by or used by the school.
  - 18.1.2 school information systems, manual and electronic, including the control of access to premises where information is processed and stored.
- 18.2 The Governing Board must appoint a Senior Information Risk Owner (SIRO). The SIRO must be a senior member of staff (normally the headteacher) who is familiar with information risks and the school's response. The SIRO has the following responsibilities.
- They own the information risk policy and risk assessment.
  - They appoint the Information Asset Owners (IAOs).
  - They act as an advocate for information risk management.
- 18.3 The SIRO must identify an IAO for each asset or group of assets within school. For example, the school's management information system should be identified as an asset and should have an IAO. The role of an IAO is to understand:
- What information is held, and for what purposes.
  - How information will be amended or added to over time.
  - Who has access to the data and why.
  - How information is retained and disposed off.
- 18.4 The IAO must manage and address risks to the information and make sure that information handling complies with legal requirements. There may be several IAOs within a school whose roles may currently be those of e-Safeguarding Coordinator, ICT Manager or Information Systems Manager.
- 18.5 The handling of secured data is everyone's responsibility, whether they are an employee, governor, volunteer, technical support or third-party provider. Failing to apply appropriate controls to secure data could amount to gross misconduct or result in legal action.

### **CONTRACTING ARRANGEMENTS**

#### **19. Schools Contracts Standing Orders**

- 19.1 Any employee or representative of the school who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Governing Board, must follow the Schools Contracts Standing Orders.

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### **20. Claims**

- 20.1 The Governing Board must inform the Council's Chief Financial Officer of all claims by or against contractors, which are the subject of dispute between the Governing Board and the contractor.

## **INSURANCE ARRANGEMENTS**

### **21. Insurance Cover**

- 21.1 The Council's Chief Financial Officer will determine the extent and levels of insurance protection/indemnity that are appropriate to protect both the school's and the Council's interest in property, personnel and potential legal liability.
- 21.2 The Council's Chief Financial Officer will make a scheme of insurance available to schools in compliance with Regulation 22. Where a school does not use this scheme the Governing Board must ensure that they meet the extent of cover identified under Regulation 22, and such insurance must be written in the joint names of the School and the Council.
- 21.3 The Governing Board has the responsibility to effect, maintain and amend as necessary contracts of insurance.

### **22. Insurance Claims**

- 22.1 The Governing Board must ensure that procedures are in place to immediately inform the Council's Chief Financial Officer either of any loss or damage, which will involve a claim under the cover arranged through the scheme of insurance or any incident and /or claim which may result in an action for damages against the Governing Board and /or the Council.
- 22.2 The Council's Chief Financial Officer will handle, negotiate and arrange settlement in accordance with the insurance arrangement affected through the Corporate Resources Department.

## **PUBLIC ACCOUNTABILITY REQUIREMENTS**

### **23. Rules for Governors and School Staff**

- 23.1 A member of school staff must not, under colour of their office of employment, accept any fee or reward whatsoever other than their proper remuneration.
- 23.2 A Governor or member of school staff must not receive or give or offer any gift or bribe or personal inducements in connection with the School's activities.
- 23.3 A Governor or member of school staff must not use Local Authority or School property, assets or materials for other than the purposes of the Local Authority or school without authorisation of the Governing Board or nominee. Such authorisation can only be given if it can be shown that such use is in the interests of the Local Authority or school.

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23.4 A Governor or member of school staff must not subordinate their duty to the Local Authority and School to their private interests or put themselves in a position where their duty and private interest conflict.

23.5 The Governing Board of each school must establish a register, which lists for each member of the Governing Board and the Headteacher any business interests they or any members of their immediate family have, details of any other educational establishments that they govern and any relationships between school staff and members of the Governing Board. The Governing Board must ensure that the register is kept up to date with notification of changes and through annual review of entries; must make the register available for inspection by governors, staff and parents, and the Authority; and must publish the register on the school's website.

23.6 If any Governor or member of school staff suspects or knows of any financial loss or irregularity they must inform the Council's Corporate Fraud Unit immediately.

### **24. Cashing of Cheques**

24.1 The cashing of cheques is not allowed except with the specific approval of the Governing Board or their nominee. Such approval can only be given where it necessary to provide effective financial management of the school.

### **25. Prevention of Money Laundering**

25.1 In accordance with the Money Laundering Regulations 2007, the School must not accept cash payments in excess of €15,000. For practical purposes, this limit is set at £13,000 subject to Financial Regulation 1.8.

### **26. Value Added Tax (VAT)**

26.1 The treatment of Value Added Tax (VAT) in relation to fees, charges and any other income and expenditure should follow accurately the guidance given in the Local Authority VAT Education Guide.

### **27 School Companies**

27.1 In accordance with the School Companies Regulations 2002 (as amended), the Governing Board must seek prior written approval from the Strategic Director Children's Services and the Council's Chief Financial Officer to form or become a member of a company.

27.2 Once approval has been received, the Governing Board must comply with all of the requirements of the School Companies Regulations 2002 (as amended).

27.3 The Governing Board must provide management and financial data on a quarterly basis (or more frequently if requested) to the Council's Chief Financial Officer to enable the Council, as Supervising Authority, to fulfil its legal duty to monitor the management and finances of the school company.

27.4 The Governing Board must also provide audited accounts to the Council's Chief Financial Officer in accordance with the requirements of the Regulations.

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### **28. Partnerships and Joint Ventures**

28.1 Where a Governing Board is considering becoming involved in a partnership arrangement or a joint venture, the Governing Board shall first consult with the Council's Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring in each case of the arrangement or Joint Venture.

### **29. Proposals to transfer services to an External Provider**

29.1 Before a Governing Board tenders for services currently provided internally by the school, by the Council or by a third party provider, it must obtain legal and financial advice in writing to ensure appropriate decisions are made and adequate safeguards are in place.

29.2 The legal and financial advice must (but not exclusively) consider any TUPE, pension, equality, diversity, data protection and information security implications. It must include an estimate of the whole life-cycle costs (including on-going or disposal costs or costs that would (or could) be incurred or met by third parties.) A written, clear specification must be prepared as part of the proposal, which will form the basis of the contract.

29.3 After considering the financial and legal advice, if the Governing Board decides to tender for a service :

- i) currently provided by the Council, the Governing Board must notify the Strategic Director of the service provided, in writing, at least 3 months in advance of the tender process. If the restricted tendering procedure is followed, the Council must be invited to tender for the service.
- ii) currently provided by a third party that can be provided by the Council, if the restricted tendering procedure is followed, the Council must be invited to tender for the service.

29.4 Amongst other services, the Council can provide catering, cleaning, payroll, HR and training services to schools. The Governing Board must make appropriate enquiries to determine whether the Council can provide the service to be tendered prior to carrying out the tendering process.

## Schools Contract Standing Orders 2018/19 (Final Draft Post Consultation)

### Definitions

- 'Aggregation' is the combining together of the total contract value from separate contracts where they meet a single requirement for works, goods or services or where a series of contracts within a twelve month period are for the same type of goods or services.
- 'Authorised Officer' is any officer (an employee of the School or the Council) permitted by the Headteacher, within powers delegated by the Governing Board, to authorise orders and contracts in accordance with clause 2.6.
- 'Best Value for Money' is the optimum combination of whole life costs, quality and benefits, including economic, environmental and social value to meet the customer's requirements.
- 'Bradford District' is the geographical area administered by the Council.
- 'Call Off' is a separate purchase from an existing framework agreement that creates a binding contract. The framework agreement sets out: terms and conditions, standards and prices, although further competition may be permitted.
- 'Construction Industry Scheme: Under the Construction Industry Scheme (CIS), contractors deduct money from a subcontractor's payments and pass it to HM Revenue and Customs (HMRC).
- 'Contract' means a formal agreement between the School and any Contractor made by issue of a letter of acceptance or official order for:
  - the supply of works, goods or services including consultants.
  - a call-off from a framework agreement.
  - an arrangement where no payment is made but there is financial value to the Contractor e.g. a catering concession.

It does not include employment and property contracts or grant agreements.

- 'Contract Value' is the total monetary value over its full duration including any extension options (not the annual value).
- 'Contractor' an individual or organisation that contracts with the School to provide works, goods or services.
- 'Council' means the City of Bradford Metropolitan District Council.
- 'DPS or Dynamic Purchasing System' is an electronic process for commonly used purchases that are generally available and is open throughout the contract period to any new supplier that meets the selection criteria.
- 'Electronic Auction' is a process whereby suppliers who have submitted admissible tenders can revise their original prices or values during the period of the auction.

- 'EU Procurement Rules' are the Regulations implemented by the UK to set out the law on public procurement.
- 'EU Thresholds' means the financial threshold at which the EU Procurement rules are applicable.
  - As of 1<sup>st</sup> January 2018 these are: Works (maintenance and construction) £4,551,413, Services and Supplies £181,302, and
  - Health, social and some other specific services have a threshold of £615,278, referred to as the 'light touch regime' as listed in Schedule 3 of the Public Contracts Regulations.
- 'Exception to Competition Log' is the record held by the Governing Board of all contracts awarded without competition because the contract meets one or more of the requirements listed in CSO 9.1.
- 'Framework Agreement' is an agreement, which sets out the terms and conditions under which the School can make specific purchases ("call-off") from a Contractor(s) to provide services, goods or works at agreed standards and prices. If the School calls off services, goods or works from the Contractor then a binding contract comes into place.
- 'Local Supplier' is any supplier that provides works, goods or services from a location within the Bradford District or where a substantial number of any employees working directly on the contract are resident in the Bradford District.
- 'Officer' means an employee of the School.
- 'OJEU' is the Official Journal of the European Union, which is the publication in which all tenders from the public sector above relevant financial thresholds must be published.
- 'Quotation' is a formal written offer to supply or purchase goods, execute works or provide services at a stated price, typically of a lower value, not exceeding £75,000.
- 'School' is a school maintained by the Council that is covered by the Scheme for Financing Schools.
- 'SIRO' Senior Information Risk Owner is the person with overall accountability and responsibility for information governance.
- 'Tender' is a formal written offer to execute works, purchase supplies, or provide services at a stated price typically of a higher value. Tenders must be sought for purchases of a value more than £75,000.
- 'TUPE' means the Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 'Whole Life-Cycle Costs' is an estimate of the total costs of works, goods or services over their life. It is a combination of the purchase price, implementation and operating

costs, procurement and contract management costs, disposal costs less any residual value.

## **1 Introduction**

- 1.1 The purpose of Contract Standing Orders is to set clear rules by which the School spends money on works, goods and services. The rules apply to any contract that results in payment being made by the School.
- 1.2 Public procurement must be undertaken in accordance with the principles enshrined in EU and national legislation. The School must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The School must avoid practices, which may restrict or distort competition.
- 1.3 All amounts quoted in these Standing Orders are exclusive of recoverable VAT.
- 1.4 Any dispute or difference as to the interpretation of these Standing Orders shall be resolved by the Council's City Solicitor.

## **2 Compliance**

- 2.1 Failure to comply with these Contract Standing Orders may result in disciplinary action being taken against the officers concerned. Failure to comply may also constitute grounds for the Council's use of its formal powers of intervention as set out in the Scheme for Financing Schools.
- 2.2 Every contract made by or on behalf of the School for works, goods and services, and all School employees engaged to act in any capacity to manage or supervise a contract, must comply with:
  - EU Procurement Directives.
  - All relevant statutory provisions including the Public Contracts Regulations 2015, competition law and Public Services Acts (e.g. Social Value, Care Act 2014).
  - The Council's Financial Regulations for Maintained Schools.
  - The Scheme for Financing Schools, and
  - These Standing Orders.
- 2.3 All School employees and organisations engaged on the School's behalf shall ensure that all procurement activity is undertaken with regard to high standards of probity and in a manner, which avoids any conflicts of interest. Any conflicts of interest that do arise shall be dealt with in accordance with the School's Code of Conduct for its employees.
- 2.4 In applying these Standing Orders, all school employees shall have regard to the duty of Best Value under the Local Government Act 1999.
- 2.5 The Governing Board must specify limits within which it authorises the Headteacher to authorise orders, invoices and contracts in their own names on behalf of the

School. All orders, invoices or contracts shall remain the responsibility of the Governing Board.

- 2.6 Within the limits of financial powers delegated by the Governing Board, the Headteacher may permit other officers (employees of the Council or the School) to authorise orders, invoices and contracts in their own names on behalf of the School. Orders, invoices or contracts made under these circumstances remain the responsibility of the Headteacher and, through the Headteacher, the Governing Board (see 2.5). The Headteacher must maintain an up to date record of authorised officers.
- 2.7 All orders for works, goods or services must be placed using the School's approved systems (e.g. official order form / formal written contract / approved E-procurement process) in advance of the invoice being received and must be coded to the appropriate account codes on the school's financial system.
- 2.8 The Headteacher is responsible for ensuring compliance by their staff and shall report all breaches of these Standing Orders to the School's Governing Board.

### **3 Social, Economic, Environmental and Ethical Considerations**

- 3.1 In formulating proposals for a services contract, the Authorised Officer must consider the Public Services (Social Value) Act implications and whether and to what extent any ethical, social or environmental aspects of procurement should be taken into account.
- 3.2 Where appropriate, and always subject to EU law and Public Contract Regulations, the Authorised Officer should ensure tenders or quotes are framed in such a way to encourage bids from local suppliers, small and medium sized companies (SME's) and third sector organisations such as social enterprises. This may include dividing the contract into lots.

### **4 Pre-Contract Requirements for all Contracts**

- 4.1 Existing Arrangements should be considered and used where it can be evidenced that these provide best value for money:
  - Contracts, framework agreements or DPS established by central purchasing bodies (Crown Commercial Services, YPO etc.) or other public body.
  - Collaborative or shared service arrangements with another public body.
- 4.2 Before inviting tenders or quotations, the Authorised Officer must:
  - 4.2.1 be satisfied that a written and clear specification has been prepared, which will form the basis of the contract.
  - 4.2.2 consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken.
  - 4.2.3 consider at the outset any TUPE implications.

- 4.2.4 consider at the outset any data protection, information security or data processing implications that may require additional schedules or terms and conditions and need the School's SIRO and Data Protection Officer to be notified.
  - 4.2.5 prepare and document an estimate of the whole life-cycle costs including where appropriate any on-going costs and/or disposal costs and ensure that the cost is within the approved current and future budget provision for both capital and revenue expenditure.
  - 4.2.6 ensure that all evaluation criteria including sub-criteria have been determined in advance, put in order of relative importance or weighting and published in the tender documentation. Selection criteria must be relative and proportionate following statutory guidance issued by the Secretary of State.
  - 4.2.7 ensure that electronic versions of all the appropriate and approved forms of procurement documentation is available through an internet portal immediately on publication of any advert.
- 4.3 Before entering into any contract, the Authorised Officer must:
- 4.3.1 be sure that they have the necessary authority to enter into the contract, that these Standing Orders and the Financial Regulations for Maintained Schools have been complied with, and that the proposed contract represents best value for money,
  - 4.3.2 be satisfied about the technical capability of such proposed contractor, and
  - 4.3.3 where there is a significant supply risk, and for all contracts that exceed £75,000, undertake a suitable check of the financial and resource capacity of the contractor to perform the contract.
- 4.4 Authorised Officers are responsible for arrangements to ensure proper control and use of the School's ordering and contracting systems and procedures.

## **5 Contracts under £10,000**

- 5.1 The Authorised Officer must be able to demonstrate best value for money, which may include inviting written quotes. The Authorised Officer must invite local suppliers where a local supply base is available. All quotations should be in writing.
- 5.2 Officers shall retain a written record of actions taken and the reasons.

## **6 Contracts between £10,000 and £75,000**

- 6.1 The Authorised Officer must seek at least 4 written quotations or tenders and invite local suppliers where a local supply base is available.

- 6.2 If 4 quotations or tenders cannot be obtained, owing to insufficient suitable suppliers prepared to quote or provide tenders, then the Authorised Officer must keep a record of this.

## **7 Contracts over £75,000**

- 7.1 Where the contract value is likely to exceed the EU threshold, taking account of the rules of aggregation, it must be tendered in accordance with the relevant EU procurement rules, unless this rule is met through an existing framework or DPS agreement that has been established via a compliant EU procurement process.
- 7.2 For contract values of £75,000 or more, contractors must be appointed by one of the procedures under Contract Standing Order 8.

## **8 Procurement Procedures**

- 8.1 The **open procedure** under which all those interested may respond to the advertisement by submitting a tender. This is often the most expedient system and enables all the suppliers in the market that wish to engage in the process to submit a tender. There is no pre-qualification questionnaire (PQQ) or short-listing stage prior to invitation to tender (ITT). Under the open procedure, an advertisement, saying what the contract is for and inviting applications for tender documents to be completed, must appear in a local newspaper. The advertisement must also appear in an appropriate trade journal where, in the opinion of the Governing Board, this is likely to be to the School's advantage. The advertisement must give a closing date and time for the return of completed tender documents at least 2 weeks away. Specific EU procurement rules must be followed where the open procedure is used to procure works, goods or services above the EU Threshold.
- 8.2 The **restricted procedure** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender. This procedure can only be used for tenders above the EU threshold for goods and services and EU procurement rules must be followed in these circumstances.
- 8.3 More complex procedures (such as negotiated tendering), generally applying to more strategic contracts, are available, but appropriate expert advice should be sought as the Public Contracts Regulations only permit such procedures in limited and specific circumstances.

## **9 Exceptions to Requirements of Competition**

- 9.1 Subject to the statutory requirements for procurement processes above EU thresholds, and where it can be demonstrated that departure from a competitive process is justifiable and provides overall value for money, a competitive procurement process is not required where one or more of the following exceptions apply:

- 9.1.1 the purchase of proprietary or patented goods or materials or services, which, in the opinion of the Authorised Officer, are obtainable only from one supplier, and where no reasonably satisfactory alternative is available.
  - 9.1.2 the execution of works or the supply of goods or services that are controlled by a statutory body.
  - 9.1.3 the execution of works or supply of goods or services that are of a specialised nature, which, in the opinion of the Authorised Officer, in consultation with the Headteacher, are carried out by only one supplier and no reasonably satisfactory alternative is available.
  - 9.1.4 the execution of works or supply of goods or services for which the Authorised Officer can demonstrate that no genuine competition can be obtained.
  - 9.1.5 the purchase of a named product required to be compatible with an existing installation.
  - 9.1.6 procurements made through or on behalf of any consortium, local authority, statutory or similar body, provided that tenders or quotations are invited and contracts placed in accordance with national or EU legislation.
  - 9.1.7 special education, health or social care contracts, if in the opinion of the Authorised Officer it is considered in the School's interests and to meet its obligations under relevant legislation.
  - 9.1.8 the execution of works or the supply of goods and services that are required so urgently as not to permit compliance with the requirements of competition.
- 9.2 The Authorised Officer must retain written reasons justifying the decision to use Standing Order 9.1 and must be able to demonstrate that best value for money has been obtained.
- 9.3 The Headteacher must maintain an 'exception to competition log' of all contracts awarded without competition under clause 9.1. The exception to competition log should be reported to the Governing Board on at least a quarterly basis.

## **10 Submitting and Opening Tenders and Quotations**

- 10.1 Every invitation to tender or request for a quotation must state that a tender or quotation will only be considered if it is received by the specified closing date and time.
- 10.2 All tenders or quotations for each contract must be opened in the presence of 2 officers appointed by the Authorised Officer at a prescribed time.
- 10.3 The Authorised Officer must keep a record of all tenders and quotations.

- 10.4 The Authorised Officer shall disqualify a tender or quotation, which fails to comply with the requirements of these Standing Orders and must return the tender or quotation to the tenderer or quotation provider stating the reason for the disqualification.

## **11 Errors in Tenders and Quotations**

- 11.1 Prior to acceptance of any tender or quotation received, any arithmetic error or other minor discrepancy made in good faith can be corrected by the Authorised Officer in one of the following two ways:

11.1.1 The tenderer shall be given details of the error(s) found during the examination of the tender and shall also be given the opportunity of confirming without amendment or withdrawing the tender; or

11.1.2 Amending the tender to correct genuine arithmetic error(s) provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.

- 11.2 A written record must be kept of all such amendments.

## **12 Post Tender and Quotation Negotiations**

12.1 In the interests of ensuring an open, fair and transparent process, negotiation following receipt of tenders is only permissible in limited circumstances.

12.2 The Authorised Officer may, where it is intended to obtain better value for money, authorise negotiations with one or more tenderers or quotation providers where they consider that none of the tenders or quotations are acceptable and it is in the School's interests to do so. Clear written records must be kept of the reasons for negotiation and what negotiation has taken place with which providers.

12.3 No negotiation is permitted following receipt of final tenders where the tender was subject to EU procurement rules.

## **13 Accepting Tenders and Quotations**

13.1 Prior to accepting a tender or quotation the Authorised Officer must evaluate all tenders and quotations received in accordance with the evaluation criteria issued with the tender documentation.

13.2 The Authorised Officer can only accept the most economically advantageous tender or quotation and must record the reasons for acceptance.

13.3 The Authorised Officer must investigate any tender considered to be abnormally low.

13.4 All suppliers who submit a tender or quotation should be notified in writing of their success or failure in a timely manner and offered feedback.

- 13.5 For all tenders covered by the EU procurement rules, the minimum statutory standstill period is required between notification of the award decision and final contract award.
- 13.6 All contracts above the EU threshold must also be published in OJEU.

#### **14 Contract Extensions, Variations or Novation**

- 14.1 The Authorised Officer can extend a contract by any value subject to the extension being permitted within the scope and terms of the original procurement and contract and before the expiry date.
- 14.2 An options appraisal must be undertaken to determine if it represents best value for money to extend the contract and any approval required must be sought in a timely manner.
- 14.3 The Authorised Officer must make every effort to negotiate improved terms with regard to the cost and quality of the goods or services.
- 14.4 No extension shall be made until funding has been secured in accordance with the Financial Regulations for Maintained Schools (paragraph 9) or any other similar requirement.
- 14.5 All contract variations must be carried out within the scope of the original contract and must not materially affect or change the contract.
- 14.6 A new procurement will be required if the proposed variation has a material change where one or more of the following are met:
- 14.6.1 the variation introduces new conditions, which had they been part of the original procurement procedure would have allowed other candidates to be selected to bid or the contract to be awarded to another tenderer.
  - 14.6.2 the variation changes the economic balance in favour of the contractor.
  - 14.6.3 the variation extends the scope of the contract considerably.
- 14.7 In the event that a Supplier ceases to provide the work, goods or services whether as a result of insolvency, company restructuring, company purchase, termination of the contract or any other reason then the Authorised Officer must be consulted before novating or assigning the contract to a new Supplier. The new Supplier must meet the requirements of the original tender.

#### **15 Written Contracts**

- 15.1 The Authorised Officer must ensure every contract is in writing.
- 15.2 Every contract shall be signed by two Authorised Officers, other than when the basis of the contract is only an order recorded on an official order form when one signature will suffice.

## **16 Professional Services, Consultants and Intermediary Employment**

16.1 In line with HMRC IR35 and CIS (Construction Industry Scheme), rules the Authorised Officer must identify the employment status of workers providing works or services in instances including the following:

- Consultancy work.
- Self employed contractors.
- The engagement of a worker through a limited company or other body.
- The use of a Personal Services Company.
- The engagement of a CIS registered contractor.

## **17 Contract Conditions**

17.1 Schools are encouraged to use the Council's standard terms and conditions templates for contracts. In doing so, Schools must always amend these templates so that contracts are in the School's name.

17.2 The above shall not apply to:

- UK government standard documentation or government sponsored schemes, and amendments may be made for best value for money or project specific reasons.
- Construction and/or engineering contracts where bespoke conditions based on accepted industry practice are used e.g. JCT, NEC3 or ICE.

17.3 Every contract the School enters into must state:

- The works, goods, services, materials, matters or things to be carried out or supplied.
- The price to be paid and / or the amounts and frequency or the method of calculation of contract payments with a statement of discounts or other deductions.
- The time (s) within which the contract is to be performed.

## **18 Payment for Work on Account**

18.1 Payment for goods, works and services should not be made in advance of delivery other than in low contract value and low risk situations.

## **19 Contracts Where School Governors or Staff Have an Interest**

19.1 A School Governor or member of School staff must not subordinate their duty to the Local Authority and School to their private interests or put themselves in a position where their duty and private interest conflict.

- 19.2 School Governors and School employees must declare any and all relevant private interests that may potentially conflict with the interests of the School before procurement commences.
- 19.3 Suitable measures must be taken by the Governing Board to ensure the probity of the School's procurement activity. This includes the exclusion of any School Governor or School employee from the procurement of goods, works and services where there is a conflict with their private interests or those of their family and / or friends.
- 19.4 The Headteacher must keep a record of the notification of interests and the exclusion of interested parties from procurement.

DRAFT

Appendix 3

**SCHEME**

**FOR**

**FINANCING SCHOOLS**

**FINAL DRAFT POST CONSULTATION**

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## SECTION 1

### 1.1 The Funding Framework

The funding framework is based on the legislative provisions in sections 45-51 of the School Standards and Framework (SSAF) Act 1998.

Under this legislation, local authorities determine for themselves the size of their Schools Budget and their Non-Schools Education Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools, except for capital and certain miscellaneous items. Local authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Local authorities must distribute the ISB amongst its maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing board of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in this Scheme made by the Authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the Scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the Scheme, governing boards of schools may spend such amounts of their budget shares as they think fit for any purposes of their school\* and for any additional purposes prescribed by the Secretary of State in regulations made under S.50 of the Act. (\* Section 50 has been amended to provide that amounts spent by a governing board on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

Funds devolved and delegated (whether under Section 50 or otherwise) to the School's Governing Board by the Local Authority remain the property of the Local Authority until spent by the Governing Board or the Headteacher; and when spent by the Governing Board or the Headteacher shall be taken to be spent by them as the Authority's agent.

An authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the Scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule.17 of the Act).

The Secretary of State may direct a local authority to provide information about its planned and actual expenditure in connection with its education funds. The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State. Each year the Authority publishes a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. The Authority also publishes a statement showing out-turn expenditure at

both central level and for each school, and the balances held in respect of each school.

Regulations require a local authority to publish their Scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised Scheme comes into force on that date.

Section 48 (3) of the SSFA 1998 provides that where there is any inconsistency between the Scheme maintained by the Local Authority and any other rules or regulations made by the Authority, which relate to the funding or financial management of schools they maintain, the terms of the Scheme shall prevail.

## 1.2 The role of the Scheme

The Scheme provides for the delegation of financial and managerial responsibility to Governing Boards of schools and describes the regulations and conditions to which Governing Boards should adhere, in order to remain accountable to the public and the Authority.

The Scheme is based on the following principles:-

- (i) That responsibilities should be aligned with funding, so that both schools and the Local Authority are held to account for their performance in spending public money,
- (ii) That the optimum level of delegation of financial and managerial responsibilities to Governing Boards should be achieved,
- (iii) That Governing Boards should be allowed the maximum amount of freedom in determining the financial and managerial policies for their schools consistent within the framework of this Scheme, the Financial Regulations for Maintained Schools, the Guide to Financial Procedures in Schools, and Schools Contract Standing Orders,
- (iv) That the process for allocating resources to schools should be transparent and aim for an equitable distribution related to the needs of pupils,
- (v) That the Scheme should aim to enhance the teaching and learning process in each school, in order to meet the needs of the pupils.

The Scheme in places refers to separate documents, which set out in more detail certain aspects of financial responsibilities and good practice guidance.

The Financial Regulations for Maintained Schools, Schools Contract Standing Orders, and Guide to Financial Procedures can be access [here](#).

The Local Authority's Surplus Balances Protocol and Deficit Budget Protocol can be found [here](#).

### 1.2.1 Application of the Scheme to the Authority and maintained schools

The Scheme applies in respect of all community, nursery, voluntary, foundation (including trust), community or foundation special schools and pupil referral units (PRUs) maintained by the Authority. The schools covered by this Scheme are listed in Annex A.

## 1.3 Publication of the Scheme

A copy of the Scheme is available on our [public website](#)

#### 1.4 Revision of the Scheme

Any proposed revisions to the Scheme will be the subject of consultation with schools, the Headteacher and the Governing Board of each school, maintained by the Local Authority, before the proposed revisions are submitted to the Schools Forum for their approval. All proposed revisions must be submitted to the Schools Forum for approval by members of Forum representing maintained schools.

Approved revisions will be notified to the Headteacher and Governing Board of each school.

#### 1.5 Delegation of powers to the Headteacher

The Governing Board should consider the extent to which it wishes to delegate its financial powers to the Headteacher. Where such delegation is agreed, the decision (and any revisions) should be recorded in the minutes of the Governing Board.

The responsibilities of the Headteacher and Governing Board in respect of the annual budget plan are that the first formal budget plan of each financial year, must be approved by the governing board, or by a committee of the governing board.

#### 1.6 Maintenance of schools

The Local Authority is responsible for maintaining the schools covered by the Scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary school where some of the expenses are, by statute, payable by the Governing Board). Part of the way the Authority maintains schools is through the funding system put in place under sections 45 to 51 of the School Standards and Framework Act 1998.

## SECTION 2: FINANCIAL REQUIREMENTS

### 2.1.1 Application of financial controls to schools

All schools are required to abide in the management of their delegated budgets by the Authority's requirements on financial controls and monitoring, not only those in this Scheme but also those requirements which are contained in the Financial Regulations for Maintained Schools, the Guide to Financial Procedures in Schools **and Schools Contract Standing Orders**.

### 2.1.2 Provision of financial information and reports

Schools are required to provide to the Director of Children's Services or his/her nominee, quarterly monitoring reports and bank account reports, in formats determined by the Local Authority and in accordance with the following timetable:

#### Quarter One

- Budget monitor report with projected year end out-turn forecast
  - Bank account receipts and payments for the period April - June with bank account reconciliation as at 30 June
- by 31 July

#### Quarter Two

- Budget monitor report with projected year end out-turn forecast
  - Bank account receipts and payments for the period July - September with bank account reconciliation as at 30 September
- by 31 October

#### Quarter Three

- Budget monitor report with projected year end out-turn forecast
  - Bank account receipts and payments for the period October - December with bank account reconciliation as at 31 December
- by 31 January

#### Quarter Four

- Budget out-turn report with actual income and expenditure (ie including accruals)
  - Bank account income and expenditure for the period January - March with bank account reconciliation as at 31<sup>st</sup> March
- by 30 April \*
- (\* date set annually in the Authority's year end closure guidance)

VAT returns

Monthly

However, the above timetable can vary if the Authority notifies the schools in writing, that in its view the school's financial position requires more frequent submission e.g. the school is in its first year of operation or the school is due to close.

The restriction to a minimum 3 month interval does not apply to schools which are part of an on-line financial accounting system operated by the Local Authority.

### 2.1.3 Payment of salaries; payment of bills

The Governing Board is responsible for ensuring that secure and efficient systems are in place to administer the systems for payment of invoices and making payments to staff, in accordance with the requirements and guidance given in Financial Regulations for Maintained Schools, the Guide to Financial Procedures in Schools **and Schools Contract Standing Orders**. Payments to workers must comply with IR35 Regulations.

#### 2.1.4 Control of assets

The governing board must ensure that an inventory of all assets, including plant, equipment, computer hardware and furniture, is kept in accordance with the requirements of Financial Regulations for Maintained Schools and the guidance included within the Guide to Financial Procedure in Schools. However, the Governing Board is free to determine their own arrangements for keeping an inventory for items below £1,000. A register must be kept in some form.

#### 2.1.5 Accounting Policies (including year-end procedures)

The Chief Financial Officer is responsible for approving and controlling Council-wide accounting and financial systems. Schools must abide by the procedures issued by him/her as regards all accounting policies and procedures, including the in-year maintenance of accounts and the preparation of year-end accounts.

#### 2.1.6 Writing off of debts

The Governing Board may write-off debts up to the value limit defined in the Financial Regulations for Maintained Schools and in accordance with the procedures set out in the Guide to Financial Procedures in Schools. The value limit is currently £500 and is subject to periodic review.

Debts over £500 may only be written off by the Council's Chief Financial Officer when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable by the Council's Chief Financial Officer.

#### 2.2 Basis of accounting

All financial reports furnished by the Governing Board to the Local Authority must be on an accruals basis.

#### 2.3 Submission of budget plans

Schools must submit to the Local Authority, an annual budget approved by the Governing Board by 15 May each year. The desirable format for the submission of the budget plan should, as far as possible, take account of the Consistent Financial Reporting framework. Schools must also submit draft "3 year" budgets detailing their provisional budget plan for the following 2 financial years, in a format prescribed by the Local Authority, by 30 June. Schools are required to take full account of estimated deficits and surpluses, at the previous 31 March, in this budget plan.

The Local Authority will provide to schools all the income and expenditure data it holds which is necessary to facilitate efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.

##### 2.3.1 Submission of Financial Forecasts

The Authority may require schools to submit a financial forecast covering each year of a multi-year period.

#### 2.4 Efficiency and Value for Money

Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements detailed in **Schools Contract Standing Orders.**

It is for heads and governors to determine at school level how to secure better value for money.

## 2.5 Virement

Schools may vire freely between budget headings in the expenditure of their budget shares. Where a school has opted for its budget share to be paid into the school bank account net of staffing costs, then it must notify the Director of Children's Services of virements between staffing and non-staffing vote headings, to ensure that correct instalments are advanced into its bank account.

## 2.6 Audit: General

All funds delegated to schools by the Local Authority under this Scheme, and including any other Authority or associated funds generated by the school in support of the general provision of education, are subject to the internal audit arrangements of the Authority.

Similarly, the Authority's external auditors will also be responsible for certification of school accounts and financial arrangements as part of the Authority's annual statutory accounts audit. Additionally, the external auditor may from time to time be required to undertake other audit work involving access to schools.

Schools are required to co-operate with any reasonable and legitimate request for access to records or information made by the Authority's internal and external auditors.

## 2.7 Separate external audits

A Governing Board may spend funds from its budget share to obtain external audit certification of its school accounts.

Such an external audit will be additional to, and separate from, the requirements of the Local Authority's internal and external audit arrangements and will not be a substitute for these.

The Local Authority will be entitled to request from the Governing Board a copy of any separate external audit certificate and/or report issued.

## 2.8 Audit of voluntary and private funds

A Governing Board must provide audit certificates in respect of voluntary and private funds which it holds and of the accounts of any trading organisation controlled by the school, in accordance with the procedures detailed in the Guide to Financial Procedures for Schools.

## 2.9 Register of business interests

The Governing Board of each school must establish a register, which lists for each member of the Governing Board and the Headteacher:

- (i) Any business interests they or any members of their immediate family have;
- (ii) Details of any other educational establishments that they govern;
- (iii) Any relationships between school staff and members of the governing board

The Governing Board must:

- (i) Ensure that the register is kept up to date with notification of changes and through annual review of entries
- (ii) Make the register available for inspection by governors, staff and parents, and the authority

- (iii) Publish the register, for example, on a publicly accessible website.

#### 2.10 Purchasing, tendering and contracting requirements

Governing Boards must abide by **the Schools Contract Standing Orders** in all purchasing, tendering and contracting matters.

#### 2.11 Application of contracts to schools

Governing Boards have the right to opt out of contracts arranged by the Authority **provided that notice is given in accordance with the contract terms and, where no notice period is set out, no less than 3 months notice should be given.**

Although governing boards are empowered under paragraph 3 of schedule 1 of the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. Other contracts may be made solely on behalf of the governing board, when the governing board has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

#### 2.12 Central funds and earmarking

The Local Authority may, under appropriate circumstances, make sums available to schools from central funds, in the form of allocations which are additional to, and separate from, the schools' budget shares. These allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used. Whilst schools may be allowed to vire such funds (except, of course, where the funding is supported by a specific grant which the Local Authority itself is not permitted to vire), virement will not be made to the point of assimilating these allocations into the schools budget share.

It is a requirement that such earmarked funding from centrally retained funds is spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the schools budget share. The Governing Board of each school will maintain an accounting mechanism in order to demonstrate that this requirement has been complied with.

Where a school does not fully spend earmarked funds in-year, or within the prescribed period, the Local Authority **will** ask for the unspent balance to be refunded.

The Local Authority will not make any deduction, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grant.

#### 2.13 Spending for the purposes of the school

By virtue of section 50(3A), which came into force on 1 April 2011, but subject to regulations made by the Secretary of State and any provisions of the Scheme, amounts spent by governing boards on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

#### 2.14 Capital spending from budget shares

Governing Boards may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Board of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

The Council's definition of capital expenditure is where the total expenditure for a single project or Scheme is at least £10,000. Anything below £10,000 is defined as revenue expenditure.

If the expected capital expenditure from the budget share in any one year will exceed £15,000, the Governing Board must notify the Local Authority and the Governing Board must take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure.

Governing Boards must assess in advance, where relevant, the health and safety competence of contractors, taking account of Local Authority policies and procedures.

If the premises are owned by the Local Authority or the school has voluntary controlled status then the Governing Board should seek the consent of the Local Authority to the proposed works, but such consent can only be withheld on health and safety grounds. Voluntary Aided Schools must seek the permission of their relevant Diocese to undertake building work of over £2,000. Further guidance on requirements relating to the notification of building works to relevant bodies (the Local Authority and the Dioceses) can be found on Bradford Schools Online.

<https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=3376>

Additional guidance for schools on buildings can be found on Bradford Schools Online

<https://bts.bradford.gov.uk/>

## 2.15 Notice of Concern

The Local Authority may issue a notice of concern to the Governing Board of any school it maintains where, in the opinion of the Chief Financial Officer and the Director of Children's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

Such a notice will set out the reasons and evidence for it being made and may place on the Governing Board restrictions, limitation or prohibitions in relation to the management of funds delegated to it. These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained / qualified person chairs the finance committee of the Governing Board;
- placing more stringent restriction or conditions on the day to day financial management of a school than the Scheme requires for all schools – such as the provision of monthly accounts to the Local Authority;
- insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
- requiring a Governing Board to buy into the Local Authority's financial management systems; and
- imposing restrictions or limitation on the manner in which a school manages extended school activity funded from within its delegated budget share – for example, by requiring a school to submit income projections and / or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the Governing Board does not comply with the notice.

Where the Governing Board has complied with the requirements of a notice of concern the notice will be withdrawn.

#### 2.16 Schools Financial Value Standard

All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines.

All maintained schools with a delegated budget must submit the form to the Local Authority annually before 31 March.

#### 2.17 Fraud

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The Governing Board and Headteacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them, and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

## **SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

### **3.1 Frequency of instalments**

The Budget Share will be made available to schools on a monthly basis according to the following profile:

- an initial advance on 1 April
- 11 monthly instalments from April to February
- a final instalment in March from which the amount advanced on 1 April is deducted.

The date on which instalments are advanced each month will be the same for all schools and will include monthly reimbursements of net VAT expenditure incurred by schools. For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units. Top up payments for pupils with high needs are made on a monthly basis, unless alternative arrangements have been agreed with the provider.

### **3.2 Proportion of the budget share payable at each instalment**

Schools will have the option of payment of budget share into their bank accounts:

- either net of staffing costs
- or the total budget share

In both cases, the amount paid each month will be 1/12 of the annual sum advanced (after allowing for the initial advance on 1 April as shown in section 3.1. above)

Where budget shares are advanced net of staffing costs, the schools' annual budget (see section 2.3) and any subsequent in-year revisions to the budget (see section 2.5) will be used to determine those amounts of budget shares held centrally for staffing, and those amounts payable into schools' bank accounts in equal monthly instalments.

A school wishing to change its option of payment of budget share may only do so from the beginning of a financial year and must notify the Local Authority in writing by 1 January.

Where a school wishes to receive its total budget share, but where the Authority is administering payroll for that school, then the LA will advise the school of the arrangements which need to be put in place and ask the school whether it needs to take up this option.

### **3.3 Interest clawback**

The Chief Financial Officer will charge interest on those elements of advances of budget share which relate to pay costs in cases where these are advanced to schools earlier than the Local Authority's normal dates for paying employees. Interest will be calculated on a daily basis and charged at the Bank of England Base Rate plus 1%.

The same rate of interest will be charged to schools:-

- where schools ask for advances of budget share in advance of the standard timetable as outlined in section 3.2,
- where the Authority is administering payroll for the school and the school is late in making payment.

#### **3.3.1 Interest on late budget share payments**

The Authority will add interest to late payments of budget share instalments, where such late

payment is the result of Local Authority error. Interest will be calculated on a daily basis and paid at the Bank of England Base Rate plus 1%.

### 3.4 Budget shares for closing schools

Where approval for the closure of a school has been secured, the Local Authority may determine that budget shares will only be made available net of estimated pay costs, even where a different basis was previously used.

### 3.5 Bank and building society accounts

Schools are allowed to have external bank accounts into which their budget share instalments are paid. All interest received by schools from balances held in these accounts will be retained by schools.

Where a school opens an external bank account the Local Authority will, if the school desires, transfer immediately to the account an amount agreed by both the school and Local Authority as the estimated surplus balance held by the Local Authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

#### 3.5.1 Restrictions on accounts

Schools are permitted only to hold school budget funds with Barclays, HSBC, Lloyds TSB and RBS (Nat West). Schools that, at 1 October 2012, did not hold school budget funds with RBS (Nat West) are not permitted to hold school budget funds with this bank.

In investing school budgets funds e.g. in deposit accounts, the maximum permitted period of investment is 1 year.

Schools are permitted to have accounts for budget share purposes, which are in the name of the school rather than the Authority. However, if a school has such an account the account mandate must provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

Schools must nominate at least 3 and at most 5 people to be authorised signatories, of which two will normally be the Headteacher and Deputy Headteacher. Authorised signatories must be employees either of the Local Authority or the school.

### 3.6 Borrowing by schools

This provision does not apply to loan Schemes run by the Authority (see section 4.9).

Governing Boards may borrow money only with the written permission of the Secretary of State. Borrowing includes the use of finance leases, which are not allowable, with the exception of certain schemes approved by the Secretary of State (currently only Salix loans have such approval).

Schools can use both debit cards and credit cards provided the balance is cleared each month. Schools are encouraged to use procurement cards, as these cards can be a useful means of facilitating electronic purchase.

### 3.7 Other provisions

Detailed guidance about the administrative procedures for operating external bank accounts is included in the Guide to Financial Procedures in Schools.

## **SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **4.1 Right to carry forward surplus balances**

At the end of each financial year, where any school has a surplus balance, this will be carried forward and added to the budget share for the following financial year. A school's opening balance at 1 April will equal its closing balance at 31 March the previous year.

### **4.2 Control on surplus balances**

Schools must comply with the requirements for the reporting of surplus balances, outlined in detail in the [Authority's School Surplus Balances Protocol](#). The carry forward of surplus revenue balances into the next financial year is restricted by the provisions outlined in this Protocol. The Local Authority will consult with the Schools Forum and schools on proposed changes to the Protocol before these are implemented. The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.

### **4.3 Interest on surplus balances**

The Authority will not give interest on surplus carry forward balances, as the procedure for operating external bank accounts, as outlined in the Guide to Financial Procedures for Schools, allows each school to hold its surplus balance in its own bank account.

### **4.4 Obligation to carry forward deficit balances**

At the end of each financial year, where any school has a deficit balance, this will be carried forward and deducted from the budget share for the following year. A school's opening balance at 1 April will equal its closing balance at 31 March the previous year.

### **4.5 Planning for deficit budgets**

Schools wishing to apply for a deficit budget, or to increase an existing deficit, must apply to the Local Authority for approval who may allow them in approved circumstances (see section 4.9).

### **4.6 Charging of interest on deficit balances**

Interest may be charged on deficits, whether approved or unplanned, on the basis of the Bank of England Base Rate plus 1%.

### **4.7 Writing off deficits**

The Authority cannot write off the deficit balance of any school. Subject to the approval of the Schools Forum, additional funding to support schools in financial difficulty may come from a de-delegated contingency fund from the Dedicated Schools Grant for mainstream schools or from a central budget within the Dedicated Schools Grant for special schools and PRUs.

### **4.8 Balances of closing and replacement schools**

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

#### 4.9 Licensed deficits

Schools wishing to apply for a deficit must apply to the Local Authority. Approval will only be given where:

- (i) the normal period for repayment is 3 years or less, however in exceptional circumstances the Authority will have the discretion to extend this period to 5 years
- (ii) the deficit is 5% of school budget share for that year or the deficit is for exceptional non-recurrent expenditure, transitional arrangements, or other exceptional circumstances
- (iii) the deficit can be financed from the collective surplus balances held by schools. The maximum proportion of schools' collective balances which will be used to finance these arrangements will be 25%.

Detailed guidance on the operational procedures of licensed deficits is included in the Guide to Financial Procedures in Schools and the [Authority's Deficit Budget Protocol](#). Licensed deficits must be approved by the Council's Chief Finance Officer or his / her representative.

#### 4.10 Capital Loans Scheme

The Local Authority will operate a capital loans system for schools covered by the Scheme. Such loans will operate as actual payments to the school on condition that a corresponding amount, plus interest as outlined below, is repaid to the Local Authority from the school's budget share over an agreed period of time. The period of time is as listed at 4.9 (i) above.

The purposes for which applications for loans can be requested, the conditions and the application process, are outlined in the Authority's School Capital Loans Protocol. All loans are subject to the acceptance of the school's governing board of the terms and conditions of the Loan Agreement. All loans are subject to the approval of both the Schools Financial Performance Group, on behalf of the Schools Forum, and the Council's Chief Financial Officer or representative.

Under normal circumstances, a maximum of 50% of the overall cost of the works may be provided by a loan. Loans for a greater proportion of the cost may be approved in exceptional circumstances.

The maximum loan available to any one school is the lower of £100,000 or 5% of the school's delegated budget for the year (excluding surplus revenue carry forward), unless the Local Authority gives specific written agreement otherwise. Schools with an annual budget share of £650,000 or less will be exempt from this limit in recognition that a 5% limit places a restriction on the benefits to be gained from the scheme by very small schools.

The total value of loans current at any time will not exceed £1,000,000. This maximum will be reviewed on an annual basis.

The capital loans scheme is open to all schools, including those with their own bank accounts. However, for schools that operate their own bank accounts, interest will be charged on the loan. Interest will be calculated on an annuity basis using the Council's banking provider's rate. The actual rate of interest will initially be calculated at the Council's banking provider's rate at the time the loan is taken and will then be reviewed on a financial year basis, with the rate of interest for the next financial year being set at the Council's banking provider's rate in the March immediately preceding the start of the financial year. Interest will be charged from the date the advance is made. The interest and principal will be repaid in equal instalments each month.

Any change in the legal status of the school such that it ceases to be a maintained school shall not affect the validity of the Loan Agreement. In such circumstances, the Loan Agreement shall bind and inure to the benefit of any successor board to the school, which can be:

- a. any other school; or
- b. any other body established by legislation or statute in order substantially to perform any of the functions that had previously been performed by the school; or
- c. any private sector body, which substantially performs the functions of the school

Where a maintained school converts to academy status, the value of the loan outstanding at the point of conversion will be deducted from the value of balance to be transferred to the academy. The value of any outstanding amount, after this deduction, will be recovered from the academy.

Where a school that does not have a successor body closes with an outstanding loan amount and where the school's surplus balance is not sufficient to cover this, the remaining outstanding amount will be charged to the Schools Budget.

Schools are not be permitted to borrow other than through the Authority's scheme, except with the written permission of the Secretary of State, or where borrowing is undertaken by trustees or foundations and the debt is not serviced directly from a school's delegated budget.

Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or in part, to the new Academy school.

## **SECTION 5: INCOME**

### **5.1 Income from lettings**

Schools may retain income from lettings of the school premises, subject to alternative provisions arising from any joint use or Private Finance Initiatives (PFI) agreements. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing board is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. However, schools must have regard to directions issued by the Local Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

All income from lettings of school premises which would otherwise accrue to the Local Authority must be paid into the school's local bank account.

### **5.2 Income from fees and charges**

Schools may retain income from fees and charges except where a service is provided by the Local Authority from centrally retained funds. However, schools are required to have regard to policy statements on charging produced by the Local Authority.

Income from boarding charges is collected on behalf of the Local Authority and should not exceed that needed to provide board and lodging for the pupils concerned.

All such income must be paid into the school's local bank account.

### **5.3 Income from fund raising activities**

Schools are allowed to retain income from fund-raising activities.

### **5.4 Income from the sale of assets**

Schools may retain the proceeds of sale of assets except where:-

- (i) the asset was purchased with non-delegated funds (where it will be for the Local Authority to decide whether the school can retain the proceeds),
- (ii) the asset concerned is land or buildings forming part of the school premises and is owned by the Local Authority.

### **5.5 Administrative procedures for the collection of income**

Schools should comply with the recommended administrative and financial procedures contained in the Guide to Financial Procedures in Schools.

### **5.6 Purposes for which income may be used**

School income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.

## **SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES**

### 6.1 General provision

The budget share of a school can be charged by the Local Authority, without the consent of the Governing Board, only in the circumstances expressly stated in paragraph 6.2 below. The Local Authority must consult the school as to the intention to so charge, and notify the school when it has been done.

Where the charge relates to school-based staff, then the salaries charged to the schools budget share will be at actual cost.

(It should be noted that the Local Authority cannot act unreasonably in the exercise of this power, or it may be the subject of a direction under s.496 of the Education Act 1996).

The Local Authority may de-delegate funding for permitted services without the express permission of the governing board, provided this has been approved by the appropriate phase representatives of the Schools Forum.

#### 6.1.1 Charging of salaries at actual cost

The Authority is required to charge salaries of school-based staff to school budget shares at actual cost.

### 6.2 Circumstances in which charges may be made:

6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority);

6.2.2 Other expenditure incurred to secure resignations where the school has not followed Local Authority advice;

6.2.3 Awards by courts and employment tribunals against the Local Authority, or out of court settlements arising from action or inaction by the Governing Board contrary to the Local Authority's advice;

6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the Governing Board for such work, but the Governing Board has failed to carry out the required work;

6.2.5 Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Local Authority or the school has voluntary controlled status;

6.2.6 Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority;

6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Local Authority;

6.2.8 Recovery of penalties imposed on the Local Authority by the Board of HM Revenue and

Customs, the Contributions Agency or HM Customs and Excise, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence.

- 6.2.9 Correction of Local Authority errors in calculating charges to a budget share (eg pension deductions);
- 6.2.10 Additional transport costs incurred by the Local Authority arising from decisions by the Governing Board on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs;
- 6.2.11 Legal costs which are incurred by the Local Authority because the Governing Board did not take or accept the advice of the Local Authority (see also section 10.4);
- 6.2.12 Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training not carried out;
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect;
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-Local Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations;
- 6.2.15 Costs incurred by the Local Authority in securing provision specified in an Education, health and Care Plan (EHCP) where the governing board of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and / or specific funding for a pupil with High Needs;
- 6.2.16 Costs incurred by the Local Authority due to submission by the school of incorrect data;
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes;
- 6.2.18 Costs incurred by the Local Authority as a result of the governing board being in breach of the terms of a contact;
- 6.2.19 Costs incurred by the Local Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

## **SECTION 7: TAXATION**

### 7.1 Value Added Tax (VAT)

Schools are required to follow the procedures detailed in the Guide to Financial Procedures for Schools to enable the Authority to reclaim from Customs and Excise VAT on expenditure relating to non-business activity, and pay over VAT on income generated. All such net VAT reclaimed by the Authority on behalf of a school will be passed back to the school.

### 7.2 Construction Industry Scheme (CIS)

Schools are required to follow the procedures detailed in the "Guide to Financial Procedures in Schools" in connection with the Construction Industry Scheme (CIS).

## **SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

### **8.1 Provision of services from centrally retained budgets**

The Local Authority will determine the basis on which services from centrally retained funds will be provided to schools. (Such services include existing premature retirement costs and redundancy payments).

The Local Authority will not be allowed to discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

### **8.2 Provision of services bought back from the Local Authority using delegated budgets**

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Local Authority will be limited to a maximum of three years from the inception of the Scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services.

When a service is provided for which expenditure is not retainable centrally by the Local Authority, under the Regulations made under section 45A of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

#### **8.2.1 Packaging**

Any service which the Local Authority is providing on a buyback basis must be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

This provision will not prevent the Local Authority offering packages of services which offer a discount for schools taking up a wider range of services.

### **8.3 Service level agreements**

Service level agreements must be in place, by **31 March** to be effective for the following financial year **and by the 31 August to be effective for the following academic year**, and schools must have at least a month to consider the terms of agreements.

If services or facilities are provided under a service level agreement, whether free or on a buyback basis, the terms of any such agreement starting on or after the inception of the Scheme, will be reviewed at least every three years if the agreement lasts longer than that.

Services, if offered at all by the Local Authority, will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. Where services are provided on an ad hoc basis, they may be charged for at a different rate than if provided on the basis of an extended agreement.

Centrally arranged premises and liability insurance are specifically excluded from the requirements listed in sections 8.2 to 8.3 as the limitations envisaged may be impracticable for insurance purposes.

**Governing Boards have the right to opt out of service level arrangements arranged by the Authority provided that notice is given in accordance with the contract terms and, where no notice**

period is set out, no less than 3 months notice should be given.

#### 8.4 Teachers' Pensions

In order to ensure that the performance of the duty on the Authority to supply Teachers' Pensions with information under the Teachers' Pensions Regulations 2010 (as amended), the following conditions are imposed on the Authority and governing boards of all maintained schools covered by this Scheme in relation to their budget shares.

The conditions only apply to governing boards of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

A governing board of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing board shall also ensure that any such arrangement or agreement is varied to require that additional voluntary contributions (AVCs) are passed to the authority within the time limit specified in the AVC Scheme. The governing board shall meet any consequential costs from the school's budget share.

A governing board of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to teachers' pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing board shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC Scheme. The Governing Board shall meet any consequential costs from the school's budget share.

## **SECTION 9: INSURANCE**

### 9.1 Insurance cover

If funds for insurance are delegated to any school, the Local Authority will require the school to demonstrate that cover relevant to the Local Authority's insurable interests, under a policy arranged by the Governing Board, is at least as good as the cover arranged by the Local Authority if the Local Authority makes such arrangements (either paid for from central funds or from contributions from schools' delegated budgets).

The Authority must have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

(see also 6.2.6)

## **SECTION 10: MISCELLANEOUS**

### 10.1 Right of access to information

As well as specific requirements listed above, the Authority may require a Governing Board to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (eg earmarked funds) on the school.

### 10.2 Liability of governors

As the governing board is a corporate body, and because of the terms of s.50 (7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share, provided they act in good faith.

### 10.3 Governors' expenses

The LA may delegate to the Governing Board of a school yet to receive a delegated budget, funds to meet governors' expenses

Under the Education Act 2002, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. There must be no payment of any other allowances. Schools must not make payment of expenses which duplicate those paid by the Secretary of State to additional governors appointed by him/her to schools under special measures.

### 10.4 Responsibility for legal costs

Legal costs incurred by the Governing Board, although the responsibility of the Local Authority as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings) may be charged to the school's budget share unless the Governing Board acts in accordance with the advice of the Authority.

(see section 6.2.11)

The procedures which schools should follow in obtaining legal advice where there is a conflict of interest between the Local Authority and the Governing Board are outlined in the Guide to Financial Procedures in Schools.

Legal advice cannot be provided by the Local Authority to a school where this would lead to a conflict of interest with the Local Authority, for example, re-tendering of Local Authority services or TUPE matters. Advice on exclusions, admissions and special educational needs issues cannot be provided directly to schools unless this is in liaison with work carried out with Children's Services or directly at the request of the Local Authority.

### 10.5 Health and Safety

In expending the school's budget share, the Governing Board must have regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters.

### 10.6 Right of attendance for Chief Financial Officer

The Chief Financial Officer of the authority, or his/her duly nominated representative, shall have the right to attend any meeting of a school Governing Board to give advice on any matters affecting the school's financial position or arrangements. The Authority will give prior notice of such attendance unless it is impracticable to do so.

## 10.7 Special Educational Needs

Schools should use their best endeavours to secure the most effective provision possible for pupils with SEN, in spending their delegated budget share. This is a statutory requirement. The provision is included within this Scheme to allow the Local Authority to suspend delegation where a situation is serious to warrant it. The same is required in spending devolved SEN funding.

## 10.8 Interest on late payments

Schools covered by the Scheme must act in accordance with the statutory requirements of the Late Payment of Commercial Debts (Interest) Act 1998 (as amended).

## 10.9 'Whistleblowing'

The Authority has in place a Whistleblowing Code. This provides for individuals to raise concerns in a confidential way that avoids any public disclosure and for workers to do so without fear of victimisation, subsequent discrimination or disadvantage when "blowing the whistle". The Code also sets out clearly the process to be followed, including the safeguards, how to raise a concern, how the Authority will respond and how the matter can be taken further.

The Council's Whistleblowing Code can be found on the Council's Internet site under the section on the Council's constitution, and summarised guidance is included in the Guide to Financial Procedures in Schools.

The reporting of financial irregularities to the Council's Chief Financial Officer under Financial Regulations for Maintained Schools remains a responsibility of all members of school staff, Governors and Governing Boards. If an individual prefers to do so, the reporting of financial irregularities may be raised under the Confidential Reporting Code in a confidential way that avoids public disclosure of their identity.

The Governing Board must record information about these responsibilities and procedures in appropriate information provided to all staff and Governors

## 10.10 Child Protection

The School should release staff to attend child protection case conferences and other related events such as court proceedings. The Governing Board is responsible for the costs of this.

## 10.11 The charging of redundancy and early retirement costs of school staff - framework

The Local Authority's framework follows the requirements and provisions of the 2002 Education Act (s.37) that,

a. costs incurred by the Local Authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the Authority agrees with the governing board in writing (whether before or after the retirement occurs) that the costs shall not be so met (see 10.11.2),

b. costs incurred by the Local Authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority has good reason for deducting those costs, or any part of those costs from that share (see 10.11.3). The reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c.18).

### 10.11.1 Redundancy / Early Retirement Costs

Costs incurred by the Local Authority under 10.11 may only be charged to the central schools services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of decisions made before 1 April 2013. Costs charged may not exceed the amount budgeted in the previous financial year.

The local authority is permitted to retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree.

Costs not charged to the relevant school's delegated budget share, the central schools services block or to a fund established by a deduction from maintained school budgets (excluding nursery schools) shall be charged to the Local Authority's non-schools budget.

10.11.2 Circumstances under which consideration may be given for the costs (wholly or partly) of premature retirement of school staff not to be charged to the school's budget share

- a. Where a school has a long term reduction in pupil numbers and charging such costs to their budget would impact on standards;
- b. Where a school is closing and does not have sufficient balances to cover the costs;
- c. Where charging such costs to the school's budget share would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale;
- d. Where a school is in special measures, does not have sufficient balances and where employment of the relevant staff is being or has been terminated as a result of Local Authority or Government intervention to improve standards.

In such cases, the Schools Forum may firstly consider supporting the financial position of maintained schools, to be able to meet these costs, via an established 'schools in financial difficulty' de-delegated contingency.

10.11.3 Circumstances under which consideration may be given for the costs (wholly or partly) of dismissal or resignation of school staff to be charged to a school's delegated budget share

The Local Authority may propose to the Schools Forum that the costs (wholly or partly) of dismissal or resignation of school staff are charged to the relevant school's budget share where the school,

- a. Is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or to meet the conditions of a licensed deficit;
- b. Is making staffing reductions arising from a deficit caused by factors within the control of the school;
- c. Has excess surplus balances and no agreed plan to use these;
- d. Has acted outside the Local Authority's policy;
- e. Has refused to engage with the Local Authority's redeployment policy;
- f. Has decided to offer more generous terms than the Local Authority's policy, where the excess may be charged to the school.

10.12 The charging of redundancy and early retirement costs for staff employed by schools for community purposes

Where the Local Authority incurs costs:

- a. in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
- b. in respect of the dismissal, or for the purposes of securing the resignation, of any member of the staff of a maintained school who is employed for community purposes,

the Local Authority shall recover those costs from the governing board except in so far as the Local Authority agrees with the governing board in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

Any amount payable by the governing board of a maintained school to the Local Authority may be met by the governing board out of the school's budget share for any funding period if and to the extent that the condition below is met.

The condition is that the governing board are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

## **SECTION 11: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

- 11.1 Annex B shows the categories of work which Governing Boards must expect to finance from their delegated budget.
- 11.2 The Local Authority will delegate all funding for repairs and maintenance to schools. Only capital expenditure will be retained by the Authority. Expenditure will be treated as capital only where it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting.
- 11.3 In determining what is classified as capital expenditure, the Authority will use the DfE's interpretation of the CIPFA Code of Practice as detailed in Annex B. For Voluntary Aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by the DfE to categorise such work, not the de minimis limit used by the Authority.

## **SECTION 12: COMMUNITY FACILITIES**

### 12.1-2 Introduction

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult the LA and have regard to any advice from the authority. Thirdly, the school must also have regard to guidance issued by the Secretary of State about a range of issues connected with exercise of the power.

Under s.28 (1), the main limitations and restrictions on the power will be

- a. those contained in schools' own instruments of government, if any; and
- b. those in the maintaining Local Authority's Scheme for financing schools made under s.48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of Schemes to the powers of governing boards to provide community facilities. Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for financing schools.

This section of the Scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

12.2 Mismanagement of community facilities funds may be grounds for suspension of the right to a delegated budget.

### 12.3 Consultation with the Local Authority – Financial Aspects

Governing boards must consult the Local Authority, and have regard to advice given to them by their LA, before exercising this power. The Authority will make no charge for this advice

### 12.4-5 Funding Agreements – Authority Powers

12.4 The provision of community facilities in schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. The funding agreement should contain the provisions required by 12.11 below.

12.5 Any proposed agreement should be submitted to the Local Authority for its comments. However, the Local Authority will not impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement.

If an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, this may constitute grounds for suspension of the right to a delegated budget.

### 12.6-7 Other Prohibitions, restrictions and limitations

12.6 The Local Authority may, in a particular case, require the governing board to make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Local

Authority. However, this requirement will only be imposed where the Authority believes that the proposed project carries significant financial risks.

12.7 The exercise of the community facilities power is subject to restrictions and limitations as contained in this Scheme and the Financial Regulations for Maintained Schools.

#### 12.8-9 Supply of financial information

12.8 Those schools which exercise the community facilities power will provide to the Authority an annual summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question.

12.9 Where the Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, will require such financial statements to be supplied every three months and, if necessary may require the submission of a recovery plan for the activity in question.

#### 12.10-11 Audit

12.10 The school is required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

12.11 Any funding agreements made with third parties should allow access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

#### 12.12-14 Treatment of income and surpluses

12.12 Schools will be allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or some other person.

12.13 Schools will be able to carry over retained net income from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.

12.14 Where the school is a community or community special school, and the Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority, unless otherwise agreed with a funding provider.

#### 12.15-16 Health and Safety

12.15 Health and safety provisions contained within this Scheme also extend to the provision of community facilities.

12.16 The governing board is responsible for the costs of securing a Disclosure and Barring Service Check clearance for all adults involved in community activities taking place during the school day. Governing boards will be free to pass on such costs to a funding partner as part of an agreement with that partner.

#### 12.17-18 Insurance

12.17 The governing board is responsible for ensuring adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power. Such insurance should not be funded from the school budget share. The school must seek the Authority's advice before finalising any insurance arrangement for community facilities.

12.18 The Local Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, may make arrangements itself and charge the resultant cost to the school. Such costs would not be charged to the school's budget share.

#### 12.19-21 Taxation

12.19 Schools should seek the advice of the LA and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities, including the use of the local authority VAT reclaim facility.

12.20 If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account, the school is likely to be held liable for payment of income tax and National Insurance, in line with HM revenue and Customs rules.

12.21 Schools are required to follow Local Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

#### 12.22-24 Banking

12.22 Governing boards must ensure that income and expenditure relating to community-focused school activities can be separately identified. It is not a requirement for schools to maintain separate bank accounts for budget share and community-focused school activities. However, in making a decision on banking arrangements, the governing board of a school must have regard to the advice given by the Local Authority within the Guide to Financial Procedures.

12.23 Where a school operates separate bank accounts for community-focused school activities, these accounts must be operated in accordance with the procedures detailed in this Scheme, Financial Regulations for Maintained schools and the Guide to Financial Procedures.

12.24 Schools are reminded that they may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the Authority.

**ANNEX A: LIST OF BRADFORD LOCAL AUTHORITY MAINTAINED SCHOOLS AT 1  
SEPTEMBER 2018**

**PRIMARY SCHOOLS**

Addingham Primary School  
All Saints' CE Primary School (Bradford)  
All Saints' CE Primary School (Ilkley)  
Ashlands Primary School  
Baildon CE Primary School  
Bankfoot Primary School  
Ben Rhydding Primary School  
Blakehill Primary School  
Bowling Park Primary School  
Brackenhill Primary School  
Burley & Woodhead CE Primary School  
Burley Oaks Primary School  
Carrwood Primary School  
Cavendish Primary School  
Clayton Village Primary School  
Cottingley Village Primary School  
Crossflatts Primary School  
Crossley Hall Primary School  
Eastburn Junior and Infant School  
Eldwick Primary School  
Fagley Primary School  
Farfield Primary  
Fearnville Primary School  
Foxhill Primary School  
Frizinghall Primary School  
Girlington Primary School  
Glenaire Primary School  
Greengates Primary School  
Grove House Primary School  
Heaton St Barnabas' CE Primary School  
Hill Top CE Primary School  
Home Farm Primary School  
Hoyle Court Primary School  
Idle CE Primary School  
Ingrow Primary School  
Keelham Primary School  
Keighley St Andrew's CE Primary School  
Killinghall Primary School  
Knowleswood Primary School  
Ley Top Primary School  
Lidget Green Primary School

Lister Primary School  
Long Lee Primary School  
Low Ash Primary School  
Low Moor CE Primary School  
Lower Fields Primary School  
Marshfield Primary School  
Menston Primary School  
Miriam Lord Community Primary School  
Myrtle Park Primary School  
Newby Primary School  
Newhall Park Primary School  
Oldfield Primary School  
Our Lady & St Brendan's Catholic Primary School  
Parkland Primary School  
Peel Park Primary School  
Poplars Farm Primary School  
Princeville Primary School and Children's Centre  
Riddlesden St Mary's CE Primary  
Russell Hall Primary School  
Saltaire Primary School  
Sandal Primary School and Nursery  
Sandy Lane Primary School  
ShIPLEY CE Primary School  
Silsden Primary School  
St Anthony's Catholic Primary School (Clayton)  
St Anthony's Catholic Primary School (Shipley)  
St Clare's Catholic Primary School  
St Columba's Catholic Primary School  
St Cuthbert & the First Martyrs' Catholic Primary  
St Francis' Catholic Primary School  
St Joseph's Catholic Primary School (Bingley)  
St Joseph's Catholic Primary School (Bradford)  
St Luke's CE Primary School  
St Mary's and St Peter's Catholic Primary School  
St Matthew's Catholic Primary School  
St Matthew's CE Primary School  
St Paul's CE Primary School  
St Stephen's CE Primary School  
St William's Catholic Primary School  
Stanbury Village School  
Steeton Primary School  
Stocks Lane Primary School  
Swain House Primary School  
Thackley Primary School

Thorpe Primary School  
Trinity All Saints CE Primary School  
Wellington Primary School  
Wibsey Primary School  
Worthinghead Primary School  
Wycliffe CE Primary School

### **SECONDARY SCHOOLS**

Bingley Grammar School  
Carlton Bolling College  
Hanson School  
Parkside School  
St Bede's and St Josephs's Catholic College  
The Holy Family Catholic School  
Titus Salt School

### **NURSERY SCHOOLS**

Abbey Green Nursery School & Children's Centre  
Canterbury Nursery School & Children's Centre  
Hirst Wood Nursery School  
Lilycroft Nursery School  
Midland Road Nursery School & Children's Centre  
St Edmund's Nursery School & Children's Centre  
Strong Close Nursery School & Children's Centre

### **SPECIAL SCHOOLS**

Beechcliffe Special School  
Chellow Heights Special School  
Delius Special School  
Oastler School

### **PUPIL REFERRAL UNITS**

Bradford Central PRU  
Bradford District PRU  
Primary PRU  
Ellar Carr PRU  
Tracks PRU  
Education in Hospital – BRI  
Education in Hospital – Airedale

**ANNEX B: CAPITAL / REVENUE SPLIT AND ITEMS WHICH ARE THE SEPARATE RESPONSIBILITY OF GOVERNORS IN VA SCHOOLS**

ILLUSTRATIVE EXAMPLES IN LINE WITH DfE's INTERPRETATION OF THE CIPFA CODE OF PRACTICE

**NB ACTUAL INTERPRETATION OF CIPFA CODE OF PRACTICE FOR THESE PURPOSES WILL BE FOR EACH LOCAL AUTHORITY**

ELEMENT	RESPONSIBILITY FOR MAJOR WORKS & STRUCTURAL REPAIRS AND MAINTENANCE (CAPITAL FUNDED) CAPITAL: AS CIPFA CODE OF PRACTICE  LA – CAPITAL VA – LCVAP SCHOOLS – FORMULA DEVOLVED ALLOCATION	SCHOOL RESPONSIBILITY FOR PLANNED REPAIRS & MAINTENANCE (REVENUE FUNDED)
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**Roofs**

<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective.
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof.
	Finish on new build. Replacement of all/substantially all on existing roof	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting.
	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (uPVC) Repainting.
	Drainage on new build	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/pipes
	Other e.g. Flashings, Rooflights on new build Replacement of all/substantially all on existing roof	Repair/ Replacement/ cleaning of individual items

<u>Pitched</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace/ repair small areas of rotten/ defective joists, rafters, purlins etc. Not complete trusses
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards	
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged small parts
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/ Repainting
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters
	Drainage. Replacement of all/substantially all on existing roof	
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning
<u>Other</u>	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing covered link Add porch etc. to existing building	Minor repairs, maintenance to existing structure
	Rebuild or substantially repair structure of existing porch	

**Floors**

<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all	

	or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats/ matwells. Maintenance e.g. revarnishing wooden floors.
<u>Upper Floor</u>	Structure - as ground floor	As ground floor
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor
<b>Ceilings</b>		
<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. From water damage, & necessary decoration
	Membrane	
	Fixed	Repair/ replacement inc. from water damage
	Access panels	Repair/ replacement
<u>Lower storeys</u>	Suspension	Repair/ replacement
	Membrane	
	Fixed	Repair/ replacement
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection
<b>External walls</b>		
<u>Masonry/ cladding</u>	Structure	Repairs
	Underpinning/ propping for new build	Preventive measures e.g. tree removal
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred.
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding work affecting most of a building	
	/replacement build	

<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames
	Glazing - new build	Replacing broken glass
	Glazing Upgrading existing glazing	
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.
	Jointing including mastic joints	
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.
<u>Masonry chimneys</u>	Structure	
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing
<b>Internal walls</b>		
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alterations	Minor alterations
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.
	Refurbishment and alterations	Minor alterations
<u>Doors &amp; Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens
	<u>All</u>	Glazing to meet statutory Health & Safety requirements
<b>Sanitary Services</b>		
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.
	Large scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and	Repair/ replacement of damaged

specialist facilities related to pupils with statements

fittings, waste plumbing etc.

Kitchens

Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.

Maintain kitchen to requirements of LA

Cleaning out drainage systems

General refurbishment

Redecoration  
Repairs

Large and costly items of equipment

Repairs/ replacement parts

**Mechanical services**

Heating/ hot water

Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.

General maintenance of all boiler house plant including replacement of defective parts.  
Regular cleaning.  
Energy saving projects

Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.

Monitoring systems

Health & safety issues

Planned replacement of old boiler/ controls systems past the end of their useful life

Replacement of defective parts

Emergency replacement of boiler plant/ systems

Cold water

Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects

Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.

Gas

Distribution on new and major refurbishment's, terminal units

Repairs, maintenance and gas safety

Ventilation

Mechanical ventilation/ air conditioning to major projects

All servicing

Provision of local ventilation.

Repair/ replacement of defective systems and units

Other

Swimming pool plant and its complete installation, including heat recovery systems

Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework.  
Simple heat recovery systems.  
Solar heating plant and equipment.

**Electrical services**

<u>General</u>	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment
<u>Lighting</u>	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency
<u>Other</u>	Lightning protection in new build	Repair/ replacement
	Alarm systems, CCTV, lifts/ hoists etc.,	Repair and maintenance
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems
<b>External Works</b>		
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.
<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
<u>Open air pools</u>	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above.	Annual servicing

**Notes**

This illustrative list is the DfE's interpretation of the CIPFA Code of Practice and the Authority refers to this Code when defining capital and revenue.

Where the authority use de minimis limits for defining capital and revenue in their financial accounts, the same de minimis limits is used in defining what is delegated. The application of a de minimis limit may change the examples given in the first two columns of the illustrative list.

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## **Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 29 November 2018**

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**T**

### **Subject:**

**Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held 26 July 2018**

### **Summary statement:**

**The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.**

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Rodney Barton  
Director

### **Portfolio:**

**Leader of Council & Corporate**

Report Contact: Rodney Barton  
Phone: (01274) 432317  
E-mail: [rodney.barton@bradford.gov.uk](mailto:rodney.barton@bradford.gov.uk)

### **Overview & Scrutiny Area:**

**Corporate**

**1. SUMMARY**

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

**2. APPENDICES**

Minutes of the Joint Advisory Group 26 July 2018.

**Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 26 July 2018 in Aldermanbury House, Godwin Street, Bradford BD1 2ST**

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Commenced 1.30 pm  
Concluded 3.35 pm

**Present – Councillors**

**Members of the Committee**

<p><b><u>Bradford Members</u></b> Councillors: Thornton Ellis</p>	<p><b><u>Calderdale Members</u></b> Councillors: Baines Lynn Metcalf</p>
<p><b><u>Kirklees Members</u></b> Councillors: Loonat Firth Richards</p>	<p><b><u>Leeds Members</u></b> Councillors: Dawson Harrand Scopes</p>
<p><b><u>Wakefield Members</u></b> Councillors: Jones Stokes</p>	<p><b><u>Trades Union Members</u></b> Mr Greenwood (UNISON) Mr Chard (GMB) Ms L Bailey (UNISON)</p>
<p><b><u>Scheme Members</u></b> Mr Sutcliffe Ms W Robinson</p>	

Observers: S Liddle, Mazars LLP

Apologies: Councillor Shakeela Lal and Councillor J Speight

**1. APPOINTMENT OF CHAIR (Standing Order 35)**

**Resolved –**

**That Councillor Thornton be appointed Chair of the Joint Advisory Group for the Municipal Year 2018/2019.**

2. **APPOINTMENT OF DEPUTY CHAIR (Standing Order 35)**

**Resolved –**

**That Councillor Ellis be appointed Deputy Chair for the Municipal Year 2018/2019.**

3. **DISCLOSURES OF INTEREST**

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all relevant business under consideration.

**Action:** *City Solicitor*

4. **MINUTES**

**Resolved –**

**That the minutes of the meeting held on 25 January 2018 be signed as a correct record.**

5. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

There were no appeals submitted by the public to review decisions to restrict documents.

6. **RISK MANAGEMENT**

The Director, West Yorkshire Pension Fund, submitted a report, **(Document “A”)** which presented West Yorkshire Pension Fund’s latest risk management report.

Members questioned the level of risk involved following changes to the contract with HSBC Global Security in relation to the development of the Northern Trust. In response it was explained that the contract with HSBC was on a rolling basis managing a very large asset and could only be terminated with 30 days notice. HSBC were aware of changes likely to occur due to the Northern Trust and with £15 billions worth of assets would ensure the fund was well supported. WYPF were keen to maintain the contract due to it containing valuable clauses and as a contingency to support any risks.

The dependence on City of Bradford Metropolitan District Council’s processes and procedures was raised as a matter of concern. It was explained that most Local Government Pension Funds were attached to a local authority and assurances were provided that regular communication on a very high level was undertaken with Bradford MDC. In response to questions about the potential penetration of fire walls it was explained that the WYPF did have disaster plans in place and that regular penetration testing was undertaken.



Members were assured that none of the risks identified in the report were in the high or very high likelihood category and the impacts were not catastrophic or critical.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**

**7. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND - UPDATE**

The report of the Director, West Yorkshire Pension Fund, (**Document “B”**) provided an update on the West Yorkshire Pension Fund’s (WYPF) shared service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF) which commenced on 1 April 2015.

Members were assured that performance and benchmarking were key areas of work for the Fund. Document “B” revealed performance against key areas of work for the period 1 April 2018 to 30 June 2018 and reported that a number of targets had been exceeded.

It was mentioned that WYPF would be providing a similar shared service for the London Borough of Hounslow from 1 August 2018. A member referred to teething problems encountered with the quality of data received at the implementation of the shared service partnership with Lincolnshire Pension Fund and questioned whether any were anticipated with London Borough of Hounslow. In response it was acknowledged that all new clients presented their own issues. New partnerships were often sought because of problems with service providers. Data issues were anticipated and plans had been put in place.

It was questioned if contingencies were in place for potential problems arising from the transfer of Multi Academy Trusts. Assurances were provided that all Pension Funds had guarantees from the Department of Education and benefits would not be affected.

A member questioned why a similar report wasn’t provided for WYPF and it was agreed that this would be provided going forward.

**Resolved –**

**That the report be noted.**

**ACTION: Director, West Yorkshire Pension Fund**



## 8. **EXTERNAL BUSINESS - PENSION ADMINISTRATION FOR THE FIREFIGHTERS' PENSION SCHEMES**

West Yorkshire Pension Fund (WYPF) provides a shared service partnership to deliver a pensions administration for a number of Fire Authorities.

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) provided an update on business to date.

The report explained that the Fund had been chosen to provide pension's administration to seven new fire authorities bringing the total to 14. It was believed that this was because of national recognition of the WYPF's expertise of providing administration services.

The report included performance and benchmarking revealing performance against key areas of work for the period 1 April 2017 to 31 March 2018.

The costs of the shared service partnerships were questioned and it was explained that charges were made as a cost per member. The charges were not for profit and all income received was invested in staff or technology resulting in lower costs per member for all schemes administered.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## 9. **WEST YORKSHIRE PENSION FUND ADMINISTRATION OUTTURN 31 MARCH 2018**

The report of the Director, West Yorkshire Pension Fund, (**Document “D”**) summarised the total costs of administering pensions and investments in 2017/2018.

The report included analyses of WYPF total cost of operations for 2017/18 showing a variance between 2017/18 revised budget and costs. A Member queried the variance between the outturn and estimates and it was also questioned if the overspend on 'other running costs' was expected to continue.

In response it was explained that WYPF set an annual budget of £200k in a normal valuation year and that each third year that provision would be increased to £300k, however, a move had now been made to a more regular process of looking at data for valuation on a monthly basis. This was to ensure that any action required could be taken in a timely manner and prevent costly commissioning of work further down the line. The variance was, therefore, due to a compilation of the fund working with the actuary to look at the final costs and measures undertaken to reduce those costs.



Changes to the way that investment transaction charges were recorded had also affected the variance as investment costs such as stamp duty, previously recorded as capital expenses were now categorised as revenue.

A substantial reduction in oversight and governance in the costs per member 2017/18 were queried. Members were advised that guidance had been received indicating that some costs were wrongly apportioned and should not be included in the oversight and governance category. The refinement of those costs had led to the reduction in that category.

**Resolved –**

- 1. That the West Yorkshire Pension Fund total cost for 2017/18 reported in Document D be noted.**
- 2. That the achievement of the Director, West Yorkshire Pension Fund, and officers, in achieving the favourable cost per member be acknowledged and the appreciation of the WYPF JAG be relayed.**

***ACTION: Director, West Yorkshire Pension Fund***

**10. UNAUDITED REPORT AND ACCOUNTS 2017/2018**

The report of the Director, West Yorkshire Pension Fund, (**Document “E”**) presented the WYPF unaudited Report and Accounts for the financial year 2017/18.

The unaudited Fund’s financial position for the year ended 31 March 2018. The accounts had been Report and Accounts provided a summary of West Yorkshire Pension prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007.
- International Financial Reporting Standards (IFRS), as amended for the UK public sector.

It was reported that the value of the Fund as at 31 March 2018 was £13,566.6m, a net decrease of £65.7m, 0.5%, compared to the asset value at 31 March 2017 of £13,632.3m. The reduction in value was mainly due to a large scale bulk transfer in October 2017 of assets estimated at £450m to Greater Manchester Pension Fund (GMPF) for First Group West Yorkshire. There was a corresponding transfer of liabilities (which did not appear on the balance sheet) estimated at £482m, the net impact was an improved funding position for WYPF.



The actuarial valuation at 31 March 2016 had determined that the funding level was 94% and was one of the highest funding levels within LGPS in the last valuation. Following the large transfer of assets and liabilities to GMPF, an updated funding report at 31 March 2018 was requested from Aon plc, which indicated that the fund was now 107% funded. The improvement was principally due to the strong financial markets since the 2016 valuation. As this was merely an updated funding level it would not provide any cash flow benefit to employers. If the markets remained steady to 31 March 2019 it should result in employers' contributions continuing at current levels, however investment markets may rise or fall.

Members were advised that the accounts were subject to audit but would be presented to the Governance and Audit Committee on Monday 30 July 2018.

**Resolved –**

- 1. That the unaudited WYPF Report and Accounts for the financial year ended 31 March 2018 be noted.**
- 2. That the planned transfer of custody to Northern Trust, as outlined in Document “E” be noted.**
- 3. That the planned extension and review of banking services for West Yorkshire Pension Fund, as outlined in Document “E” be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

**11. AUDIT COMPLETION REPORT YEAR ENDING 31 MARCH 2018**

The Audit Completion Report (ACR), (**Document “F”**) set out the findings from the audit of the West Yorkshire Pension Fund for the year ended 31 March 2018, and would form the basis for discussions at the Governance & Audit Committee meeting on 30 July 2018.

The Audit Manager for WYPF from Mazars LLP, addressed the meeting and explained that the audit had been completed in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit Practices Board. The work was substantially complete but some areas of work were still continuing as set out in the Executive Summary on page 4 of the report. The statutory deadline for completing the audit was 31 July.

The report revealed that a trivial threshold, the level under which individual errors were not communicated to the Governance and Audit Committee, was set at £4m. A Member questioned if the Governance and Audit Committee would monitor if cumulatively that amount was exceeded. Assurances were provided that the phrase error was a term for discrepancy and that the Director, West Yorkshire Pension Fund, would be aware, and take action, on discrepancies below that amount. There was no trivial threshold permitted for fraud.



**Resolved –**

**That the Audit Completion Report, Appended to Document “F”, be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## **12. NORTHERN POOL**

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) set out the progress in establishing the Northern Pool covering:-

- Drafting the Northern Pool Operating Agreement, including the Terms of Reference for the Joint Committee.
- Procuring a joint custodian for all assets of the Pool.
- Developing the GLIL Infrastructure Vehicle (including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment)
- Developing a joint private equity vehicle.

Document “G” sought the approval of the Northern Pool Operating Agreement which was appended to the report, subject to review by the City Solicitor.

A Member questioned the purpose of an infrastructure vehicle and it was explained that the rationale was to invest in UK infrastructure. Investments which had already commenced included off shore wind; East Anglia rail stock; South West Railways and Anglian Water.

The report revealed that in March 2018, after a complex competitive tender process, the Northern Pool Shadow Joint Committee had approved the appointment of a common custodian bank, Northern Trust. It was confirmed that the bank had provided services for Merseyside Pension Fund for a number of years. Northern Trust was one of six major international providers of custody services. Specialist advisors had been used to advise on the legal agreements required and the tender process had been based on the condition that a legal agreement be made. The length of the legal agreement would depend on performance compliance and would be re-tendered in due course.

**Resolved –**

**That progress on pooling arrangements to date be noted, and the inter authority agreement, be approved, subject to review by the City Solicitor, known as the Northern Pool Operating Agreement (Appendix A to Document “G”) for submission to the Governance and Audit Committee and, in due course, City of Bradford Metropolitan District Council, and that the Director West Yorkshire Pension Fund, be authorised to amend it as expedient or necessary and put in place any ancillary documentation.**

***ACTION: Director, West Yorkshire Pension Fund***



### 13. LOCAL GOVERNMENT PENSION SCHEME 2014

The Director, West Yorkshire Pension Fund presented **Document “H”** which updated Members on changes to the Local Government Pension Scheme (LGPS) 2014 made by the Local Government Pension Scheme (Amendment) Regulations 2018.

**Resolved –**

**That the amendments to the Local Government Pension Scheme, contained in Document “H” be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

### 14. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

West Yorkshire Pension Fund has three Additional Voluntary Contribution Providers namely:

- Equitable Life Assurance Society
- Scottish Widows
- Prudential

Annually the West Yorkshire Pension Fund asks Aon plc’s Additional Voluntary Contribution Team to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration. The report of the Director, West Yorkshire Pension Fund (**Document “I”**) outlined the findings of that review.

A proposal that Club Active, WYPF’s communication with Members, could be used to advise members to consider Lifestyle Funds, which were considered less risky as members approached retirement, was suggested. In response it was explained that WYPF as administrators of the Fund were unable to provide financial advice. That view was challenged and a belief that the fund was making decisions for its members was expressed, however, the Director, WYPF explained that members were provided with options and that they did make active decisions.

The report revealed that one of the Fund’s three AVC providers, Equitable Life, had entered into an agreement to transfer its business to Reliance Life. Members questioned the effect of that transfer and were assured that advice would be sought from the Actuary.

**Resolved –**

**That the outcome of the annual review of West Yorkshire Pension Fund’s**



**Additional Voluntary Contribution Providers, contained in Document “I” be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## **15. ACTUARIAL VALUATION 2019**

The report of the Director, West Yorkshire Pension Fund (WYPF), (**Document “J”**) advised Members that the next triennial Actuarial valuation of the Fund was due at 31 March 2019 and that it would determine employer contribution rates from April 2020 onwards.

It was explained that an initial meeting with the Actuary would be arranged in autumn 2018 when issues relating to the valuation and investment markets would be explored in some depth.

A Member referred to the current difficult market conditions and his belief that, in such a market, it would not be prudent to consider any reduction in contributions until the fund was 140% funded. It was confirmed, in response, that discussions were held with the finance directors of all five local authorities and the fire service and in those discussions the message was communicated that although the fund was in surplus there was no intention to reduce contributions.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## **16. FUNDING STRATEGY STATEMENT**

The report of the Director, West Yorkshire Pension Fund, presented a report, (**Document “K”**) which advised Members that the current Funding Strategy Statement and Exit Policy required updating.

A summary of the changes to be implemented were detailed in Document “K” and it was explained that a consultation exercise with stakeholders had been undertaken on the proposed changes to the current Funding Strategy Statement and Exit Policy.

**Resolved –**

**That changes to the Funding Strategy Statement, contained in Document “K” be noted.**

***ACTION: Strategic Director, West Yorkshire Pension Fund***



## 17. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report (**Document “L”**) which informed Members that, in accordance with the Public Service Pensions Act 2013 all Public Service Pension Schemes now came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as it was reasonably practicable where that person had reason to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) The failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

A register of any breaches of the Pensions Code of Practice was maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2017/18 and 2018/19 were appended to Document “L”.

**Resolved –**

**That Document “L” and the entries on the Breaches Register appended to Document “L” be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

## 18. TRAINING, CONFERENCES AND SEMINARS

Members were reminded that training to understand their responsibilities and the issues they would be dealing with was a very high priority.

The report of the Director, West Yorkshire Pension Fund, (**Document “M”**) informed Members of training courses, conferences and seminars which may be of assistance. Full details about each event were available at the meeting.

The requirement for Members to develop and maintain their skills to fulfil their roles and to demonstrate that they had the appropriate level of knowledge to take appropriate decisions and challenge officers was stressed.

Members were urged to give consideration to attending the training courses, conferences and seminars set out in Document “M”.

**No resolution was passed on this item.**

## 19. ANNUAL MEETINGS

The Director, West Yorkshire Pension Fund, presented a report (**Document “N”**) which advised Members that West Yorkshire Pension Fund



would be holding two Annual Meetings in 2018. One meeting would be for Employers and the other would be for Scheme Members.

A Member suggested that retired Members may not wish to travel in rush hour traffic to the meeting which was proposed to be held in the afternoon of 31 October 2018. He questioned if the timings had affected attendance at previous meetings.

The Director, West Yorkshire Pension Fund, explained that the timings of the meetings had been amended to facilitate attendance by active members and the situation would be monitored. The member who had raised the issue acknowledged that active members would be interested in the meetings as their pensions were not yet granted. It was believed, however, that it was just as important that retired members got together and receive assurances about the fund's performance. It was requested that changes to meeting arrangements be kept under review.

**Resolved –**

**That the details of the West Yorkshire Pension Fund Annual Meetings, as set out in Document “N”, be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

Chair

**Note: These minutes are subject to approval as a correct record at the next meeting of the WYPF Joint Advisory Group.**

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER



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## **Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 29 November 2018**

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**U**

### **Subject:**

**Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held 1 November 2018**

### **Summary statement:**

**The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.**

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Rodney Barton  
Director

**Portfolio:**

**Leader of Council & Corporate**

Report Contact: Rodney Barton  
Phone: (01274) 432317  
E-mail: [rodney.barton@bradford.gov.uk](mailto:rodney.barton@bradford.gov.uk)

**Overview & Scrutiny Area:**

**Corporate**

**1. SUMMARY**

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

**2. APPENDICES**

Minutes of the Joint Advisory Group 1 November 2018.

**Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 1 November 2018 in Aldermanbury House, Godwin Street, Bradford, BD1 2ST**

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Commenced 12.35 pm  
Concluded 1.20 pm

**Present – Councillors**

<p><b><u>Bradford Members</u></b> Councillors: Thornton Ellis</p>	<p><b><u>Calderdale Members</u></b> Councillors: Baines Lynn Metcalf</p>
<p><b><u>Kirklees Members</u></b> Councillor: Richards</p>	<p><b><u>Leeds Members</u></b> Councillors: Harrand Scopes</p>
<p><b><u>Wakefield Members</u></b> Councillors: Jones Speight</p>	<p><b><u>Trades Union Members</u></b> Councillor I Greenwood (UNISON) Mr Chard (GMB) Ms L Bailey (UNISON)</p>

Apologies: Councillor E Firth, Councillor Shakeela Lal, Councillor F Loonat, Councillor Neil Dawson, Wendy Robinson, Councillor Graham Stokes and Mr K Sutcliffe

**Councillor in the Chair**

**20. DISCLOSURES OF INTEREST**

The Director, West Yorkshire Pension Fund, disclosed a pecuniary interest in West Yorkshire Pension Fund Revised Budgets 2018/2019. He presented Document “O” to Members then left the meeting during consideration and voting on the item.

**21. MINUTES**

**Resolved –**

**That the minutes of the meeting held on 26 July 2018 be signed as a correct record**

**ACTION: City Solicitor**

## 22. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

## 23. EXCLUSION OF THE PUBLIC

**Resolved –**

**That the public be excluded from the meeting during consideration of the item relating to the West Yorkshire Pension Fund Revised Budget because information would be disclosed which is considered to be exempt information within paragraph 4 (Labour Relations, Consultation or Negotiation) of Schedule 12A of the Local Government Act 1972 (as amended).**

**It is considered that, in all the circumstances, the public interest in maintaining this exemption outweighs the public interest in disclosing this information as it is in the overriding interest of proper administration that Members are made aware of the implications of any decision without prejudicing the Labour Relations, Consultation or Negotiation position of the West Yorkshire Pension Fund.**

## 24. WEST YORKSHIRE PENSION FUND REVISED BUDGETS 2018/2019

The Director, West Yorkshire Pension Fund, presented a report, (**Document “O”**) and following that presentation, he left the meeting and took no further part in the discussion.

**Resolved –**

- 1. That the Strategic Director, Corporate Services, be requested to undertake detailed work to implement the recommendation contained in Paragraph 4.1 of Not for Publication Document “O”.**
- 2. That the recommendation contained in Paragraph 4.2 of Not for Publication Document “O” be noted.**

**Action: Strategic Director, Corporate Services**

Chair

**Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Joint Advisory Group.**

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER





## **Report of the Assistant Director of Finance and Procurement to the meeting of the Governance and Audit Committee to be held on 29 November 2018.**

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**V**

### **Subject:**

**INTERNAL AUDIT PLAN 2018/19 – MONITORING REPORT AS AT 30 SEPTEMBER 2018 INCLUDING THE RESPONSE TO THE EXTERNAL REVIEW OF INTERNAL AUDIT**

### **Summary statement:**

**This report monitors the progress made by Internal Audit against the Internal Audit Plan for 2018/19 as at 30 September 2018. The report includes an update on progress made in implementing the recommendations of the external review of Internal Audit.**

---

Andrew Crookham  
Director of Finance

**Portfolio**

**Leader of Council and Corporate Portfolio**

Report Contact: Mark St Romaine  
Phone: (01274) 432888

**Improvement Area:**

E-mail:  
[mark.stromaine@bradford.gov.uk](mailto:mark.stromaine@bradford.gov.uk)

**Corporate**

## **1. SUMMARY**

- 1.1 The purpose of this report is to bring to the attention of members of the Governance and Audit Committee (G&AC) any significant issues arising from the audit work undertaken to date and to inform them about the progress made up to 30 September 2018, against the Internal Audit Plan, which was approved by the Committee on 28 June 2018. In addition the report includes an update on progress made in implementing the recommendations of the external review of Internal Audit.

## **2. BACKGROUND**

- 2.1 Internal Audit is part of Financial Services within the Department of Corporate Resources. This is the half year monitoring report on the Internal Audit Plan for 2018/19. This is detailed in Appendix 1. The overall Audit Opinion is that from the audit work performed to date, Internal Audit concludes that the Council's overall control framework is mostly effective.

- 2.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.

The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations.

- 2.3 In February 2018 the Internal Audit Service underwent an external review to determine the level of compliance with Public Sector Internal Audit Standards. This resulted in a Quality Assurance Improvement Plan (QAIP) which will be implemented by December 2018 to ensure the Service is fully compliant with the standards. An update of progress against the QAIP is included in the report.
- 2.4 One of the key findings of the peer review was to recommend an increase in the staffing levels on the team, and therefore the overall capacity of the audit plan. There has been significant progress in this area with the successful recruitment of four new Senior Auditors to the department. In order to facilitate the further implementation of the QAIP a revised Internal Audit Charter will be presented to the Governance and Audit Committee on January 29<sup>th</sup> 2019. This report will also include the conclusion of the Internal Audit recommendation follow up exercise.
- 2.5 It should also be noted that CIPFA have suggested they will be updating the Local Government Application Note which details how Public Sector Internal Audit Standards should operate within the Council. CIPFA also intends to update their advice on the Role Of the Head of Internal Audit. No dates for the publication of these revisions has been set.

## **3. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION**

- 3.1 Not Applicable.

## **4. OTHER CONSIDERATIONS**

4.1 There are no other considerations.

## 5. **OPTIONS**

5.1 Not applicable

## 6. **FINANCIAL AND RESOURCE APPRAISAL**

6.1 The work of Internal Audit adds value to the Council by providing management with an assessment on the effectiveness of internal control systems, making, where appropriate, recommendations that if implemented will reduce risk and deal with financial uncertainty.

## 7. **RISK MANAGEMENT**

7.1 The work undertaken by Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. Consideration was given to the corporate risk register when the Audit Plan for 2018/19 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope.

7.2 The key risks examined in our audits are discussed with management at the start of the audit and the implementation of recommendations is followed up with Strategic Directors.

## 8. **LEGAL APPRAISAL**

8.1 The Accounts and Audit Regulations for 2015 require the Council to 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. These standards are detailed in the Public Sector Internal Audit Standards supported by CIPFA's Local Government Application Note.

## 9. **OTHER IMPLICATIONS**

### 9.1 **Equality and Diversity**

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work, Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

### 9.2 **Sustainability Implications**

When reviewing Council Business, Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available

### 9.3 **Greenhouse Gas Emissions Impacts**

There are no impacts on Gas Emissions.

### 9.4 **Community Safety Implications**

There are no direct community safety implications.

#### **9.5 Human Rights Act**

There are no direct Human Rights Act implications.

#### **9.6 Trade Union**

There are no implications for the Trade Unions arising from the report.

#### **9.7 Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

#### **9.8 Implications for Corporate Parenting**

None

#### **9.9 Issues Arising from Privacy Impact Assessment**

None

### **10. NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

### **11. RECOMMENDATIONS**

That the Governance and Audit Committee:

11.1 Takes assurance from the results to date that show that the control environment of the authority is overall satisfactory.

11.2 Endorse the anticipated coverage and changes of Internal Audit work during the year.

11.3 Requires Internal Audit to monitor the control environment and continues to assess areas of control weakness and the ability of management to deliver improvements to the control environment when required.

### **12. APPENDICES**

Appendix 1 – Internal Audit Plan for 2018/19 – Monitoring Report as at 30<sup>th</sup> September 2018.

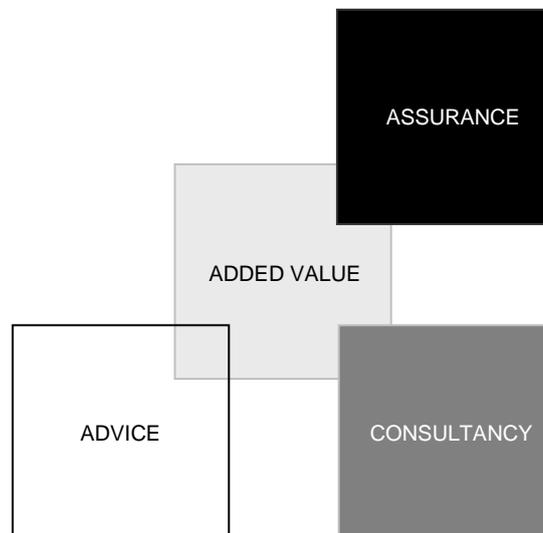
### **13. BACKGROUND DOCUMENTS**

13.1 G&AC report dated 28 June 2018 – Internal Audit Plan 2018/19.

**INTERNAL AUDIT PLAN 2018/19**

**MONITORING REPORT**

**AS AT 30.09.18.**



## **1 INTRODUCTION**

- 1.1 The Internal Audit Annual Plan for 2018/19 was approved by the Governance and Audit Committee (G&AC) at its meeting on 28 June 2018. This report is the half year monitoring report for this financial year. It identifies the progress made against the Internal Audit Plan up until 30 September 2018 and identifies any significant audit issues arising.
- 1.2 The report enables the Council to demonstrate compliance with the Public Sector Internal Audit Standards (PSIAS). These require the Head of Internal Audit to report periodically to the Governance and Audit Committee on Internal Audit's activity, purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested either by senior management or the Governance and Audit Committee.
- 1.3 The PSIAS also require the Head of Internal Audit to communicate the Internal Audit activity's plans and resource requirements, including significant interim changes, to the Governance and Audit Committee, including any impact of resource limitations

## **2 RESOURCES**

### **2.1 Increase in Audit Resources**

The Internal Audit Plan for 2018/19 has 399 days (21%) more capacity than in 2017/18 (2276 days v 1877 days). The net increase is due to the full year effect of one member of staff leaving the Authority, the planned recruitment of four full time Senior Auditors expected to be in post by 1.10.18 and the procurement of 60 computer audit days.

The Audit Plan includes time for the management of insurance, information governance, risk management and accountancy support, which absorb 264 days (11%) of the available planned 2276 days. In addition, a further 255 days is in the Audit Plan for auditing the West Yorkshire Pension Fund. The net audit days currently provided to Bradford Council in 2018/19 is 1757 days.

### **2.2 MK Insight**

MK Insight is an integrated Internal Audit ICT package produced by Morgan Kai that delivers the full range of Internal Audit functionality from planning, to reporting, including time recording and working paper preparation. The Internal Audit Team commenced using MK Insight in January 2017. MK Insight is now used by Audit Management to produce the Internal Audit Plan and by all staff to perform audits, report their findings and deliver the 2018/19 audit plan.

The following up of audit recommendations and the reporting of performance via MK Insight are currently under development.

## **3 SERVICE DELIVERY**

### **3.1 Audit Coverage**

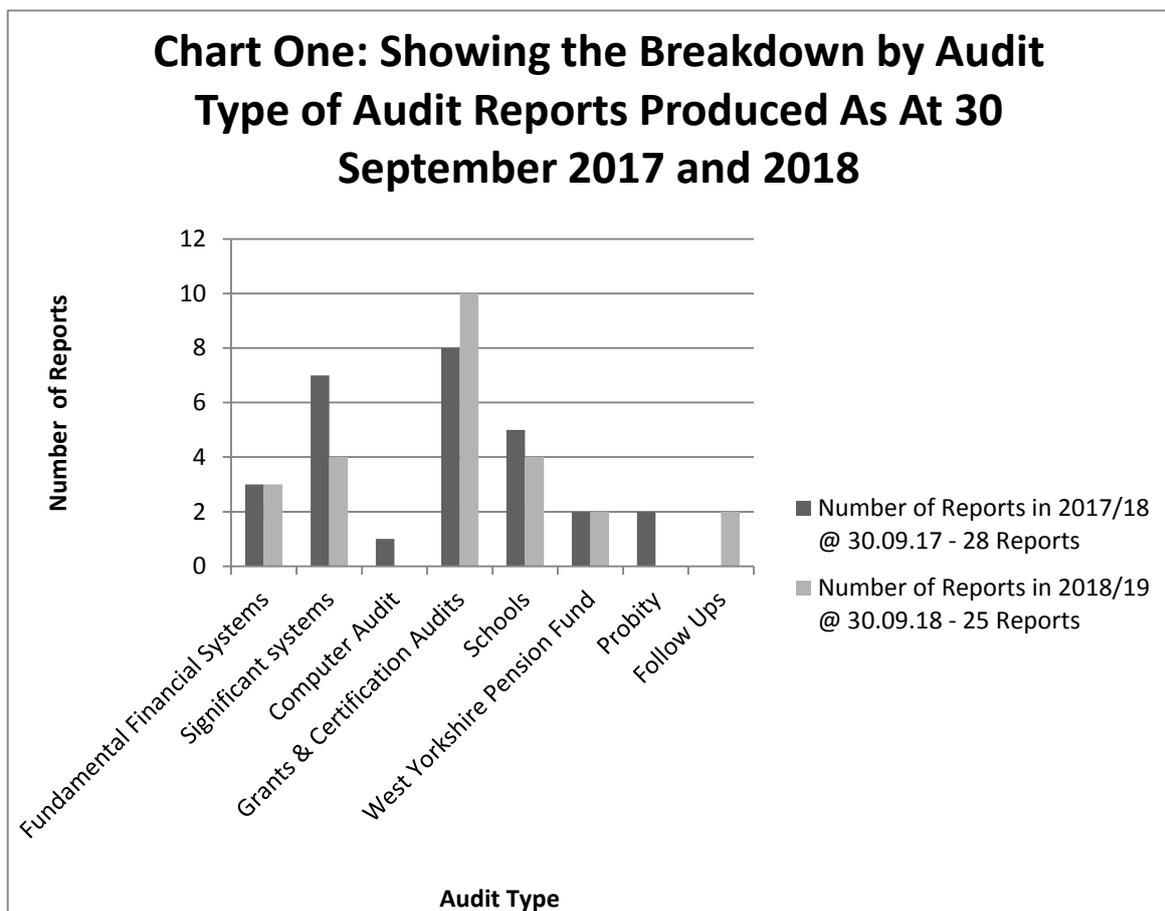
As at 30 September 2018, 39% of the 2018/19 audit plan has been completed compared to last year when 38% of the 2017/18 audit plan had been completed by this time.

Currently, it is forecast that Internal Audit will achieve its target level of 90% completion of the audit plan by the end of the financial year. This forecast assumes, however, that there are no significant unforeseen audit issues and unplanned work in the second half of 2018/19.

### 3.2 Reports Issued

All Internal Audit assignments result in an Audit Report that identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. Chart One below shows that as at 30 September 2018 a total of 25 reports have been issued, which compares with 28 at this time last year. The chart shows a breakdown of the reports by audit type.

The reduction in the number of reports issued is due to the service having reduced resources at the start of the year and involvement in investigations.



### 3.3 Control Environment

The following table details the opinions from those audits over the last two years where an appraisal of the overall system could be obtained. As can be seen the proportion of reports assessed as either satisfactory, good or excellent opinions is generally consistent over time and account for approximately 80% of the opinions reached. Whilst reassuring, this is as expected as Internal Audit's core focus is on fundamental and significant systems. Further, Internal Audit's work includes an increasing proportion of grant certification and West Yorkshire Pension Fund audits, both of which have a track record of being generally well controlled.

**Table One: Six Monthly Analysis of Audit Opinions raised in Internal Audit Reports issued in the Period 1 October 2016 to 30 September 2018**

Opinions	1 Oct 2016 and 31 March 2017		1 April 2017 and 30 Sept 2017		1 Oct 2017 and 31 March 2018		1 April 2018 and 30 Sept 2018	
	Total	Proportion	Total	Proportion	Total	Proportion	Total	Proportion
Excellent/Effective*	8	25%	9	41%	11	28%	10	48%
Good/Mostly Effective*	10	31%	6	27%	20	51%	7	32%
Satisfactory	10	31%	2	9%	5	13%	0	0%
Limited Assurance / Partially Effective*	4	13%	4	18%	1	3%	2	10%
No Assurance/Ineffective*	0	0%	1	5%	2	5%	2	10%
<b>Total Relevant Reports</b>	<b>32</b>		<b>22</b>		<b>39</b>		<b>21</b>	
Not applicable**	5		6		7		4	
<b>Total Reports</b>	<b>37</b>		<b>28</b>		<b>46</b>		<b>25</b>	

\* On implementing MK Insight in 2017, Internal Audit has, reduced the number of audit opinion categories from 5 to 4. The new audit opinions range from Excellent to Ineffective. Consequently, the former audit opinion of satisfied does not have a direct comparator going forward.

\*\* Internal Audit gives an opinion on the control environment whenever it is appropriate to do so. However, audit reports that provide advice, review specific control concerns or investigate irregularities generally do not have an opinion as they are too limited in scope.

The analysis above relates to those reports with opinions. Opinions are derived from a standard analysis of the level of control satisfaction and number of high priority recommendations within a report. Where reports are produced that do not relate to the planned evaluation of risks and controls, for example in response to requests for advice on specific matters, or in response to known control failures there is often no opinion applied to the report.

Internal Audit looks to minimise those reports without an opinion. The proportion of reports issued without an opinion being expressed is decreasing over time. However reports without an opinion still represents around 16% (4) of all reports issued over the period 1.4.18 to 30.09.18.

The audit work has identified that 79% of controls examined were operating satisfactorily. All concerns arising from the audit assignments result in an audit recommendation. To date 100% of our audit recommendations have been accepted by management. This is consistent with the 2017/18 outcome (98%).

### 3.4 Procurement Support

There are currently a number of reviews in relation to procurement activity. This is involving a number of officers across Corporate Services. This is being supported by Internal Audit on an on going basis as the investigation progresses.

### 3.5 Summary of Audit Reports and Findings

A summary of the routine audits undertaken and the recommendations identified is reported in Appendix A.

### 3.6 Overall Opinion

From the audit work performed to date, Internal Audit concludes that the Council's overall control framework is mostly effective, though this is based upon a reduced level of coverage in comparison to prior years.

### 3.7 Existing and Planned Changes to Internal Audit Coverage in 2018/19

During the year the audit plan is subject to revision in light of requests for, or the need to do additional unplanned audit work and also to reflect any in year changes in available resources. Action is taken as appropriate to ensure that audit resources are efficiently and effectively deployed. So far this year there has only been one change, with Housing Benefit Service Management requesting that two benefit areas be looked at in 18/19, Appeals and Quality Assurance. Only one audit was originally planned for

The fundamental and significant systems planned to be covered in the second half of the year include the following.

<b>Audit</b>	<b>Current Status</b>
<b>Fundamental systems</b>	
Enforcement & Write Offs	Testing
Requisitioning, Ordering & Receipting	On hold – Ready for testing.
Benefits Quality Assurance	Creating Work Programme
Housing Benefit Appeals	Final Report Issued
Corporate Contracts & Frameworks	Scoping/Background research
IR35	Testing
Apprenticeship Levy	Draft Report Issued
Starters & Leavers (Council)	RIM sent. Pre audit meeting arranged
Flexitime/Timerecording	Not started
Capital Schemes	Not Started
Cash Income/Capita Cash Receipting System	Not Started

<b>Significant systems</b>	
Buckden House Outdoor Education Centre	Draft Report Issued
Ingleborough Hall Outdoor Education Centre	Draft Report Issued
Leaving Care	Scoping/Pre Audit Meeting
Financial Assessment of Health & Wellbeing Clients	Testing
Section 117 Mental Health Act	Testing
Risk Management	Testing
Fleet Transport repairs and maintenance	Draft Report Issued
Community Infrastructure Levy	Creating Work Programme
Museum & Artefacts	Final Report Issued
Corporate Governance	Not Started
Data Quality/Performance Management	Not Started
Continuing Healthcare	Not Started
Better Care Fund	Not Started
Transformational Change	Not Started
Council Plan	Not Started
Building Maintenance Services	Not Started
Corporate Resources – Departmental Risk Management	Not Started
Swimming Pool and Sports Centre Income	Not Started
Waste Management	Not Started
Special Educational Needs Placements (out of area)	Not Started
Transitional Planning	Not Started

### **3.8 Internal Audit's Performance Indicators**

#### Client Feedback

After each audit a client feedback questionnaire is issued to the appropriate officer to obtain feedback from them about the audit. 100% of the officers that responded said that the audit recommendations made were useful, realistic and overall the audit was of benefit to management.

#### Timeliness of Audits

During the first 6 months, 79% of draft reports were issued within 3 weeks of finishing the site work, this is marginally below the target of 80%. 92% of final reports were issued within a week of the post audit meeting, which is above the target of 90%. The timeliness of issuing draft and final reports is crucial to providing a good service to officers, enabling them to deal with the issues raised and consider the recommendation made.

### **4.0 Internal Audit Quality Assurance Improvement Plan**

- 4.1 In February 2018 the Internal Audit Service underwent an external review to determine the level of compliance with Public Sector Internal Audit Standards. This resulted in a Quality Assurance Improvement Plan (QAIP) which will be implemented

by December 2018 to ensure the Service is fully compliant with the standards. An update of progress against the QAIP is included in Appendix B.

**Appendix A Summary of Audit Reports and Findings**

**Appendix B Internal Audit Quality Assurance Improvement Plan 2018**

**Summary of Audit Reports and Findings****1. Fundamental Systems**

Audit work carried out in the first half of 2018/19 supported the strategy of moving away from high level annual assurance audits to more detailed cyclical audits of the systems. During the period to 30.09.18, 3 reports were issued relating to fundamental systems.

- 1.1 Review of the Council's Treasury Management and Pension Contributions resulted in an excellent opinion. Whilst the audit of the Payroll Voluntary Deductions resulted in a good opinion.

**2. Significant Systems**

- 2.1 During the first half of the year, four reports relating to significant systems were issued. These are summarised below.

2.2 A recent audit of the Strategic Risk relating to Regeneration and Investment into the District gave an ineffective opinion due to the Corporate Risk Register entry being inaccurate, out of date and incomplete, and there was no officer responsible for maintaining the entry due to retirement, with a delay in appointing a replacement. An officer has now been appointed to review and maintain the Corporate Risk Register entry.

2.3 An audit of the Better Care Fund system gave a partially effective opinion due to source data for the residential admissions metric not being wholly consistent with the metric definition, and also activity data, linked with associated financial data, not being available to management at individual scheme level, for all the schemes in the Better Care Fund.

2.4 Internal Audit reviewed specific control concerns relating to the removal/reduction of rental subsidies provided to tenants of community facilities and confirmed that Voluntary and Community Sector Organisations affected by the removal of rental subsidies from 1<sup>st</sup> April 2017 were not directly notified of the change by Operational Estates Management. The report issued did not give an audit opinion but made one recommendation to improve the control environment.

2.5 Internal Audit provided relevant advice relating to the implementation of ContrOCC, the system planned to be used by Children's Services for managing Social Care contracts and budgets; particularly in the operational areas of remittances, financial reporting and forecasting. An audit opinion was not involved.

**3. Schools****3.1 School Audits**

During the first half of the year, four reports relating to schools were issued (compared to five reports in the same period in 2017/18). Of these, three related to individual school audits, at one Primary and two Secondary schools. All reports included recommendations to improve the control environment at each school visited, with audit opinions of Partially Effective (Primary school) and Good/Mostly

Effective (the two Secondary schools). The fourth report related to an annual position summary and assurance statement issued to the DfE relating to the Schools Financial Value Standard process, which is referred to in more detail below.

### **3.2 Schools Financial Value Standard**

At the 2017/18 year end, all maintained schools were required to complete a self-assessment against the Department for Education's Schools Financial Value Standard (SFVS). As at 31 March 2018, SFVS self-assessments were completed by 116 of the Council's 131 maintained schools. 9 schools were exempt, leaving 6 that were late. However, these were chased up and received shortly afterwards. The returns received for 2018 showed an overall improvement in the standard of completion of the returns and the quality of action plans, particularly from those schools who have previously attended SFVS training.

The Department for Education (DfE) announced in May 2018 of their intention to introduce a new resource management tool to replace the current SFVS scheme from April 2019 (for returns due by 31<sup>st</sup> March 2020). The new tool is designed to support maintained schools to make a better self-assessment of how they are managing their resources and further develops the existing SFVS scheme by introducing a data-based element (a dashboard).

Final SFVS returns under the current scheme are due by 31<sup>st</sup> March 2019. Internal Audit will be offering training on 4<sup>th</sup> December 2018 on both SFVS and also provide an introduction to the new resource management tool. Despite the increasing number of schools converting to academy status, Internal Audit are pleased that schools continue to attend training and engage with SFVS, thus recognising the benefits it provides to ensure effective financial management in schools. There will also be much interest shown in the new resource management tool going forwards. An approach using training, rather than auditing individual school's SFVS returns, is still considered a more efficient use of resources to achieve greater coverage across the district.

## **4. Grants**

Grant certification work is carried out in response to conditions placed on central government targeting of funding to local authorities, for example funding for pot hole repairs on the District's highway network.

The grants requiring certification can vary and change each year. The audit plan for 2018/19 has seen the number of grants requiring review increase, with one new Highways grant certification being carried out. To date 10 reports have been issued relating to capital and revenue grants that required Internal Audit certification.

The values of the grants varied considerably, conditions also varied and included confirming that targets had been met, that funds had been appropriately spent and that other requirements, such as publication of how the grant had been used, had been complied with.

Overall Internal Audit has been able to give a positive opinion for all grants and consequently no funding has been lost.

## 5 Computer Audit

For the first half year no computer audits have been performed. The service currently does not have a specialised computer auditor following the cessation, in October 2017, of the joint working arrangement with Wakefield Council. This will be reviewed in the second half of the year but unless there is a significant change in risk there will be no computer audits in 2018/19.

## 6. West Yorkshire Pension Fund (WYPF)

During 2018/19 Internal Audit will carry out a variety of audits in the West Yorkshire Pension Fund (WYPF), in accordance with the annual plan agreed with WYPF management. Reports issued to the 30 September 2018 were in respect of the following:-

- **Review of WYPF 2017/18 Accounts.** This audit is carried out at the request of the Financial Controller to assist in producing accurate, easy to read information within the financial accounts.
- **New Pensions and Lump Sums – Fire Service Pensions.** West Yorkshire Pension Fund provides an administration service for the payment of Fire Officers' pensions in respect of a number of Fire Services. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required.

## 7. Full List of Internal Audit Completed in 2018/19

7.1 A full list of the reports issued this financial year is detailed below.

Audit			
Category	Client	Opinion	Title
Follow Up	Health and Wellbeing	Ineffective	Direct Payments Follow Up
Follow Up	Corporate Resources	Mostly Effective	Purchasing Cards Follow Up
Fundamental Systems	Corporate Resources	Effective	Certification of Pension Contributions 2017/18
Fundamental Systems	Chief Executive	Excellent	Bradford Council Treasury Management
Fundamental Systems	Corporate Resources	Mostly Effective	Payroll Voluntary Deductions
Grants & Certificate Work	Dept of Place	Excellent	West Yorkshire Combined Authority Local Transport Block Capital Funding 17/18
Grants & Certificate Work	Dept of Place	Excellent	Cycle City Ambition Grant 2017/18
Grants & Certificate Work	Dept of Place	Excellent	West Yorkshire Plus Transport Funding 2017/18
Grants & Certificate Work	Dept of Place	Excellent	National Productivity Investment Funding 2017/18
Grants & Certificate Work	Dept of Place	Excellent	Disabled Facilities Grant 2017/18
Grants & Certificate Work	Dept of Place	Excellent	Pot Hole Funding 2017/18
Grants & Certificate Work	Dept of Place	Excellent	Highways Challenge Fund Grant 2017/18
Grants & Certificate Work	Dept of Place	Excellent	Local Authority Bus Subsidy Ring-Fenced (Revenue) grant 2017/18
Grants & Certificate Work	Childrens Services	Mostly Effective	PE & Sports Premium 2017/18
Grants & Certificate Work	Childrens Services	Good	Troubled Families 2018 - Claim 1

Schools	Childrens Services	Good	The Holy Family Catholic School
Schools	Childrens Services	Mostly Effective	Bingley Grammar School
Schools	Corporate Resources	N/A	Analysis of Schools Financial Value Standard Self Assessment Returns 2018
Schools	Childrens Services	Partially Effective	St Anthony's Catholic Primary School
Significant systems	Dept of Place	Ineffective	Strategic Risk - Regeneration and Investment into the District
Significant Systems	Corporate Resources	N/A	Concerns Relating to the Removal/Reduction of Rental Subsidies Provided to Tenants of Community Facilities
Significant systems	Dept of Health & Wellbeing	Partially Effective	Better Care Fund 17-18
Significant Systems	Childrens Services	N/A	ContrOCC implementation advice
WYPF	Chief Executive	Good	West Yorkshire Pension Fund - Fire New Pensions and Lump Sums
WYPF	Chief Executive	N/A	Review of West Yorkshire Pension Fund 2017/18 Accounts



## Bradford Council Internal Audit Quality Assurance Improvement Plan 2018-19

Ref	Assessment Recommendations	Management Actions	Lead Officer	Deadline	Actions Taken	RAG Status	Further Actions
1	<p>The Assistant Director Finance and Procurement should look at the future resource requirements for the service, ensuring the review considers:</p> <ul style="list-style-type: none"> <li>• The overall level of resources required to fulfil the statutory and professional requirements of the service</li> <li>• The extent to which the current Head of Audit's position is conflicted due to a high level of other responsibilities</li> <li>• The overall level of non- audit responsibilities performed by the audit team, including the HoIA</li> <li>• There is sufficient access to technical ICT audit resources</li> </ul>	Service resource levels, audit documentation, planning and potential conflict in responsibilities will be assessed and addressed by a review of the service during 2018.	Assistant Director Finance and Procurement (ADFP)	Dec 2018	<p>Budgetary Resources Allocated to new recruitment</p> <p>Four Senior Auditors appointed with a commencement date of 20<sup>th</sup> August 2018</p> <p>Wakefield confirmed ICT auditor not available</p>	Amber	<p>Further review of IA Traineeship to be commenced shortly</p> <p>Options for ICT Audit to be considered</p> <p>Review of service responsibilities to be included in any future restructure of service functions.</p>
2	<p>The Assistant Director Finance and Procurement should ensure there are sufficient safeguards in place to ensure audit independence and objectivity are not compromised by any non- audit responsibilities retained by internal audit, including in particular the HoIA.</p> <p>Safeguards should be reported to, and agreed by, the Governance and Audit Committee.</p>	Building on the action in 1, we will seek to address circumstances that give rise to audit independence and objectivity being compromised, and would expect to report appropriate safeguards as part of our reporting process.	ADFP	Dec 2018	<p>Safeguards reported to Governance and Audit Committee 28<sup>th</sup> June 2018 in Para 7 of report.</p> <p>Draft revised Internal Audit Charter completed for future consideration by GAC</p>	Green	Revised Internal Audit Charter has been prepared to be included on the January 2019 Governance and Audit Committee.
3	The Assistant Director Finance and Procurement should consider removing the requirement for the HoIA to deputise for the Chief Finance Officer and amend the job description accordingly.	This will be removed. The HoIA post isn't the Deputy Chief Finance Officer (held by the Head of Budgeting, Management Accounting and Projects), and therefore has no statutory standing in relation to those powers.	ADFP	Dec 2018	Position needs to be reviewed	Amber	This is to be considered as part of the Service review. May be included in the Internal Audit Charter update.
4	The HoIA should update the Declarations of Interest form to refer to the current audit Standards.	The Declarations of Interest Form will be updated to refer to the current Standards.	Head of Internal Audit (HOIA)	Nov 2018	<p>Declaration of Interest form amended ready for the 2018/19 declaration updates.</p> <p>New declarations sent out 5<sup>th</sup> November 2018</p>	Green	
5	The Assistant Director Finance and Procurement should determine the required involvement of (1) the Governance and Audit Committee in decisions about the appointment of the HoIA and (2) the Committee and/or the Chief Executive in the HoIA's performance appraisal, and obtain the agreement of the Governance and Audit Committee and Chief Executive as appropriate.	<p>The Council's Standing Orders do not allow for formal/direct involvement of Members in the appointment of the HoIA.</p> <p>The views of the Chair of the Committee and Chief Executive will be sought as part of the annual appraisal.</p>	ADFP	Jan 2019	Not yet required but may be included in the Internal Audit Charter update.	Amber	

Ref	Assessment Recommendations	Management Actions	Lead Officer	Deadline	Actions Taken	RAG Status	Further Actions
6	The HoIA should ensure the wording of his 2017/18 annual report complies with the requirements of the Accounts and Audit Regulations and the Audit Standards 2015.	The audit opinion within the 2017/18 Annual Head of Audit Report will comply with the requirements of the Accounts and Audit Regulations and Audit Standards.  The 2016/17 Annual Head of Audit Report included a long statement on the Council's governance procedures, but included no comment in the actual audit opinion itself.	HoIA	Sept 2018	2017/18 Annual report was considered at the September 2018 Governance & Audit Committee. This included an opinion detailing specifically risk management, internal control and governance assurance compliance.	Green	
7	The HoIA should ensure future plans show clearly how the work planned will contribute to forming an opinion at the end of the year on the Council's control and/or risk and/or governance arrangements.	Future annual audit plans will be designed to clearly show how they contribute to forming audit conclusions on control, risk and governance.	HoIA	July 2018	The new five year plan 2018/19 to 2022/23 refers to the requirement to complete work on risk management, internal control and governance.	Green	Further work will be completed on the 5 year plan to specify the work that fulfills each assurance criteria.
8	The HoIA should update the Audit Charter as a priority.	The Audit Charter will be updated to reflect the current Audit standards.	HoIA	Dec 2018	Draft revised Internal Audit Charter completed	Green	Governance and Audit Committee to approve new Internal Audit Charter in January 2019.
9	The HoIA should complete audit procedure notes to supplement the MK Insight process details.	Audit procedure notes will be completed to describe the current audit process now that MK Insight has been implemented.	HoIA	Dec 2018	Development of audit procedure notes for MK Insight scheduled for second half of 18/19 Significant progress has been made in drafting the procedure notes.	Green	Completion of the audit procedure notes .
10	The HoIA should enhance the Quality Assurance and Improvement Programme to include wider development needs that can be derived from, for example: <ul style="list-style-type: none"> <li>skills assessments against future needs and resulting team development programmes,</li> <li>occasional client surveys</li> <li>feedback loops from file reviews,</li> <li>personal development reviews</li> <li>feedback from staff on opportunities for improvement</li> </ul>	The Quality Assurance and Improvement Programme (QAIP) will be broadened in scope in future.	HoIA	Dec 2018	QAIP has been enhanced to include the wider development needs.  Analysis of IA trainee job profiles across various Councils completed.	Amber	Training and development plan to be prepared and agreed. This needs to include an induction package for the new members of the team.
11	The HoIA should undertake an assessment of future service requirements and skills required to meet requirements, and produce a team development plan to deliver the core needs identified.	A team development plan will be produced to deliver the service's future needs.	HoIA	Dec 2018	This will form part of the training and development plan.	Amber	This will be completed as part of the training and development plan.

Ref	Assessment Recommendations	Management Actions	Lead Officer	Deadline	Actions Taken	RAG Status	Further Actions
12	The HoIA should ensure key audit reports, including the strategic and annual audit plans, and the HoIA annual report are presented to the Corporate Management Team	<p>Internal Audit currently reports through the Chief Finance Officer and the Governance and Audit Committee. There are regular briefings to the Chief Executive.</p> <p>We will explore the merits of periodic reporting to CMT, subject to timetabling, in line with the reports that are presented to Governance and Audit Committee.</p>	ADFP	Nov 2018	<p>New 5 Year Internal Audit plan has been tabled at CMT on 20<sup>th</sup> June 2018.</p> <p>Annual Internal Audit report timetabled at CMT on 27<sup>th</sup> September 2018.</p> <p>Internal Audit Plan 2018/19 Half Year Monitoring Report timetabled for CMT on November 7<sup>th</sup> 2018</p>	Green	
13	The HoIA should ensure all reports confirm work has been done in accordance with the Standards, unless this does not apply.	This is the case for non MKI generated reports, which are a small percentage of the reports. All future audit reports are to confirm that work has been done in accordance with the Standards unless this does not apply.	HoIA	April 2018	No reports currently have been completed outside MKI so no changes yet to action	Green	Any reports prepared outside MKI will have the PSIAS statement included





## **Report of the Assistant Director of the Chief Executive's Office to the meeting of Governance and Audit Committee to be held on 29 November 2018.**

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**W**

### **Subject:**

Local Government and Social Care Ombudsman - Review of Local Government Complaints 2017/18

### **Summary statement:**

Following receipt of the Annual Review Letter from the Local Government and Social Care Ombudsman, this report summarises the number of complaints and investigations undertaken by the Ombudsman for the year ended 31 March 2018 and compares Bradford's performance against that of other local authorities.

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David Walmsley  
Assistant Director  
Office of the Chief Executive

**Portfolio:**  
**All**

**Overview & Scrutiny Area: All**

Report Contact: Irina Arcas  
Phone: (01274) 435269  
E-mail: [irina.arcas@bradford.gov.uk](mailto:irina.arcas@bradford.gov.uk)



## 1. SUMMARY

Following receipt of the Annual Review Letter from the Local Government and Social Care Ombudsman (LGSCO), this report summarises the number of complaints and investigations undertaken by the Ombudsman for the year ended 31 March 2018 and compares Bradford's performance against that of other local authorities.

## 2. BACKGROUND

2.1 The LGSCO was established under the Local Government Act 1974 which defines the main statutory functions for the Ombudsman as

- to investigate complaints against councils and some other authorities
- to investigate complaints about adult social care providers from people who arrange or fund their adult social care (Health Act 2009)
- to provide advice and guidance on good administrative practice

2.2 Its main activity under the Act is the investigation of complaints, which it states is limited to complaints from members of the public alleging they have suffered injustice as a result of maladministration and/or service failure. Under Part IIIA the Ombudsman investigates complaints from people who allege they have suffered injustice as a result of action by adult social care providers.

2.3 The Ombudsman's jurisdiction covers all local authorities (excluding town and parish councils); police and crime bodies; school admission appeal panels and a range of other bodies providing local services. The vast majority of the complaints the Ombudsmen receive concern the actions of local authorities and adult social care providers are within the LGSCO's jurisdiction.

2.4 The Regulatory Reform (Collaboration etc between Ombudsmen) Order 2007 amended the 1974 Act and clarified the powers of the LGSCO and the Parliamentary and Health Service Ombudsman (PHSO) to work together. With the consent of the complainant the Ombudsman can share information, carry out joint investigations and produce joint reports where complaints fall within the remit of both Ombudsman schemes. In practice, the Ombudsmen consider and agree proposals to conduct joint investigations where the matters complained about are so closely linked that a joint investigation leading to the production of a joint conclusion and proposed remedy in one report is judged to be the most effective means of reaching a decision on maladministration and injustice.

## 3. OTHER CONSIDERATIONS

3.1 Each year the LGSCO provides its Annual Review Letter to each Authority (Appendix 1) detailing the annual summary of statistics on the complaints made to its office. The data provided shows the complaints and enquiries it has recorded, along with the decisions it has made and whilst the number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to they do allow for comparisons to be made with authorities of a similar size.



- 3.2 The Review of Local Government Complaints 2017/18 identifies that the LGSCO received a total of 123 new complaints and enquiries about Bradford between 1 April 2017 and 31 March 2018 compared to 120 in the previous year. A breakdown across Services is detailed below:

<b>Service Area</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Adult Social Care	18	12	17
Benefits and Council Tax	21	21	16
Corporate and other Services	12	8	6
Education and Children's Services	19	31	28
Environmental Services and Public Protection	12	12	16
Highways and Transport	14	18	15
Housing	4	5	5
Planning and Development	12	13	20
Other	1	0	0
<b>Total</b>	<b>113</b>	<b>120</b>	<b>123</b>

Upon receipt of a complaint the LGSCO will initially approach the Local Authority to ascertain the status of the complaint. The LGSCO will normally only accept complaints if the complainant has exhausted the Council's own internal complaint process. In 2017/18 the LGO made 130 decisions in relation to complaints about Bradford compared to 120 the previous year. Of the 130 decisions made in 2017/18, 46 (35% compared to 51% in the previous year) were referred back to the Council for local resolution and 47 (36% compared to 22% in the previous year) were closed by the LGO after its initial enquiries. 7 (5%) complaints were considered incomplete, invalid or other advice was provided.

- 3.3 During the period in question 30 complaints (23 in 2016/17) were subject to a detailed investigation carried out by the LGSCO. 11 of those complaints were not upheld with 19 being upheld i.e. 15% of the total complaints received by the LGO were upheld compared to 10% in 2016/17. A breakdown across service area of those subject to a formal investigation is below. The figures in brackets are those for 2016/17.



<b>Service Area</b>	<b>Upheld</b>	<b>Not Upheld</b>
Adult Social Care	4 (8)	1 (4)
Benefits and Council Tax	5 (0)	0 (1)
Corporate and other Services	0 (1)	0 (0)
Education and Children's Services	4 (2)	2 (3)
Environmental Services and Public Protection	1 (0)	3 (0)
Highways and Transport	1 (1)	0 (1)
Housing	1 (0)	0 (0)
Planning and Development	3 (0)	5 (2)
<b>Total</b>	<b>19 (12)</b>	<b>11 (11)</b>

Across the Country the LGSCO registered in excess of 17,452 (16,863 in 2016/17) complaints and enquiries and upheld 57% of complaints where it carried out a detailed investigation. In 2017/18 the 63% of the 30 Bradford complaints which were upheld following a detailed investigation by the LGSCO compares with the 57% national comparator, the West Yorkshire comparator of 55% and the Yorkshire and Humber comparator of 53%.

In terms of percentage of upheld cases against the overall number of complaints the LGSCO received, Bradford (15%) ranked the second best against the West Yorkshire comparators which averaged at 15%, and it was slightly higher than the national and the Yorkshire and Humber region averages, which were both 14%.

- 3.4 Learning from complaints - Complaints provide senior managers with useful information in respect of the way that services are delivered. Under the Complaints Procedure and where necessary the delivery of recommendations or corrective actions are monitored through Action Plans agreed with the service manager affected.
- 3.5 In relation to compliance the LGSCO commented on his report about Bradford Council, the Council's positive approach to complaint handling, a prompt response to the Ombudsman's enquiries and a positive response to the LGSCO's decisions and recommendations.
- 3.6 The LGSCO published 40% more public interest reports during 2017/18, with a total of 42. One of the 42 public reports was against Bradford Council in relation to a failure to refer a housing benefit applicant's case on to the first-tier tribunal. The Ombudsman's investigation found out that a further 519 applicants were in a similar situation. The Council agreed to pay £100 to the complainant, pass her appeal to the tribunal and provided the Ombudsman with evidence of the actions taken to ensure such backlog is not likely to happen again. The LGSCO Public report was presented to the Corporate Overview & Scrutiny meeting on the 21<sup>st</sup> of February of 2018.
- 3.7 The Authority agreed with the Ombudsman that appeals in relation to benefits would be resolved within two months of receipt, where all the information to make a



determination was available. The Ombudsman agreed a target of 31 March 2018 to achieve that two month target which was met by the Authority. In addition to this the team has recently been the subject of an inspection by Internal Audit and received an excellent accreditation with regard to its current control processes.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

The cost of investigating and supporting complaints and enquiries from the LGSCO is included in the Council's base budget and does not incur any additional costs to the Council.

In 9 of the 19 cases where the LGSCO undertook a formal investigation and upheld the complaint, the LGSCO recommended compensation and other payments to complainants totalling £1.925, the cost of which is borne by Service Departments from within the base budget. This figure was slightly lower than in the previous year (£2,000) even though the LGSCO upheld more cases during 2017/18.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

The LGSCO's review suggests that, overall, the numbers of complaints is increasing and Councils have less resource available to manage them. The overall number of complaints considered by the LGSCO for Bradford has increased over the last year and so has the number of detailed investigations carried out by the LGSCO and the number of complaints being upheld.

#### **6. LEGAL APPRAISAL**

There are no specific legal issues in relation to the 2017/18 annual report arising within this report.

#### **7. OTHER IMPLICATIONS**

##### **7.1 EQUALITY & DIVERSITY**

There are no direct equal rights implications. All decisions on complaint investigations are made on the individual facts of the case taking into account the Council's complaints procedure.

##### **7.2 SUSTAINABILITY IMPLICATIONS**

There are no sustainability implications.

##### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

There are no impacts on Gas Emissions.



#### **7.4 COMMUNITY SAFETY IMPLICATIONS**

There are no impacts on Community Safety.

#### **7.5 HUMAN RIGHTS ACT**

There are no impacts in relation to the Human Rights Act.

#### **7.6 TRADE UNION**

There are no Trade Union implications.

#### **7.7 WARD IMPLICATIONS**

There are no Ward implications.

#### **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

Not applicable.

#### **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

Not applicable.

#### **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

There are no data protection and information security matters arising from this report.

#### **8. NOT FOR PUBLICATION DOCUMENTS**

None

#### **9. OPTIONS**

There are no options to consider

#### **10. RECOMMENDATIONS**

- 10.1 That the Governance and Audit Committee takes assurance from the result of the Local Government and Social Care Ombudsman's Annual Review of Local Government Complaints 2017/18, that the Authority's complaints process is overall satisfactory.

#### **11. APPENDICES**

Appendix 1 - Annual Review Letter 20017/18



## 12. BACKGROUND DOCUMENTS

None



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18 July 2018

*By email*

Kersten England  
Chief Executive  
City of Bradford Metropolitan District Council

Dear Kersten England,

### **Annual Review letter 2018**

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

### **Complaint statistics**

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

We issued one public report against your Council this year. We found that you had failed to refer a housing benefit applicant's case on to the first-tier tribunal. Our investigation established that a further 519 applicants had also not had their appeals referred on to the tribunal.

The Council agreed to pay £100 to the complainant, apologise to her and pass her appeal to the tribunal. Since the report was issued you have provided us with details of the steps your Council has taken to ensure such a backlog is less likely to happen again.

I am pleased to note your Council has a positive approach to complaint handling. We saw one child protection case where there a long delay in completing the Council's statutory investigation. But overall your Council has responded promptly to our enquiries and positively to our decisions and recommendations.

### **Future development of annual review letters**

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new [corporate strategy](#) for 2018-21 which commits us to more comprehensibly publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will be seeking views from councils on the future format of our annual letters early next year.

### **Supporting local scrutiny**

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at [www.lgo.org.uk/scrutiny](http://www.lgo.org.uk/scrutiny). I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

### **Learning from complaints to improve services**

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the [reports](#) and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

**Complaint handling training**

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M King', with a horizontal line underneath the name.

Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** City Of Bradford Metropolitan District Council  
**For the Period Ending:** 31/03/2018

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
17	16	6	28	16	15	5	20	0	123

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## Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
7	0	46	47	11	19	63%	130

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.  
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
14	3



## **Report of the Assistant Director of Transformation and Change to the meeting of the Governance and Audit Committee to be held on 29 November 2018**

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**X**

### **Subject:**

External Audit Report Recommendations IT Update.

### **Summary statement:**

This report shows the Council's progress on implementing two External Audit Recommendations from the 2016 review undertaken by Mazars.

---

David Cawthray  
Assistant Director of Transformation and Change

**Portfolio: Leader and Corporate**

**Overview and Scrutiny Area: Corporate**

Keith Hayes  
Head of IT Services

Report Contact: Colum Sheridan-Small  
Customer Service and Compliance  
Manager

Phone: (01274) 434047

E-mail: [colum.sheridan-small@bradford.gov.uk](mailto:colum.sheridan-small@bradford.gov.uk)

## 1. SUMMARY

- 1.1 The Council's external auditors Mazars undertook an audit in the first quarter of 2016 to assess a selection of key Council IT systems as part of the audit of the financial statements.
- 1.2 Two recommendations from the report remain outstanding and were identified as such in the 2017 external audit report on IT.
- 1.3 The outstanding recommendations were aimed at improving two areas managed by IT Services. Namely the process for managing the close down of computer accounts when staff leave the organisation referred to as "the Leavers" process, and the management of the annual review and testing of key Council IT systems in line with the Council's Business Continuity planning process. A revised plan to implement the two recommendations is attached. (See appendix A).

## 2. BACKGROUND

- 2.1 The Council has many IT systems that support internal back office processes and support the delivery of services to citizens. A number of these IT systems are deemed critical due to the safeguarding and financial implications associated with them. As part of the annual external audit process Mazars test these critical IT systems to ensure that adequate controls are in place to prevent information loss, protect information integrity and to block unauthorised access to information.
- 2.2 The audit process requires the Council to provide a range of information on the use and management of the IT systems selected for review. Typically this is evidence of documentation for managing who accesses the system, how IT system updates are managed with formal change process controls and the technical security measures and processes that are in place to preserve IT system integrity.
- 2.3 Mazars adopted the following approach while undertaking the 2016 and 2017 IT audit reviews.

### 2.3.1 Objective

As part of the audit of the financial statements for the period ending 31<sup>st</sup> March 2016 the objective of this work is to provide an assessment on the design & implementation and operating effectiveness of key IT General Controls of applications supporting the aforementioned financial statements of the City of Bradford Metropolitan District Council.

### 2.3.2 Approach

Our review of the IT General Controls covers the following areas:

- Security;
- Change Management; and
- IT Operations.

And is performed according to the following approach

- Understanding the IT environment;
- Controls testing;
- Reporting the key findings.

### 2.3.3 Limitations

- We have been focused on SAP, AIM, Swift AIS / SystemOne, CommCare / Controcc and Northgate as the key systems materially relevant for the financial statements.
- The scope of our work is strictly limited to the context described in this document.
- Our findings should not be considered as a comprehensive record of all weaknesses that may exist or improvements that could be made.

2.4 Once the requested information is passed over to the auditors, Mazars, then carry out an off-site review of the information provided. Based on the review areas of risk are identified along with recommendations to resolve them. The two outstanding recommendations are identified below:

#### **Recommendation 1**

2.4.1 In order to ensure proper and timely recovery in case of a disaster or major incident, we recommend testing the Disaster Recovery Plan at least on an annual basis.

#### **Recommendation 2**

2.4.2 In order to avoid unauthorised access to the Council's network and programs, we recommend ensuring that formal access disabling requests are issued for all leavers before their leaving date.

2.5 IT Services started to work on the recommendations and developed "Business Continuity" and "User Access" plans to address the areas of concern. The plans to address both recommendations became protracted due to operational issues.

2.6 IT Services undertook an assessment of the Council's IT Disaster Recovery capability and a rolling programme of annual IT infrastructure testing was established. The outstanding activity was to establish an annual Disaster Recovery plan involving Council departments for testing the Council's critical IT systems.

2.7 A Leavers process to manage "user access" was developed by December 2017 but required further refinement. IT Services had mitigated areas of concern raised by the external auditor by improving internal "user access" management processes and applying technical improvements to the existing Leavers system as an interim solution.

2.8 The following paragraphs provide the current position on both recommendations and the plans to complete their implementation.

## **Business Continuity**

- 2.9 IT Services are engaged with the Council departments considered to be primary in progressing this work along with the Council's Emergency Planning team to determine the IT requirements in a Disaster Recovery situation. These departments are Health and Wellbeing, Children's Services and Revenues and Benefits Services. IT Services will continue to work with the Emergency Planning team and extend the scope to include Financial Services, HR and other departments across the Council.
- 2.10 A plan is being developed to manage this activity which will result in the identified departments undertaking a "desktop" IT Disaster Recovery scenario walkthrough of their business continuity plan. This activity will be reviewed annually and next year will see a planned coordinated IT system outage with a selected IT system in each department. This will be a rolling programme of activity as IT Services works with each of the Council departments to formalise and schedule their IT Disaster Recovery testing plans.

## **User Access**

- 2.11 The scope of the originally planned "leavers" process was extended to include new starters and employee movement across the Council and was agreed with key IT Services teams who are involved with the User Management process. This resulted in a re-scoped project called "User Management" being initiated to incorporate Cherwell workflow processes for new starters, movers and leavers as an end to end solution. After significant consultation with departmental stakeholders a new workflow and supporting system is being developed and is scheduled to go live in March 2019.
- 2.12 It has to be noted that while this project work has been underway and since the external audit recommendations were issued, existing user management systems have been updated to improve the management of staff leaving the organisation. To further support this IT Services have been undertaking a review of network logon accounts to ensure none are missed within the current leavers process, any identified account issues are followed up with the relevant Council departments to validate if their removal is appropriate.
- 2.13 Once the user management system goes live in March 2019, the external audit Recommendation 2 will have been implemented.
- 2.14 A follow on piece of work will then be conducted to further automate the process across HR and Payroll.

## **3. OTHER CONSIDERATIONS**

- 3.1 There are no other considerations.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

4.1 There are no financial issues arising at this point.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

5.1 There is risk associated with not undertaking an annual review and testing of Council IT systems from a business continuity perspective. Annual review and testing ensures that the business continuity requirements of the service are matched to the Council's IT Disaster Recovery provision and meet the changing needs of the service. This also provides an assurance that the IT Disaster Recovery systems will work when invoked.

5.2 Existing IT user access controls and supporting manual review processes manage the risk of any unauthorised access to the Council's IT systems. The Council's IT systems and infrastructure conforms to the Governments Public Services Network Authority compliance framework which provides a high level of technical assurance.

#### **6. LEGAL APPRAISAL**

6.1 While there is no legal mandate to undertake an annual review and testing of Council IT systems, there are Data Protection Act (DPA) implications for holding information linked to computer accounts of staff who have left the organisation beyond the agreed retention period.

#### **7. OTHER IMPLICATIONS**

7.1 EQUALITY & DIVERSITY - no direct implications

7.2 SUSTAINABILITY IMPLICATIONS - no direct implications

7.3 GREENHOUSE GAS EMISSIONS IMPACTS - no direct implications

7.4 COMMUNITY SAFETY IMPLICATIONS - no direct implications

7.5 HUMAN RIGHTS ACT - no direct implications

7.6 TRADE UNION - no direct implications

7.7 WARD IMPLICATIONS - no direct implications

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS

(for reports to Area Committees only) - no direct implications

7.9 IMPLICATIONS FOR CORPORATE PARENTING - no direct implications

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT - no direct implications

**8. NOT FOR PUBLICATION DOCUMENTS – none.**

**9. OPTIONS – none.**

## **10. RECOMMENDATIONS**

- 10.1 That the update on the External Audit Report Recommendations relating to the Council's Information Technology systems be noted.

## **11. APPENDICES**

- 11.1 Appendix A - External Audit Recommendations Implementation Plan

## **12. BACKGROUND DOCUMENTS .**

- 12.1 Mazars – IT Audit Conclusions Report for 2016.
- 12.2 Mazars – IT Audit Conclusions Report for 2017.

**Appendix A - External Audit Recommendations - Implementation Plan**

<b>External Audit Recommendations</b>	<b>Actions</b>	<b>Sep-18</b>	<b>Oct-18</b>	<b>Nov-18</b>	<b>Dec-18</b>	<b>Jan-19</b>	<b>Feb-19</b>	<b>Mar-19</b>
<b>User Access</b>								
<b>User Management Implementation.</b>	<b>Project Go-Live.</b>							
<b>Business Continuity</b>								
<b>Determine IT DR Requirements</b>	<b>Meetings with senior operational managers in H&amp;WB, Children's and Revs and Bens.</b>							
<b>Assess department IT DR requirements against existing IT DR capacity.</b>	<b>IT Services teams to assess IT system requirements against existing IT DR infrastructure and provide capability statement.</b>							
<b>Test the departments IT DR Business Continuity Plans.</b>	<b>Undertake "desktop" scenario disaster recovery walkthrough with senior managers from each department.</b>							
<b>Establish Annual Review Process.</b>	<b>Establish annual review of IT DR requirement in line with department business continuity planning process.</b>							

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## **Report of External Audit to the meeting of the Governance and Audit Committee to be held on 29 November 2018**

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**Y**

### **Subject:**

External Audit Progress Report.

### **Summary statement:**

The report:

- updates the Committee on progress with the 2018/19 audit; and
- highlights key emerging national issues which may be of interest to the Committee.

---

Cameron Waddell  
Partner  
Mazars LLP  
Report Contact: Mark Dalton  
Phone: 0113 387 8735  
e-mail: [mark.dalton@mazars.co.uk](mailto:mark.dalton@mazars.co.uk)

## **1. SUMMARY**

This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

This is our first progress report in respect of the 2018/19 audit year. Our initial planning and risk assessment processes are underway and on completion, we will present our Audit Strategy Memorandum to the Governance and Audit Committee for discussion.

There are no significant matters arising from our work that we are required to report to you at this stage.

The report also highlights emerging issues and developments which may be of interest to Members of the Committee.

## **2. BACKGROUND**

Not applicable

## **3. OTHER CONSIDERATIONS**

None

## **4. FINANCIAL & RESOURCE APPRAISAL**

Not applicable

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

## **6. LEGAL APPRAISAL**

Not applicable

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

Not applicable

### **7.2 SUSTAINABILITY IMPLICATIONS**

Not applicable

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Not applicable

### **7.4 COMMUNITY SAFETY IMPLICATIONS**

Not applicable

## **7.5 HUMAN RIGHTS ACT**

Not applicable

## **7.6 TRADE UNION**

Not applicable

## **7.7 WARD IMPLICATIONS**

Not applicable

## **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

Not applicable

## **7.9 IMPLICATIONS FOR CORPORATE PARENTING**

Not applicable

## **7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

Not applicable

## **8. NOT FOR PUBLICATION DOCUMENTS**

None

## **9. OPTIONS**

Not applicable

## **10. RECOMMENDATIONS**

That the Governance and Audit Committee notes and considers:

- the External Audit Progress Report.

## **11. APPENDICES**

External Audit Progress Report.

## **12. BACKGROUND DOCUMENTS**

None



# External Audit progress report

City of Bradford Metropolitan District

Council

November 2018





## CONTENTS

- 1. Audit progress**
- 2. National publications**

This document is to be regarded as confidential to the City of Bradford Metropolitan District Council. It has been prepared for the sole use of the Governance and Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

## Purpose of this report

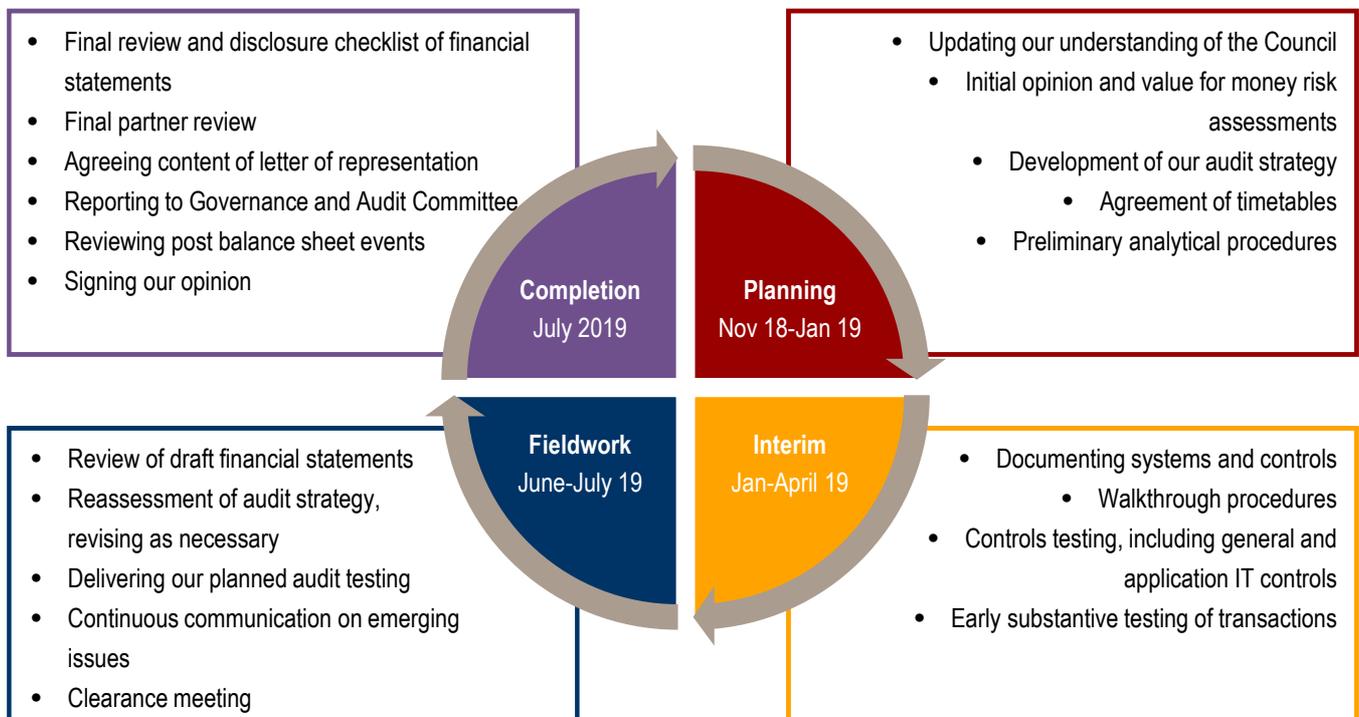
This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

## Audit progress

This is our first progress report in respect of the 2018/19 audit year. Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Governance and Audit Committee for discussion.

Specific work in this period includes the 2017/18 housing benefits subsidy return certification work which has a deadline of 30 November 2018; we will report to the Committee the outcome of this work upon completion.

There are no significant matters arising from our work that we are required to report to you at this stage.



## 2. NATIONAL PUBLICATIONS

	Publication / update
<b>National Audit Office (NAO)</b>	
1.	Transformation guidance for Audit Committees
2.	Exiting the EU
3.	Departmental overview – Ministry of Housing, Communities and Local Government
4.	Departmental overview – Local authorities
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>	
5.	Statement expressing concerns with Councils funding commercial investment through borrowing
6.	Local Authority Leasing Briefing 3
<b>Public Sector Audit Appointments Ltd (PSAA)</b>	
7.	Mazars Annual Regulatory and Compliance Report 2017/18
8.	Report on the results of auditors' work 2017/18: Principal local government and police bodies
9.	Consultation on 2019/20 scale of fees for opted-in bodies
10.	Oversight of audit quality, quarterly compliance reports
<b>Local Government Association (LGA)</b>	
11.	Sector-led improvement in 2017/18
12.	Speeding up delivery: learning from councils enabling timely build-out of high quality housing

### 1. Transformation guidance for Audit Committees, NAO, May 2018

Transformation is used to describe significant changes in service delivery or in day to day operations in an organisation.

The government continues to aim to make significant savings and transform services by introducing new organisational models and ways of working. However, transformation comes with risk and can be highly complicated. Evidence from the private sector suggests that 70% of transformations fail.

In many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure. The complexity of public service delivery and user needs can make the successful transformation of public services even more difficult. Oversight of these transformation programmes creates a major challenge for management and audit committees.

The NAO transformation guidance to Audit Committees sets out the questions to ask of management and the evidence and indicators to help audit committees to look out for at the three stages of any transformation project, as summarised below.

- At the set-up and initiation stage the key areas are: vision and strategy, and governance and architecture. The guidance addresses the evolving nature of transformation and what this implies for oversight.
- During the delivery and implementation stage the key areas are: change and implementation, and service and performance management. The guidance highlights the importance of tackling ambiguity and confusion in transformation objectives.
- Once live-running and benefits are being delivered the key areas are: people, process and technology. The guidance considers how audit committees can challenge the role of technology in supporting transformation.

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

## 2. NATIONAL PUBLICATIONS

### 2. Exiting the EU, National Audit Office

The National Audit Office has produced a number of publications on the UK's exit from the EU, including:

- The UK border: preparedness for EU exit;
- Department for Environment, Food and Rural Affairs;
- Department for Transport;
- Consumer protection, competition and state aid; and
- Exiting the EU: the financial settlement.

[https://www.nao.org.uk/search/pi\\_area/exiting-the-eu/type/report](https://www.nao.org.uk/search/pi_area/exiting-the-eu/type/report)

### 3. Departmental overview: Ministry of Housing, Communities and Local Government (MHCLG) 2017-18, National Audit Office, October 2018

The Departmental Overview is designed to provide a quick and accessible overview of the Department and its performance over the last year. The report focuses on the Department's responsibilities setting out how it is structured, how it spends its money, and its major programmes. It also covers key developments in its areas of work, including exiting the European Union, and findings from recent NAO reports.

The main body of the report focuses on three key areas: financial sustainability; housing and homelessness; and devolution and reorganisation. The report concludes by setting out future developments, risks and challenges impacting on MHCLG.

The report also includes a section on the Department for Exiting the EU (pdf page 8).

<https://www.nao.org.uk/report/departmental-overview-ministry-of-housing-communities-and-local-government-2017-18/>

### 4. Departmental overview: local authorities 2017-18, National Audit Office, October 2018

The report summarises the work of local authorities, including:

- what they do and how they are organised;
- the system of accountability;
- where they get their funding and how they spend their money; and
- major programmes and developments across local authorities' main business areas and services.

The main body of the report covers: financial sustainability; housing and homelessness; and adult social care.

The overview addresses further developments in the sector, including those on 'fair funding', empty homes and the government's new Rough Sleeping Strategy will be driven by local authorities. It draws attention to the synergies required across local authorities and with MHCLG for the successful implementation of these programmes.

<https://www.nao.org.uk/report/departmental-overview-local-authorities-2017-18/>

### 5. Statement expressing concerns with Councils funding commercial investment through borrowing, CIPFA, October 2018

The Committee may be interested to note the CIPFA statement issued recently expressing concerns around commercial investment. The statement raises concerns with potential practices related to borrowing to fund commercial investment. CIPFA confirm in the statement that they will be issuing further guidance on the issue shortly.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/statement-from-cipfa-on-borrowing-in-advance-of-need-and-investments-in-commercial-properties>

<https://www.publicfinance.co.uk/news/2018/10/cipfa-warns-councils-over-serious-commercial-activity-concerns>

## 2. NATIONAL PUBLICATIONS

### 6. Local Authority Leasing Briefing 3, CIPFA, October 2018

This briefing focuses on discount rates, lessor accounting, disclosure requirements, concessionary leases – lessees and the measurement of the service concession arrangement (PFI/PPP) liability.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/local-authority-leasing-briefings>

### 7. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Ltd, July 2018

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2017/18 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2016/17 work.

The report sets out that:

- Mazars is meeting PSAA's standards for overall audit quality and regulatory compliance requirements;
- Mazars' combined audit quality and regulatory compliance rating was green for 2017/18;
- The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor; and
- Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green and the overall weighted audit quality score of 2.55 having increased slightly from last year's 2.45.

From its assessment of all firms, the FRC has identified key issues which firms need to address in order to improve audit quality. These were the:

- challenge and scepticism of management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;
- group audit team's oversight and challenge of component auditors;
- audit of company pension scheme assets and liabilities; and
- arrangements for ensuring compliance with the Ethical Standard and independence requirements.

#### Summary of PSAA annual assessments – overall combined

	BDO	EY	DT	PwC	GT	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

1. Audit progress

2. National publications

## 2. NATIONAL PUBLICATIONS

### 8. Report on the results of auditors' work 2017/18: Principal local government and police bodies, Public Sector Audit Appointments Limited, October 2018

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers at 495 principal local government and police bodies for 2017/18.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 87 per cent of audited bodies received an audit opinion by the new deadline.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The most common reasons for auditors issuing non-standard conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates – 16 bodies;
- corporate governance issues – 12 bodies;
- financial sustainability concerns – 6 bodies; and
- procurement/contract management issues – 5 bodies.

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

### 9. Consultation on 2019/20 scale of fees for opted-in bodies, Public Sector Audit Appointments Ltd, October 2018

Public Sector Audit Appointments (PSAA) has published its consultation on the 2019/20 scale of fees for principal local government bodies that have opted into the appointing person arrangements.

The consultation proposes that scale audit fees for 2019/20, the second year of the five-year appointing period, should remain the same as the fees applicable for 2018/19. PSAA will review and update its assumptions and estimates each year, and consult on scale fees for the following year.

<https://www.psaa.co.uk/audit-fees/2019-2020scaleoffees/>

### 10. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd, September 2018

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality>

### 11. Sector-led improvement in 2017/18, Local Government Association, July 2018

This report shows how the LGA has used DCLG grant for 2016/17 to help councils and to support improvement in the sector.

Sector-led improvement is the approach that councils and the LGA have put in place to support continuous improvement. Challenge and support from one's peers lies at the heart of sector-led improvement and underpins its success.

During the year the LGA worked with Public Sector Audit Appointments (PSAA) to develop LG Inform Value for Money (VfM) a replacement for PSAA's existing VfM Profiles. The new tool was successfully launched in November. The VfM profiles bring together data about the costs, performance and activity of local councils and fire and rescue authorities. They have been designed to help auditors, people who work for councils and fire and rescue authorities and the public understand the costs of delivering local services, and to get an overview of comparative spend and performance over time and relative to others.

## 2. NATIONAL PUBLICATIONS

### 11. Sector-led improvement in 2017/18, Local Government Association, July 2018 - continued

#### Sector-led improvement: some reflections

- Councils continue to demonstrate exceptional leadership of place when called upon to do so (for example, Manchester and Salisbury). Emergency response demonstrates that partnerships are still strong despite the impact cuts to funding across the local public sector can have on on-going activity.
- Whilst recognising the opportunities, the uncertainty surrounding the potential practical implications of Brexit (funding, workforce, procurement, etc.) is becoming of increasing concern as March 2019 draws ever closer.
- Devolution and local government reorganisation continue to consume significant resources in some areas. This agenda can have a negative impact on relationships and present a distraction to on-going service delivery.
- Councils continue to grapple with the increasingly more challenging financial situation as evidenced by the recent National Audit Office report into local authorities' financial viability and now overlaid by the Fair Funding Review and business rates reset. This period of ongoing financial uncertainty is arguably as damaging to councils as the cuts themselves.
- We have seen an increasing request from councils, as leadership teams change or are renewed, for top team support to help them effectively lead their organisation through turbulent and challenging times.
- There continues to be a strong interest in exploring appropriate commercial opportunities and lots of interest in the commercial skills training that we have offered. But adverse publicity around borrowing to invest has meant that some councils appear less willing to share their knowledge and experience.
- Many councils that took out layers of strategic management, or whole functions such as policy development, are now struggling with capacity. A lack of corporate capacity in particular impacts councils' ability to horizon scan and think through how they need to change and adapt.
- Councils have devoted significant time and effort seeking to be equal partners in sustainability and transformation plans which haven't always led to outcomes, and there is frustration in the sector about this and a continuing concern at the delay in moving to new ways of working.
- Demand pressures particularly on children's and adult social care have become much more noticeable. An increasing number of councils are also reporting budget pressures on their temporary accommodation budgets.
- Homelessness has become a bigger issue for more councils this year and the number of homeless families and individuals placed in temporary accommodation has increased significantly.
- Housing growth is still a big issue. Councils are continuing to explore new vehicles to build homes.

### 12. Speeding up delivery: learning from councils enabling timely build-out of high quality housing, Local Government Association, August 2018

Many local authorities across the country are working to speed up the delivery and buildout of housing. This report highlights both the potential and the limitations of the measures local authorities can take to enable timely buildout of high-quality development. There are principles that all local authorities can follow and there are actions which may work better in some areas than others, depending to some degree on market conditions and developer activity.

Key points highlighted in the report include:

- understanding the issues to delivery in the area;
- considering the use of planning conditions and their proper use;
- design codes which can be a useful tool;
- use existing powers such as s215 enforcement notices;
- use s106 legal agreements to help solve the delivery problem;
- culture change in the planning department is key; and
- partner with others to help unlock sites by offering the types of housing needed that the industry isn't able to.

<https://www.local.gov.uk/speeding-delivery-learning-councils-enabling-timely-build-out-high-quality-housing>

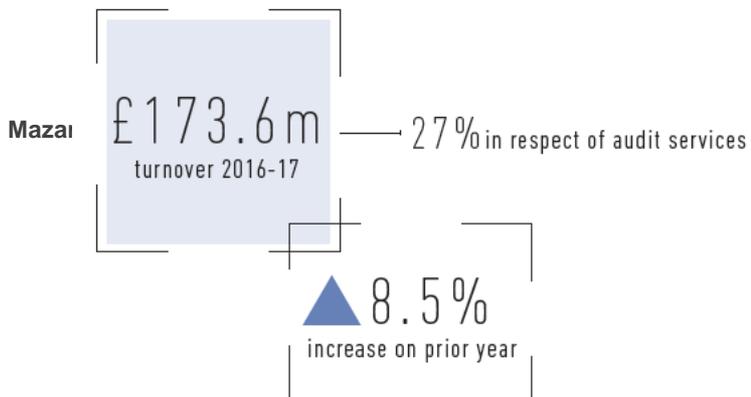
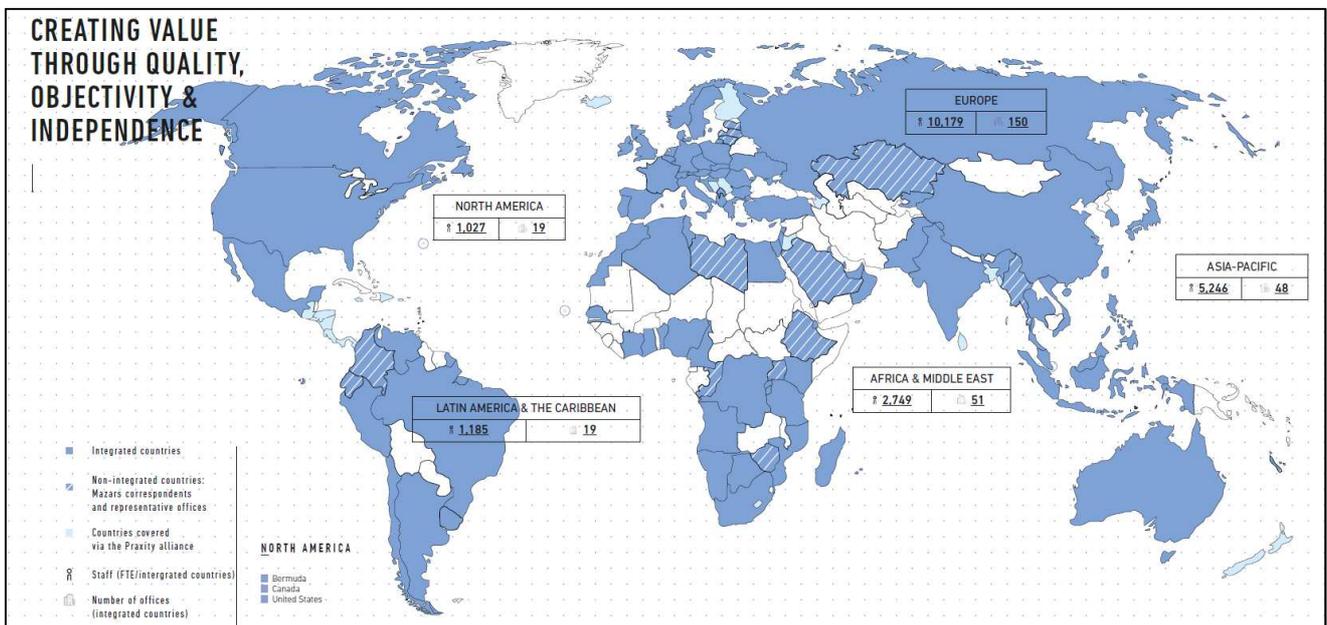
1. Audit progress

2. National publications

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## CONTACT

Partner: Cameron Waddell

Phone: 0191 383 6300

Mobile: 0781 375 2053

Email: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Senior Manager: Mark Dalton

Phone: 0113 387 8735

Mobile: 0779 550 6766

Email: [mark.dalton@mazars.co.uk](mailto:mark.dalton@mazars.co.uk)

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