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Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 18 April 2019 at 10.00 am in Committee Room 1 - City Hall, Bradford

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Johnson Thornton Swallow	M Pollard	Reid

Alternates:

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Lal M Slater Watson	Cooke	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.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- 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: **To:**

Parveen Akhtar
City Solicitor
Agenda Contact: Fatima Butt
Phone: 01274 432227
E-Mail: fatima.butts@bradford.gov.uk

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 14 March 2019 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. AMENDMENTS TO THE CONSTITUTION - CONTRACTS STANDING ORDERS AND FINANCIAL REGULATIONS

The Strategic Director, Corporate Resources will submit **Document “AO”** which provides members of the Committee with details of the annual review of the Financial Regulations and Contracts Standing Orders sections of the Council’s Constitution and makes recommendations for their amendment.

Recommended-

That the proposed changes to Contracts Standing Orders and Financial Regulations (detailed in Document “AO”) be accepted and recommended to Council for approval to support improvements in the organisation’s financial and procurement processes and procedures.

(Duncan Farr – 01274 434588)
(Helen Keith – 01274 432730)

6. REVIEW OF THE CONSTITUTION

The City Solicitor will submit **Document “AP”** which provides Members with details of proposed amendments to the Constitution for recommendation to Council.

Recommended-

- (1) **That the proposed amendments to the Constitution set out in Appendices 1-3 of Document “AP” be recommended to Council for adoption and implementation.**
- (2) **That the recommendations of the Regulatory and Appeals Committee (if any), meeting on 11 April 2019, regarding the Housing and Non Domestic Rates Appeal Panel and Education Appeals Panel be noted.**
- (3) **That the City Solicitor be granted delegated authority to make consequential amendments to the Constitution as a result of any recommendations approved by full Council.**
- (4) **That the City Solicitor ensures that any agreed amendments are implemented.**

(Linda Bailey – 01274 433541)

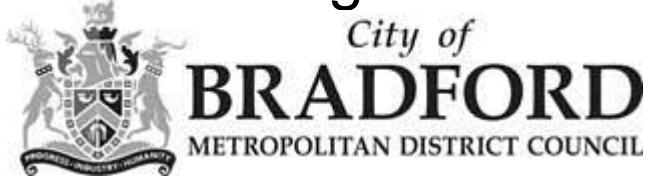
7. INTERNAL AUDIT PLAN 2019/20

The Strategic Director, Corporate Resources will submit **Document “AQ”** which reports on the Internal Audit Plan for the financial year 2019/20, giving the Committee the opportunity to contribute to the plan. It seeks to demonstrate that Internal Audit adds value to the Council by providing independent and objective assurance of risks to internal control within the Council’s systems and processes. The Audit Plan reflects internal stakeholders’ needs and the expected needs of the Council’s external auditors for 2019/20.

Recommended-

That the Internal Audit Plan for 2019/20 be reviewed and approved.

(Mark St Romaine – 01274 432888)



Report of the Strategic Director Corporate Resources to the meeting of Governance and Audit Committee to be held on the 18th of April 2019.

AO

Subject:

Amendments to the Constitution – Contracts Standing Orders and Financial Regulations

Summary statement:

This report provides members of the Governance and Audit Committee with details of the annual review of the Financial Regulations and Contracts Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.

Joanne Hyde
Strategic Director Corporate Resources

Portfolio:

Leader

Report Contact:
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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- 1.1 This report provides members of the Governance and Audit Committee with details of the annual review of the Financial Regulations and Contracts Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.

2. BACKGROUND

- 2.1 During the municipal year 2018/19 Officers have undertaken their annual review of Financial Regulations and Contracts Standing Orders to ensure they properly reflect appropriate governance procedures for the Council. This report sets out the proposals for amendments to deliver those changes and improvements. The Committee is asked to consider the proposed amendments to the Constitution for recommendation to Council for formal approval.
- 2.2 The City Solicitor will implement any recommendations approved by Council and make consequential amendments to the Constitution.

3. OTHER CONSIDERATIONS

- 3.1 There are a number of proposed changes to Contracts Standing Orders, set out as 'track changes' in appendix 1, these are summarised with reasons for changes in the following table:

Proposed Changes to Contracts Standing Orders	
Section	Reason
	General revision; replacing references to the Assistant Director Finance and Procurement with Director of Finance.
Definitions	Removing the definition of 'Contractor' and then consistently using 'Supplier', previous versions of Contracts Standing Orders used both, with both terms having the same definition. Adding to the definition of 'Contract Value' consideration of concession contracts and other contracts with a high transactional value, but minimal or no fee to the Council Quotation and Tender revised to use consistent terminology
2.5	The Appropriate Officer is to submit a list of Authorised Officers at the commencement of each financial year to improve clarity and accountability.
2.6	Option for the Director of Finance to delegate some, or part of their Contracts Standing Orders responsibilities to Officers in their service area.
2.7	Improvements to the rules for the use of miscellaneous payments to support the correct use of the Council's payment systems.
4.1	Lifting the requirement for Authorised Officers to produce procurement forward plans to contracts with a value worth more than the threshold for supplies and services (£181k) to focus resources on higher value contracts.

4.4 / 4.5	Lifting the requirement for mandatory use of internal services to the EU threshold for supplies and services so that Council resources are used effectively.
4.7.3	Moving this part of Contracts Standing Orders from section 7.2 so that it sits with other pre-procurement requirements
4.7.6	Lifting the requirement for Authorised Officers to produce a risk assessment to contracts with a value worth more than the threshold for supplies and services (£181k) to focus resources on higher value contracts.
4.7.9	Moving this part of Contracts Standing Orders from section 14.1 so that it sits with other pre-procurement requirements
6	Lifting the options to seek quotes or open competition to run from £25k to the EU threshold for supplies and services (£181k); requiring 4 local quotes below £100k / 6 quotes (with 4 local) above £100k to increase opportunities for the Council to support the District's economy.
8.7	Requirement to consult the Director of Finance when procuring contracts under the Light Touch Regime to improve processes and compliance.
9.1	The Authorised Officer obtains the approval of the Director of Finance that a contract with a value of more than £25k can be awarded without competition, to improve decision making in the award of contracts.
9.3	Contracts with a value of more than £25k that are awarded without competition must be entered on the 'Exceptions to Competition Log' to improve compliance with legislation.
14.7 / 14.8	Amended rules for the reporting of contract variations (including works contracts subject to monthly valuation) to improve processes and decision making.
14.10	Requirement to consult the Director of Finance before seeking to terminate a contract for breach of contract to improve processes and decision making.
16.1	Approval of the Consultancy and Contractor Procurement Process must be obtained before seeking tenders or quotes for consultancy services to improve processes and compliance with Inland Revenue Legislation
16.2 / 16.3	Improvements to the rules for the application of IR35 and CIS to support the Council's correct payment of Suppliers and compliance with Inland Revenue legislation.
18	Contract Management, new rules to improve the quality of the Council's management and the value for money it receives from its suppliers
21.2	Purchasing Cards must be used in accordance with the Council's Purchasing Card Policy to support the correct use of the Council's payment systems.
Appendix 1	Revised as necessary to mirror the above changes and improve the understanding of the Council's Contracts Standing Orders.

- 3.2 There are a few proposed changes to Financial Regulations, set out as 'track changes' in Appendix 2, these are summarised with reasons for changes in the following table:

Proposed Changes to Financial Regulations	
Section	Reason
5.2/28.1/28.2/28.3	The responsibility for this role lies with the Strategic Director Corporate Resources not the Chief Financial Officer.
6.2	Added "Financial" to job title.
11.1	Added "and governance" to clarify.
11.2	Added "chaired by the Chief Financial Officer" to make it clear who runs the group.
15.2/15.3	2 new financial regulations added to strengthen spending controls.
18.3	Added "unless expressly agreed, in advance, by the Chief Financial Officer" to ensure that any use of self billing is authorised.
19.1	Maximum limit for cash payments reduced to €10,000 (£8,800).
30.2	Added "and PCI-DSS" to requirements.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1 There are no financial issues arising from this report.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 The proposed recommendations are offered to improve the Council's finance and procurement related processes and provide rules to limit risk to the Council.

6. LEGAL APPRAISAL

- 6.1 Article 17 of the Constitution requires the Monitoring Officer to take steps to make himself/herself aware of the strengths and weaknesses of the Constitution and make recommendations for improvement.
- 6.2 The review and development of the Constitution is undertaken in compliance with the provisions of the Local Government Act 2000, regulations and guidance made and issued under the Act.
- 6.3 The review of the Council Standing Orders upholds the obligation placed on the Council by s135 of the Local Government Act 1972.
- 6.4 The Council will ensure that any updates to the Council Standing Orders shall be compliant with all procurement legislation including the Public Contract Regulations 2015.

7. OTHER IMPLICATIONS

- 7.1 There are no implications in relation to the following:

- Equality and Diversity
- Sustainability
- Greenhouse Gas Emissions
- Community Safety
- Human Rights Act
- Trade Unions
- Ward Implications
- Area Committee Action Plans
- Corporate Parenting
- Privacy Impact Assessments

8. NOT FOR PUBLICATION DOCUMENTS

8.1 There are no ‘not for publication’ documents for this report.

9. OPTIONS

- 9.1 The recommended option is for Members of the Governance and Audit Committee to recommend the proposed changes to Contracts Standing Orders and Financial Regulations set out in this report for approval to the Council to support improvements in the organisation’s finance and procurement processes and procedures.
- 9.2 Member of the Governance and Audit Committee may wish to accept some of the proposed recommendations and, or make their own recommendations.
- 9.3 The ‘do nothing’ option is not recommended as the proposed changes have been put forwards to support improvements in the Council’s finance and procurement processes and procedures.

10. RECOMMENDATIONS

- 10.1 That the proposed changes to Contracts Standing Orders and Financial Regulations be accepted and recommended to Council for approval to support improvements in the organisation’s financial and procurement processes and procedures.

11. APPENDICES

Appendix 1: Proposed Contracts Standing Orders 2019/20
Appendix 2: Proposed Financial Regulations 2019/20

12. BACKGROUND DOCUMENTS

There are no background documents to this report.

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PART 3G Contracts Standing Orders 2019/20

Definitions

- ‘Aggregation’ is the combining together of the total spend from separate contracts where they meet a single requirement for works, goods or services.
- ‘Appropriate Officer’ is the Chief Executive, Strategic Directors, Director, City Solicitor, the Chief Financial Officer (S151 Officer) or any other officer designated by resolution of the Executive.
- ‘Authorised Officer’ is any officer permitted by an Appropriate Officer to authorise orders and contracts as per clause 2.5.
- ‘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 requirement.
- ‘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.
- ‘Contract’ means a formal agreement between the Council and any Contractor Supplier 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 Supplier e.g. a catering concession

For the purposes of these Contracts Standing Orders this definition does not include employment and property contracts or grant agreements.

- ‘Contracts Finder’ is the government portal for information on public sector contracts
- ‘Contract Value’ is, for goods, supplies or services the total monetary value over its-the full duration, including any extension options (not the annual value), for concession contracts, or other contracts with low, or nil cost to the Council the total pecuniary value must be considered.
- ‘Contracts and Grants Register’ the Council’s database of all contracts, commissioned activity, purchase orders, framework agreements, and other legally enforceable agreements with a value exceeding £5,000 and grants of any value.
- ‘Contractor’ an individual or organisation that contracts with the Council to provide works, goods or services.

- ‘Controlled Entities’ a subsidiary company of the Council where the Council exercises control similar to that over its own departments, the subsidiary carries out at least 80% of its activity for the Council and there is no direct participation of private capital.
- ‘Corporate Contract’ is an agreement procured in consultation and for the benefit of more than one Council department. More details can be found on Bradnet <http://intranet.bradford.gov.uk/working-day/corporate-contracts>.
- ‘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 Directives and Regulations implemented in the UK to set out the law on public procurement.
- ‘EU Thresholds’ the financial threshold at which the EU Procurement rules are applicable.
 - As of 1st January 2018 these are: Works (maintenance and construction) £4,551,413 and Services and Supplies £181,302.
 - Social, Health and some other services have a threshold of £615,278.
- ‘Exception to Competition Log’ a record held by the Director of Finance of all contracts over £25,000 in value awarded without competition because the contract meets one or more of the requirements listed in CSO 9.1.
- ‘Framework Agreement’ an agreement which sets out the terms and conditions under which the Council can make specific purchases (“call-off”) from a ContractorSupplier(s) to provide services, goods or works at agreed standards and prices. If the Council calls off services, goods or works from the ContractorSupplier then a binding contract comes into place.
- ‘Grant’ for the purposes of these Contracts Standing Orders means a formal agreement giving financial assistance to an individual or organisation to assist in meeting its general purpose or objectives but where the specific supply of goods, works or services is not required in return. There may be award criteria, performance targets and conditions on how the money is spent and Officers should monitor these in accordance with the terms of the grant agreement.
- ‘Light touch regime’ applies to social, health and some other services as listed in Schedule 3 of the Public Contracts Regulations.

- ‘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 employee(s) of the Council.
- ‘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.
- ‘Public Service Mutual’ an organisation which has left the Council parent body but continues to deliver public services. Mutuals are organisations in which employee control plays a significant role in their operation.
- ‘Purchasing Card’ the business equivalent of personal credit card that can be used for in store, on line or over the phone for legitimate Council purchases. Purchasing Cards are issued to and registered to individual Officers.
- ‘Quotation’ a formal written offer to execute works, ~~purchase supplies, or provide services at a stated price of a value less than £100k or provide services or supplies at a stated price~~
- ‘Sheltered workshop’ an organisation that employs a proportion of disadvantaged or disabled workers which allows the supplier to be eligible to bid for certain types of contracts which can be specifically reserved to organisations meeting the criteria.
- ‘SIRO’ Senior Information Risk Owner is the person with overall accountability and responsibility for information governance.
- ‘Supplier’ an individual or organisation that contracts with the Council to provide works, goods or services.
- ‘Tender’ a formal written offer to ~~supply or purchase goods, execute works or provide services at a stated price of a value more than £100k. execute works, or provide services or supplies at a stated price~~
- ‘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.
- ‘YORTender’ is the procurement portal used by the Council (www.yortender.co.uk)

1 Introduction

- 1.1 The purpose of Contract Standing Orders is to set clear rules by which the Council spends money on works, goods and services. The rules apply to any contract or grant that results in payment being made by the Council.
- 1.2 Public procurement must be undertaken in accordance with principles enshrined in EU and national legislation. The Council must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The Council 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 City Solicitor.
- 1.5 The Director of Finance shall undertake a formal review of Contract Standing Orders on an annual basis which will be reported to the Governance and Audit Committee.

2 Compliance

- 2.1 Failure to comply with these Contract Standing Orders can result in disciplinary action against the officers concerned.
- 2.2 Every contract made by or on behalf of the Council for works, goods and services and all Council 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 Constitution including these Contracts Standing Orders, the Council's Financial Regulations and the Council's Procurement policies
 - The Council's strategic objectives and policies
- 2.3 All Council Officers and organisations engaged on the Council'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. The Council's Employee Code of Conduct must be followed at all times.
- 2.4 In applying these Contracts Standing Orders, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 2.5 Within limits specified by him/her, an Appropriate Officer may permit other officers to authorise orders and contracts in their own names on behalf of the

Council. Any orders or contracts made shall remain the responsibility of an Appropriate Officer. Appropriate Officers must maintain an up to date record of authorised officers and submit a copy of the list of the Director of Finance on an annual basis [at the commencement of the financial year.](#)

2.6 The Director of Finance may delegate some, or part of their responsibilities set out in these Contracts Standing Orders to Officers in their service area.

2.7 All orders for works, goods or services must be placed using the Council's approved systems in advance of the invoice being received and coded to the appropriate account codes. ~~Miscellaneous payments must only be used where the payment is not as a result of a purchase. For example, a refund, grant payment or third party payment~~

2.8 Miscellaneous payments must only be used where the payment is not as a result of a purchase (for example a refund or grant payment). Miscellaneous Payments must not be used to:

- [Pay suppliers for goods, works or services \(including fees in relation to consultancy work and training\), or](#)
- [To reimburse employee expense claims or petty cash purchases](#)

2.8.1 Non-compliance with Council's procedures and processes for the use of its requisition, ordering and payment systems may result in the Director of Finance removing Officer access.

2.9 These Contracts Standing Orders must be used, other than in exceptional circumstances and following authorisation by either:

2.9.1 The Executive after considering a report by an Appropriate Officer; or

2.9.2 An Appropriate Officer obtains the agreement of the Chief Financial Officer and the City Solicitor. The Appropriate Officer must retain written reasons of the decision.

2.10 Authorisation under Standing Order 2.9.2 will be reported to Governance and Audit Committee on a quarterly basis.

2.11 All Appropriate Officers are responsible for ensuring compliance by their staff and shall report all breaches to the Director of Finance

3 Social, Economic, Environmental and Ethical Considerations

3.1 In formulating proposals for a contract, the Authorised Officer must consider the Public Services (Social Value) Act and follow requirements set out in the Council's Social Value and Inclusive Growth Policy.

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 local suppliers, small and medium sized

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companies (SME's) and third sector organisations such as social enterprises to bid. This may include dividing the contract into lots.

4 Pre-Contract Requirements for all Contracts

- 4.1 ~~Following the conclusion of the~~After Council has agreed the Council's budget setting process~~and before commencement of the financial year~~ the Authorised Officer must prepare and maintain an annual procurement plan for all contracts with an estimated value greater than £100k~~the EU Threshold for supplies and services~~, and then consult the Director of Finance.
- 4.2 The procurement of works, goods or services should be done through existing approved arrangements where they exist. These include:
 - In-house provision
 - Corporate contracts, framework agreements or DPS
- 4.3 Other arrangements should be considered and used where it can be evidenced that they 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
 - Alternative delivery vehicles such as Controlled Entities (Teckal) or Public Service Mutuals
 - Sheltered workshops
 - Other approved e-procurement solutions (e.g. purchasing cards)
- 4.4 Where the Council has an in-house provision and the estimated contract value is less than £100,000~~the EU Threshold for supplies and services~~ external suppliers can only be used when the Appropriate Officer providing such in-house provision confirms that they are unable to meet the requirements on that occasion due to insufficient resources, skills or capacity.
- 4.5 If the estimated contract value is more than £100,000~~the EU Threshold for supplies and services~~ the Appropriate Officer providing such in-house service may also be required to clearly demonstrate that they provide best value for money.
- 4.6 All procurement processes will be proportionate to the total value of the contract (see Table 1), the nature of the works, goods or services and the Council will produce clear accessible documentation which must be available in electronic format.
- 4.7 Before inviting tenders or quotations, the Authorised Officer must:
 - 4.7.1 for contracts with a total estimated contract value in excess of £2m report details to the relevant Overview and Scrutiny Committee using the standard Committee report template. Reports are to be taken at an

early stage once officers have a draft procurement strategy and specification to allow members to consider the matters in 4.7.2, 4.7.7, 4.7.8 and 4.7.10. For clarity, details of call-off contracts from a framework or DPS do not need to be separately reported providing the original framework has been reported except where the relevant Overview and Scrutiny Committee request a separate report.

- 4.7.2 have carried out, where appropriate pre-procurement engagement with the market (including talking to suppliers, clients and other stakeholders) to understand the availability, strengths and weaknesses of markets and to develop the specification and the best value for money procurement and contractual approach. Pre-engagement with the market must be done in such a way that ensures the subsequent procurement process remains open, fair and transparent with no supplier gaining an unfair advantage which would distort competition.

- 4.7.3 ~~B~~Before commencing any process for the procurement of works, goods or services for procuring contracts with an estimated contract value in excess of £100,000~~the EU Threshold for supplies and services or any process which involves a proposed service transfer or the development of a strategic partnership, the Authorised Officer must consult the Director of Finance~~Assistant Director Finance and Procurement.

- 4.7.4 consider whether a framework agreement, DPS or electronic auction is appropriate and would deliver best value for money seeking advice from the Director of Finance where necessary
- 4.7.5 be satisfied that a written and clear specification has been prepared which will form the basis of the contract.
- 4.7.6 for all contracts with an estimated annual cost of more than ~~£100,000~~the EU Threshold for supplies and services, or £100,000 a total value more than the EU Threshold for supplies and services for the procurement of goods or works(if the contract is for less than 1 year), or where there is a significant supply risk~~and~~ (identified using a procurement risk assessment form (available on Bradnet)) a documented risk log must be maintained.
- 4.7.7 consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken
- 4.7.8 consider at the outset any TUPE implications
- 4.7.9 identify all contracts involving the processing of personal data~~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 SIRO to be notified~~considering the General Data Processing Regulation, the Data Protection Act, and the need to notify the SIRO

- 4.7.10 consider at the outset any implications from the Social Value Act
- 4.7.11 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
- 4.7.12 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.
- 4.7.13 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
- 4.8 Before entering into any contract, the Authorised Officer must
- 4.8.1 be sure that they have the necessary authority to enter into the contract and that these Contracts Standing Orders, the Council's Financial Regulations and procurement advice have been complied with, and that the proposed contract represents best value for money
 - 4.8.2 be satisfied about the technical capability of such proposed ~~contractorSupplier~~; and
 - 4.8.3 where ~~there is~~ a significant supply risk has been identified (in accordance with CSO 4.7.~~5-6~~ and for all contracts which exceed £100,000pa, or £100,000 (if the contract is for less than 1 year) for the procurement of works or goods consult with the Chief Financial Officer ~~and the Assistant Director Finance and Procurement~~ to agree appropriate checks on the financial and resource capacity of the ~~contractorSupplier~~ to perform the contract and to agree what, if any, security should be provided for performing the contract. Forms of security include such as: parent company guarantee, Director's guarantee and performance bonds.
- 4.9 Authorised Officers are responsible for arrangements to ensure the proper control and use of Council ordering and contracting procedures, in accordance with guidance issued by the Chief Financial Officer and the City Solicitor.
- 4.10 All quotations and tenders must be undertaken using the Council's standard template documentation unless prior approval has been obtained from the Director of Finance.

5 Contracts under £25,000

- 5.1 The Authorised Officer must be able to demonstrate best value for money and must invite quotes using local suppliers where the supply base is available. All quotations must be in writing.
- 5.2 Officers shall retain a written record of actions taken and the reasons.
- 5.3 Invitations to quote of £5,000 or above must use the Council's procurement portal, YORtender and all contracts of £5,000 or above must be recorded on the Contracts and Grant Registers.

6 Contracts between £25,000 and £100,000the EU Threshold for Supplies and Services

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- 6.1 The Authorised Officer must either:
 - 6.1.1 for contracts worth less than £100,000 seek written quotations by selecting suppliers registered on YORtender and inviting 4 local suppliers where there is a local supply base available, or
 - 6.1.2 for contracts worth more than £100,000 seek written quotations by selecting suppliers registered on YORtender by inviting 6 suppliers to quote, including at least 4 local suppliers where there is a local supply base, or
- 6.1.3 advertise an open invitation to tender using both YORtender and Contracts Finder
- 6.2 If 4-the minimum number of 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.
- 6.3 No pre-qualification questionnaire is permitted during the procurement stage. Suitable assessment questions to assess eligibility are part of the Council's template procurement documents. Only the winning bidder(s) will be required to submit certificates and documents as evidence of their legal and financial standing and technical or professional ability in addition to specific requirements relating to insurance, health and safety, equality, environmental management etc.

7 Contracts over £100,000the EU Threshold for Supplies and Services

- 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 through an existing framework or DPS agreement that has been established via a compliant EU procurement process.

~~Before commencing any process for the procurement of works, goods or services with an estimated contract value in excess of £100,000 or any process which involves a proposed service transfer or the development of a~~

~~strategic partnership, the Authorised Officer must consult the Assistant Director Finance and Procurement.~~

Comment [DF1]: Moved to section 4

7.2 For contract values of £100,000 or more, contractors must be appointed Suppliers must be appointed by one of the procedures under Contract Standing Order 8.

7.3 All tenders shall be advertised and available for download on the YORtender system and Contracts Finder. Standard template documentation must be used

7.4 All tenders above the relevant EU threshold must be advertised in the OJEU.

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 of 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).

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-supplies and services.

8.3 The following procedures apply to more strategic, complex or high value projects and must be done in consultation with the Director of Finance as there are limited circumstances under which these process can be used.

8.4 The **competitive dialogue procedure** under which a selection is made of those who respond to the advertisement and the Council enters into dialogue with potential bidders to develop one or more suitable solutions on which the chosen bidders submit a tender. This can be used where the contract is complex and cannot be purchased "off the shelf".

8.5 The **competitive procedure with negotiation** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender. The Council may then open negotiations to seek improved offers.

8.6 The **innovation partnership procedure** under which a selection is made of those who respond to the advertisement and the Council uses a negotiated approach to invite suppliers to submit innovative ideas to meet a need where there is no suitable existing "product" on the market. The partnership can be awarded to more than one supplier.

8.7 For contracts procured under the Light Touch Regime the Director of Finance must be consulted and the Authorised Officer must ensure that principles of transparency and equal treatment are observed.

9 Exceptions to Requirements of Competition

9.1 Subject to:

- the statutory requirements for procurement processes above EU thresholds,
- The Authorised Officer obtains the approval of the Director of Finance that an exception to the requirements of competition is appropriate for a contract with a value of more than £25,000, and
- provided that the market for a proposed contract has been investigated, and
- it can be demonstrated that the Authorised Officer can demonstrate that departure from these Rules is justifiable and provides overall value for money;

No competitive procurement process is 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 in consultation with the Director of Finance, 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 are controlled by a statutory body
- 9.1.3 the execution of works or supply of goods or services are of a specialised nature which, in the opinion of the Authorised Officer in consultation with the Director of Finance, are carried out by only one supplier, and where no reasonably satisfactory alternative is available;
- 9.1.4 the execution of works or supply of goods or services for which the Authorised Officer in consultation with the Director of Finance it can be demonstrated that no genuine competition can be obtained;
- 9.1.5 the purchase of a named product required to be compatible with an existing installation as approved by the Authorised Officer in consultation with the Director of Finance;
- 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 obtaining work or supplies from the Industrial Services Group or other in-house service provider;
- 9.1.8 special education, health or social care contracts, if in the opinion of the Authorised Officer and following consultation with the Director of

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- | **Finance**, it is considered in the Council's interests and to meet its obligations under relevant legislation;
- 9.1.9 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. However these should be immediately reported to the Director of Finance.
 - 9.1.10 carrying out, with the approval of the Chief Financial Officer, security works where the publication of documents or details in the tendering process could prejudice the security of the works to be done.
- 9.2 The Authorised Officer must retain written reasons justifying the decision to use Standing Order 9.1 and be able to demonstrate that best value for money has been obtained.
- | 9.3 Any contract worth more than £25,000 awarded using an exception to competition shall be notified to the Director of Finance who will record the contract in the "Exceptions to Competition Log".

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 via YORtender, or for quotes below £5,000 at the specified date and time.
- 10.2 All tenders or quotations for each contract must be opened by 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 after consultation with the Director of Finance disqualify a tender or quotation which fails to comply with the requirements of this Contracts Standing Order (10) 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 City Solicitor after consultation with 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 No negotiation is permitted following receipt of final tenders where the tender was subject to EU procurement rules.
- 12.3 The Authorised Officer may, after consulting with the Director of Finance, and where it is intended to obtain better value for money, authorise negotiations with one or more tenderers or quotation providers where s/he considers that none of the tenders or quotations are acceptable and it is in the Council's interests to do so.
- 12.4 Negotiation on behalf of the Council should be conducted by two or more Authorised Officers and a written record kept of the negotiation.

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 using the standard documents 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 over £5,000 must be awarded on the YORTender system and all contracts over £25,000 must also be awarded on Contracts Finder. All contracts above the EU threshold must also be published in OJEU.
- 13.7 For every contract, contract extension, framework or DPS agreement over £100k in total value, then the Authorised Officer must submit a written report to the Director of Finance which includes details of:

- the winning bid,
- the suppliers involved,
- results of any selection process,
- the value and subject matter of the contract,
- justification for using any negotiated type procedure,
- any decision not to award,
- reasons for not using electronic communications,
- any conflict of interest,
- reasons for rejecting abnormally low bids.

14 Contract Extensions, Variations or Novation or Termination

14.1 ~~The Authorised Officer must identify all contracts involving the processing of personal data and notify Suppliers and make suitable due diligence checks of their technical and organisational measures to fulfil their obligations as Data Processors under the General Data Protection Regulation (effective from the 25th of May 2018)~~

Comment [DF2]: Moved to section 4

- 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 Council's Financial Regulations 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 ~~contractorSupplier~~
 - 14.6.3 the variation extends the scope of the contract considerably

14.7 [Contract variations](#)[Variations with a value of more than £5,000 to contracts procured in accordance with these Contract Standing Orders](#), which are not within the scope of the original contract [may, if the relevant EU Threshold is not exceeded be permitted where one of the following applies:](#)

- [A change in supplier cannot be made for economic or technical reasons such as interoperability or compatibility with existing services or equipment, or](#)
- [A variation to an existing contract is necessary due to unforeseen circumstances](#)

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[Such variations](#) must be [reported to](#)[approved by:](#)

- 14.7.1 the Assistant Director of the Service if the value of the variation is less than 25%, [or the revised, total contract value is less than £100k,](#)
- 14.7.2 the Strategic Director of the Department if the value of the variation is greater than 25%, [and/or the revised total contract value exceeds £100k, or](#)
- 14.7.3 the Chief Financial Officer if the value of the variation is greater than 50% and the total value of the contract then exceeds £100k.

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14.8 [For works contracts variations must be managed in accordance with the relevant works contract clause\(s\), and by no later than the next periodic valuation of the works reported in accordance with 14.7.1 to 14.7.3 above](#)

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14.9 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 consult with the Director of Finance before novating or assigning the contract to a new Supplier.

[14.10 Before commencing a process of terminating a contract with a Supplier for a breach of contract the Authorised Officer must consult the Director of Finance.](#)

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15 Written Contracts

15.1 The Authorised Officer must ensure every contract is in writing.

15.2 Every contract with a contract value of £100,000 or more must be executed under seal as a Deed with the common seal of the Council by the City Solicitor where:

- the Council wishes to enforce the Contract for more than 6 years after its end (e.g. for land or construction works); or
- it is required by parties to the Contract; or

- the price paid or received under the Contract is a nominal price and does not reflect the value of the goods/services; or
- the City Solicitor deems it necessary taking into account the nature of the contract

15.3 Otherwise the following rules for signature apply:

- any contract with a total value over £2 million must be signed by an Appropriate Officer
- any contract with a total value less than £2 million must be signed by a 3rd tier Manager or above, except
- where the total contract value is less than £100,000 and more than £25,000 in which case an Authorised Officer can sign within the limits specified by an Appropriate Officer as per contract standing order 2.5.

15.4 All contracts with the exception of one-off purchases below £5,000 shall must be recorded on the Contract and Grant Register.

16 Professional Services, Consultants and Intermediary Employment

16.1 An Authorised Officer may only appoint external consultants providing professional or consulting services if such services are not available within the Council or if Council officers providing them do not have the resources to meet the needs of the Authorised Officer. Approval of the Consultancy and Contractor Procurement Process must be obtained before seeking quotes or tenders.

16.2 Inline with HMRC IR35 and CIS rules the Authorised Officer must consider guidance available on Bradnet and identify the employment status of the Supplier for tax purposes for the contract entered into, and notify the Director of Finance. workers Although not a definitive list, Suppliers providing works or services in instances including the following must be considered:

- Services delivered personally by the Supplier
- Consultancy work
- Self employed contractors or suppliers
- 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

16.3 For contracts identified as being within the scope of the IR35 payments can only be made in compliance with IR35 legislation.

16.34 The Authorised Officer must consult the Director of Finance for all Construction Industry Scheme (CIS) contractor appointments and payments.

17 Contract Conditions

17.1 The Council's Standard terms and conditions should be entered for all contracts. Any exception must be agreed in consultation with the City Solicitor and the Director of Finance.

17.2 The above rule shall not apply to:

- UK government standard documentation or government sponsored schemes such as Academies 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

18 Contract Management

18.1 The Authorised Officer is responsible for contractual spend over the duration of a contract, and must scrutinise and challenge supplier performance, costs and progress, and must take appropriate measures and sanctions to improve supplier poor performance.

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18.2 The Authorised Officer must ensure that contract specifications contain suitable key performance indicators to incentivise appropriate service delivery and to highlight poor performance.

18.3 The Authorised Officer must undertake suitable due diligence checks of a Supplier's technical and organisational measures to fulfil their obligations as Data Processors under the General Data Protection Regulation

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19 Leases and Other Credit Agreements

19.1 The Authorised Officer must ensure that prior to entering into any lease or credit arrangement which has a capital cost, the cost must first be approved for inclusion in the Capital Investment Plan in accordance with Financial Regulations relating to capital expenditure.

20 Grants

20.1 The Authorised Officer must follow the Council's principles, processes and template documents as appropriate for awarding grants prior to entering into any grant arrangements

20.2 Before awarding any grant with an estimated value in excess of £100,000, the Authorised Officer must consult the Director of Finance.

20.3 All grant agreements shall be recorded in the Contract and Grant Register.

21 Payment Outside of Standard Procure to Pay Procedures

21.1 The Director of Finance will make payments on account only on certificates (or other forms approved by the Chief Financial Officer) which have been issued by the Authorised Officer, or the Architect/Engineer/Supervising Officer appointed to deal with a particular contract.

21.2 An Authorised Officer may where there has been written agreement with the Director of Finance (setting out the parameters) make purchases and payments via a Purchasing Card. All of the following limitations on the use of Purchasing Cards must be adhered to:

Purchasing Cards must only be used in accordance with the Council's Purchasing Card Compliance Policy, any exception to the Policy must be agreed in advance with the Director of Finance

- Purchases must only be for legitimate Council purposes,
- Value for Money must be demonstrated,
- There is no Corporate Contract in place,
- Purchases are for specialist products or services that are not easily obtainable from other sources,
- Purchasing Cards must not be used for any work related expenses, and
- The purchase value is within financial limits set by the Director of Finance.

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The Director of Finance will withdraw the use of Purchasing Cards should the above not be complied with. Instances of non-compliance can result in disciplinary action in accordance with CSO 2.1.

21.3 Payment for goods, works and services are not to be made in advance of delivery other than in a low contract value and low risk situation that has been agreed in writing with the Appropriate Officer

22 Claims

22.1 The Authorised Officer must inform the City Solicitor of all claims by or against suppliers which are the subject of formal dispute resolution or litigation between the Council and the supplier.

23 Contracts Where Members Have an Interest

23.1 Members shall ensure that all procurement activity which is undertaken has regard to high standards of probity and in a manner which avoids any conflict of interest. The Members' Code of Conduct must be followed at all times.

TABLE 1

Value Band	Total Contract Value	Procurement Options	Additional procedures
1	£0 - £24,999	<p><u>CSO Sections 4 and 5</u></p> <ul style="list-style-type: none"> Must demonstrate value for money Must use in-house or corporate contract Must use local supplier if available Consider using purchasing card for low value, low risk purchases Invite one or more quotes if appropriate 	<ul style="list-style-type: none"> All quotes in writing Use YORTENDER for quotes over £5,000 All contracts over £5,000 to be entered in the Contract & Grant Register <p>Formatted: Font: Bold Formatted: No bullets or numbering</p>
2	£25,000 - <u>£99,999 EU Threshold for Supplies and Services</u>	<p><u>CSO Sections 4 and 6</u></p> <ul style="list-style-type: none"> Must use in-house or corporate contract Consider availability of an existing suitable framework or DPS arrangement (call-off) Consider if exception to competition applies <u><£100k; seek minimum of four quotes inviting local suppliers if available</u> <u>>£100k; seek minimum of six quotes, inviting at least four from local suppliers if available</u> Formal (<u>open</u>) tender process 	<ul style="list-style-type: none"> All quotes in writing Use YORTENDER for quotes over £5,000 <u>>£100k Complete briefing note for contract award and extensions</u> All contracts to be entered in the Contract & Grant Register <p>Formatted: Font: Bold Formatted: No bullets or numbering</p>
3	<u>£100,000 EU threshold Above EU Threshold for Supplies and Services</u>	<p><u>CSO Sections 4 and 7</u></p> <ul style="list-style-type: none"> Must use in-house or corporate contract Consider availability of an existing suitable framework or DPS arrangement (call-off) Consider if exception to competition applies Formal tender process <u>Full EU tender process with advert published in OJEU in accordance with thresholds</u> 	<ul style="list-style-type: none"> All proposed contracts must be referred to Finance and Procurement Complete Procurement Risk Assessment Form Use YORTENDER for formal tender Complete briefing note for contract award and extensions All contracts to be entered in the Contract & Grant Register <u>Report to Overview & Scrutiny for contracts over £2million</u>
4	<u>Above EU threshold</u>	<ul style="list-style-type: none"> <u>Must use in-house or corporate contract</u> <u>Consider availability of an existing suitable framework or DPS arrangement (call-off)</u> <u>Full EU tender process with advert published in OJEU</u> 	<ul style="list-style-type: none"> <u>All proposed contracts must be referred to Finance and Procurement for consultation and advice</u> <u>Complete Procurement Risk Assessment Form</u> <u>Use YORTENDER for formal tender</u> <u>Complete briefing note for contract award and extensions</u> <u>Report to Overview & Scrutiny</u>

		<p>for contracts over £2million</p> <p>• All contracts to be entered in the Contract & Grant Register</p>
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PART 3F Financial Regulations

GENERAL

1 Application

- 1.1 These Financial Regulations are made in accordance with the provisions of section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 and subsequent amendments to provide for the proper administration of the Council's financial affairs. The Chief Financial Officer (S151 Officer) has overall responsibility for this administration. More detailed guidance is contained in Financial Advice Notes and other procedures issued by the Chief Financial Officer.
- 1.2 In these Financial Regulations "Appropriate Officer" means the Chief Executive, Strategic Directors, Directors, City Solicitor, the Chief Financial Officer (S151 Officer) or any other officer designated by resolution of the Executive.
- 1.3 In these Financial Regulations "Appropriate Member" for the purposes of paragraph 16.4.2 means the portfolio holder for the service area required to comply with the Financial Regulations and the Ward members where the proposed expenditure has implications for a specific Ward.
- 1.4 These Regulations state the principles of financial control and administration, which must be followed by all officers of the Council. Failure to comply with these Financial Regulations may result in disciplinary action against the officer(s) concerned. Appropriate Officers must certify annually their compliance with internal controls.
- 1.5 In applying these Financial Regulations, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 1.6 Annually, the Chief Financial Officer will review these Financial Regulations and report any proposed alterations to the Governance and Audit Committee for consideration. The report will then be presented to Council for approval as part of the annual review of the Constitution.
- 1.7 The Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the Council's interest. The 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 Chief Financial Officer can alter the financial limits in these regulations because of changes in the value of money. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.

- 1.10 In applying these Financial Regulations, all officers shall comply with the Budget and Policy Framework Procedure Rules set out in Part 3C of the Constitution and implement the specific further requirements and best practice advice provided by the Chief Financial Officer.

FINANCIAL CONTROLS AND PROCEDURES

2 Accounting Control

- 2.1 The Chief Financial Officer is responsible for approving and controlling the Council-wide accounting and financial systems. Appropriate Officers must comply with these accounting and financial systems.

3 Audit Arrangements

- 3.1 The Chief Financial Officer must 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 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 fraudulent offences, waste, extravagance and inefficiency.
- 3.1.4 The effectiveness of risk management, control and governance processes taking into account public sector internal audit standards and guidance.

- 3.2 The Chief Financial Officer

- a) can visit all premises to see cash, stores and other property,
- b) has access to any documents and all other data sources considered necessary and
- c) can ask any officer for any information and explanations considered necessary and may produce a report.

The officer concerned then has two months to respond to the report detailing the intended action to be taken on the report's recommendations. The Appropriate Officers are responsible for appropriate procedures being in place to ensure that the intended action has been implemented. The Chief Financial Officer must take to the Governance and Audit Committee the Annual Internal Audit Plan, the Annual Internal Audit Report and any other report relevant to Internal Audit. The Chief Financial Officer must inform the Governance and Audit Committee every year about any replies to reports which are still outstanding.

- 3.3 If any officer suspects or knows of any losses or irregularities concerning cash, property, stores or other financial matters they must inform the Corporate Fraud Unit at once and discuss action to take. The Chief Financial Officer must report serious losses and irregularities to the Governance and Audit Committee.

4 Statement of Accounts

- 4.1 Each year the Chief Financial Officer must produce to the Executive an outturn report for the previous financial year showing income and expenditure on both capital and revenue account compared against estimates.
- 4.2 Each year the Chief Financial Officer must produce the Council's Statement of Accounts (which shall include the Annual Governance Statement) and submit them to the Governance and Audit Committee.

5 Payments to Staff

- 5.1 Appropriate Officers are responsible for arrangements for paying employees in accordance with rules issued and systems established by the Chief Financial Officer. Payments to workers must comply with IR35 Regulations.
- 5.2 The Appropriate Officer is responsible for the accuracy of all information passed to the ~~Chief Financial Officer Strategic Director Corporate Resources~~ that is used for making payments to staff and the ~~Chief Financial Officer Strategic Director Corporate Resources~~ is responsible for the accuracy of payments made in accordance with information received.
- 5.3 Appropriate Officers or their nominees should maintain an up to date signatory list of all officers approved by them to manually authorise all payroll and related documents.
- 5.4 Appropriate Officers or their nominees should authorise staff who can have Chief Position status on MSS. Only staff with Chief Position status can authorise electronic payroll and related documents including starters and leavers for their staff.

Comment [HK1]: Responsibility with SDCR not CFO

Comment [HK2]: Responsibility with SDCR not CFO

6 Banking Arrangements

- 6.1 The Chief Financial Officer controls the Council's bank and giro accounts and is responsible for all procedures.
- 6.2 All cheques, giros, promissory notes and any other financial instruments and other orders for payment can be signed only by the Chief Financial Officer or other officers authorised by the Chief ~~Financial~~ Officer.

Comment [HK3]: Word missing in previous version

7 Borrowing and Credit Arrangements

- 7.1 The Chief Executive and Chief Financial Officer exclusively can negotiate loans to the Council.
- 7.2 Appropriate Officers must consult the Chief Financial Officer before entering into any property lease, finance lease or other contract for the use of an asset which may be deemed a credit arrangement and controlled under Sections 7 and 8 of the Local Government Act 2003.

8 Investments

- 8.1 The Investment Advisory Group (IAG) will make investment recommendations to the Strategic Director Corporate Resources and oversee a strategy for generating income from investment in other assets, taking into account sources of funds, objectives/purpose, scope of investment (geography, sector, exclusions), risk appetite, duration, return requirements and the economic and regulatory environment.
- 8.2 The Strategic Director Corporate Resources and Chief Financial Officer exclusively can make investments. They must put them under the name of the Council and/or the appropriate Trust Fund. Investments can include loans made, to for profit and not for profit organisations providing the purpose of the loan is consistent with the Council's priorities and advice relating to State Aid has been obtained.

9 Treasury Management

- 9.1 The Treasury Management function shall be carried out by the Chief Financial Officer in accordance with the Code of Practice on Treasury Management in the Public Service produced by CIPFA and in accordance with the Treasury Management Policy Statement and Treasury Management Practices/Schedules approved by the Governance and Audit Committee.
- 9.2 All Council money (excluding cash controlled by schools under delegated budgets) shall be under the control of the Chief Financial Officer.
- 9.3 All operational decisions on borrowing, investment or financing (except for schools under delegated budgets) shall be made by the Chief Financial Officer or officers nominated under the Scheme of Delegation contained in the Treasury Management Practices/Schedules.
- 9.4 Each year the Chief Financial Officer shall present to Governance and Audit Committee the following reports on Treasury:
 - 9.4.1 A Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy
 - 9.4.2 An Annual Treasury Management report
 - 9.4.3 and a Mid Year Treasury update report.

All above reports subsequently will be presented to full Council.

10 Value Added Tax

- 10.1 Appropriate Officers must fully consider and take into account the VAT implications of all policy decisions.
- 10.2 Where a capital project is proposed which involves expenditure in any of the VAT exempt activity areas Appropriate Officers must:
 - 10.2.1 Ensure that the VAT implications are taken into account during the planning stage.
 - 10.2.2 Liaise with the Chief Financial Officer on any capital proposals which may have exempt implications; and
 - 10.2.3 Ensure that any report to members states that the VAT exempt implications have been considered within the financial implications section of the report.
- 10.3 Any proposal to change the method by which a service is provided should be notified to the Chief Financial Officer.

11 Partnerships, Joint Ventures and Companies in which the Council is a Guarantor or has a Share Holding Interest

- 11.1 Where it is proposed that the Council be involved in a partnership arrangement or a joint venture or where the Council is to be a guarantor of a company limited by guarantee or a shareholder of a company, the Appropriate Officer shall first consult with the Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring and governance in each case of the arrangement, Joint Venture or company operation.

Comment [HK4]: Added for clarity
- 11.2 All proposals for the transfer of in house services to an external provider must be considered by the Alternative Delivery Model Steering Group, chaired by the Chief Financial Officer, to ensure adequate safeguards are in place.

Comment [HK5]: Added to make it clear who runs the group
- 11.3 This Regulation does not apply to investments under Regulation 8 or pension fund investments under Regulation 33.

PROCUREMENT OF GOODS, WORKS AND SERVICES

12 Contract Standing Orders

- 12.1 Any officer of the Council who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Council, or behalf

of any other body for whom the Council acts, must follow the Council's Contract Standing Orders.

EXPENDITURE REQUIREMENTS

13 Expenditure Limits

- 13.1 Appropriate Officers may spend up to the total budgeted resources for their services in the most efficient and cost effective manner and deploy those resources flexibly in order to meet the objectives and policies for those services as approved in the Council's budget and policy framework, provided that:
 - 13.1.1 Budget for capital charges and/or statutory charges may not be vired for other purposes.
 - 13.1.2 Portfolio holders are consulted before the Appropriate Officer transfers resources under their delegated control but between Portfolio Holders' remits.
 - 13.1.3 Requests for virement of revenue over £100,000 from the control of one Appropriate Officer to another are to be approved by Council unless agreed by all three leaders of the three largest political groups represented on the Council.
- 13.2 Where a request for virement of revenue over £100,000 is approved in accordance with Standing Order 13.1.3 above the officer seeking approval will notify all elected members of Council of that approval within 5 working days.
- 13.3 The Chief Financial Officer will report all approvals given under Standing Order 13.1.3 to the Executive, as part of the Quarterly Financial Report.
- 13.4 Appropriate Officers are responsible for all expenditure incurred.
- 13.5 Appropriate Officers may make variations within their total budget but where any such variations will have a financial impact on another Council department they must consult with the department concerned.
- 13.6 Appropriate Officers shall not incur expenditure beyond the total budgeted provision, nor make commitments or variations in staffing levels which would lead to increases in expenditure in future years beyond approved limits. Appropriate Officers must inform the Chief Financial Officer immediately if it appears to them that the total expenditure incurred by their services (including expenditure they propose to incur) is likely to exceed the approved budget.

14 Better Use of Budget

- 14.1 In order for Appropriate Officers to manage their budgets more effectively, they may:

- 14.1.1 Underspend their allocation and carry the balance forward to the following year, or,
 - 14.1.2 Overspend their allocation and deduct the amount overspent from the following year's budget, provided that by carrying a balance forward this would not create an overspending in the following year.
- 14.2 Any action taken under paragraph 14.1.1 or 14.1.2 above must be agreed with the Chief Financial Officer.

15 Procure to Pay and Miscellaneous Payments

- 15.1 Appropriate Officers, or their nominees, are responsible for authorising purchases or making miscellaneous payments. Officers should ensure that the expenditure is necessary and appropriate and that there is a budget on the correct financial code to cover such expenditure, before giving approval.
- 15.2 The Miscellaneous Payments process enables payments to be made which are not the result of a purchase, for example a refund, grant payment or third party payment. Miscellaneous Payments must not be used to pay suppliers (for goods, services or works; this includes professional fees/services, particularly to consultants or training providers). It must also not be used to reimburse employee expenses or petty cash purchases.
 - Comment [HK6]:** Added to strengthen spending controls
- 15.3 The CHAPS, Immediate, Next Day or Future Dated Payments process must not be used to pay suppliers for goods, services or works other than in exceptional circumstances where an invoice is provided and the use of CHAPS is authorised by the Strategic Director Corporate Resources.
 - Formatted:** Not Highlight
 - Comment [HK7]:** Added to strengthen spending controls
 - Formatted:** Not Highlight
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- 15.4 Appropriate Officers should ensure that staff are properly trained to follow the procure to pay process, use an approved feeder system and to use SAP Procure to Pay.
- | 15.35 Appropriate Officers should review and document staff access to the SAP Procure to Pay system and any approved feeder system at least on an annual basis to ensure it is up to date and appropriate.

CAPITAL EXPENDITURE

16 Expenditure Arrangements

- 16.1 Appropriate Officers shall ensure that the potential effects of capital expenditure on the Council's VAT position are properly considered in accordance with Regulation 10.
- 16.2 All Capital Investment proposals must be supported by a business case approved by both the Project Appraisal Group and the Portfolio Holder. These proposals must be evaluated in terms of value for money risk, deliverability and fit within the overall Capital Programme. Only proposals with approved business cases can be included in the Capital Plan.

- 16.3 Appropriate Officers shall ensure that every scheme involving capital expenditure is approved for inclusion in the Capital Investment Plan before any commitment is made, and in this respect:
- 16.3.1 Schemes to be financed from an approved revenue budget or to be fully financed from capital grant may be approved by the Chief Financial Officer, and
 - 16.3.2 All schemes other than those approved by the Chief Financial Officer in accordance with 16.3.1 must be agreed by the Project Appraisal Group before submission to the Executive for approval.
- |
- 16.4 Appropriate Officers shall ensure that:
- 16.4.1 The scheme is designed and specified within the approved costs in the Capital Investment Plan (which will be shown at outturn prices) in consultation with the Chief Financial Officer where appropriate.
 - 16.4.2 Appropriate Members are consulted on plans and detailed estimates for schemes over £75,000.
 - 16.4.3 Where appropriate, Government or any other source of external funding approvals have been received.
 - 16.4.4 The tender to be accepted does not exceed the technical officer's estimate of the tender price (as reflected in the Capital Investment Plan) by more than:
 - 16.4.4.1 10% or £100,000, whichever is the lesser, for schemes costing over £75,000.
 - 16.4.4.2 15% or £7,500, whichever is the lesser for schemes costing £75,000 and below.
- 16.5 Appropriate Officers shall ensure compliance with all current policies on capital expenditure including the requirement to refer schemes (excluding schemes that are entirely funded by external grants) to the Executive immediately prior to entering into any completely new commitments. In addition, Appropriate Officers shall be responsible for keeping both the appropriate Portfolio Holder and the Chief Financial Officer advised of schemes; and shall ensure that the resultant revenue consequences of a capital scheme can be financed within their approved revenue budget.

17 Monitoring the Capital Investment Plan

- 17.1 Each Appropriate Officer must ensure that annual spending on capital schemes does not exceed the approved cost.
- 17.2 Once a scheme has started, an Appropriate Officer must report to the Executive at the point at which it becomes apparent that the cost of a capital

scheme will exceed the approved figure in the Capital Investment Plan by more than the amounts referred to in 16.4.4.1 and 16.4.4.2.

- 17.3 Additional works to an approved scheme beyond the original scheme proposals exceeding the approved figure in the Capital Investment Plan may only be authorised by the Executive.
- 17.4 Where the approved cost of schemes is reliant on funding from specific resources such as supplementary credit approvals and grants, Appropriate Officers must secure the funding before entering into commitments.
- 17.5 Capital expenditure and funding form part of the financial monitoring reports prepared for the Executive which must include the benefits of investment. Each Appropriate Officer will monitor capital spending and resources and provide information in accordance with the timetable and guidelines issued by the Chief Financial Officer.

INCOME REQUIREMENTS

18 Income Arrangements

- 18.1 When the authority provides goods or discretionary services to bodies or individuals external to the Council, Appropriate Officers must ensure
 - 18.1.1 A sound business case is established
 - 18.1.2 The Council has legal authority to carry out the service
 - 18.1.3 All relevant financial, employment and legal aspects have been properly considered and
 - 18.1.4 The Council is not exposed to unreasonable or disproportionate financial or other risk
- 18.2 Appropriate Officers are responsible for arrangements for the collection, receipt, recording, banking and safe-keeping of all Council income in accordance with rules issued by the Chief Financial Officer.
- 18.3 Appropriate Officers are responsible for all arrangements for credit facilities and accounting for doubtful debts in accordance with rules issued by the Chief Financial Officer. The Council's Accounts Receivable System must be used for the recording and collection of credit income due and the recovery of all outstanding debt unless other arrangements have been agreed with the Chief Financial Officer. Arrangements whereby customers self-bill should not be entered into **unless expressly agreed, in advance, in writing by the Chief Financial Officer.**
- 18.4 All contracts where the Council 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.
- 18.5 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

Comment [HK8]: Added so that Finance has to authorise self billing

once it is confirmed that the debt is not payable. Credit notes must be approved by the relevant Appropriate Officer or their nominated Senior Officers before they are raised.

- 18.6 The Chief Financial Officer must approve the writing-off of debts and other losses except where they have specified the level of small value debts below £100 for which Appropriate Officers can give approval. The Chief Financial Officer may also nominate senior officers within their department to approve write-offs.
- 18.7 As an Appropriate Officer, the Director – West Yorkshire Pension Fund (WYPF) must approve the writing-off of debts and other losses relating to WYPF debts only. The Director – West Yorkshire Pension Fund (WYPF) may also nominate senior officers within WYPF to approve WYPF debt write-offs in accordance with the WYPF documented procedures.

19 Prevention of Money Laundering

- 19.1 In accordance with the Money Laundering Regulations 2007, the Council will not accept cash payments in excess of €15,000/10,000. For practical purposes, this limit is set at £13,000/8,800 subject to Financial Regulation 1.8.
- 19.2 All officers must adhere to guidance issued by the Chief Financial Officer on compliance with Money Laundering Regulations.

Comment [HK9]: Maximum limit reduced to €10,000.

20 Review of Fees, Charges and Concessions

- 20.1 The introduction of any fee, charge or concession, or removal of any subsidy must be approved by the Executive unless it is required by legislation or is in accordance with approved policy or strategy.
- 20.2 The Appropriate Officer must review fees charges and concessions annually; including circumstances where there is a legal power to charge but no charge is currently applied.
- 20.3 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.
- 20.4 Appropriate Officers may vary fees charges and concessions in line with inflation forecasts stated by the Chief Financial Officer.
- 20.5 Proposed variations to fees, charges and concessions other than in line with inflation forecasts must be referred to the Executive, except that minor variations may be made by the Appropriate Officer after consultation with the appropriate Executive portfolio holder subject to any budgetary consequences being managed within existing service revenue budgets.

21 Grant Applications and Claims

- 21.1 Appropriate Officers are responsible for arrangements for the submission of grant applications to outside agencies, the certification of claims and the proper management of monies received in accordance with the Corporate Standard 3.
- 21.2 The Chief Financial Officer must be informed of all grant applications in excess of £100,000 at the time of application; and the result of all such grant applications as soon as this is known.

MANAGEMENT OF ASSETS

22 Asset Register

- 22.1 The Chief Financial Officer will keep the asset register of the Council and will issue procedures for its maintenance and valuation.
- 22.2 Appropriate Officers must ensure that all assets which are used by or are the responsibility of their services are recorded in accordance with rules laid down by the Chief Financial Officer. Appropriate Officers must supply such information to the Chief Financial Officer as requested from time to time.

23 Keeping Inventories and Stock Control

- 23.1 Appropriate Officers must keep inventories of equipment, plant and machinery in accordance with rules issued by the Chief Financial Officer. Inventories must be regularly reviewed and all items physically checked at least annually.
- 23.2 Stock held for re-sale must be valued at the lower of cost or net realisable value. Where valuation on this basis would result in a reduction in the overall carrying value of the range of stock held at a particular establishment of more than 10%, the Chief Financial Officer must be consulted as to the appropriateness of the valuation. Any stock losses should be dealt with under Financial Regulation 3.3.

24 Property Marking

- 24.1 Wherever possible, all portable and/or attractive equipment, plant and machinery that belongs to the Council must be visibly and permanently marked to show that it is the property of Bradford Council. In the case of new equipment the Appropriate Officer must first check to ensure that marking will not invalidate the warranty. Leased items will be marked as such where marking is acceptable to the Lessor.

25 Control of Assets

- 25.1 Appropriate Officers are responsible for the safekeeping and proper use of all Council assets and other resources under their control.

26 Private Property

- 26.1 When an Appropriate Officer has to look after private property they must make a complete inventory of the property under their custody and make arrangement for its safekeeping.

27 Private Funds

- 27.1 Appropriate Officers must ensure that when an employee because of their job has to look after money that does not belong to the Council they must keep it separate from the Council's money and make arrangements for its recording and safekeeping.
- 27.2 A private fund can only be set up with the approval of an Appropriate Officer.
- 27.3 Private funds must be audited every year by two independent individuals or one CCAB qualified accountant. Copies of the audited accounts must be sent to the Appropriate Officer.
- 27.4 The Chief Financial Officer can see all records and vouchers for private funds. The Chief Financial Officer must be told of any funds which do not comply with all these requirements.

28 Land and Property

- 28.1 Appropriate Officers must consult with the ~~Chief Financial Officer Strategic Director Corporate Resources~~ before acquiring land or property by whatever means (including purchase, sale, lease, tenancy, licence or option). The ~~Chief Financial Officer Strategic Director Corporate Resources~~ shall ensure compliance with all relevant current legislation, policies and protocols.
- 28.2 Appropriate Officers must consult with the ~~Chief Financial Officer Strategic Director Corporate Resources~~ before disposing of land or property by whatever means. All disposals of Council land or property must be carried out in accordance with the Land and Property Disposal Policy and, if appropriate, the Community Assets Transfer Policy.
- 28.3 The ~~Chief Financial Officer Strategic Director Corporate Resources~~ shall be consulted on and will approve all asset disposals before contract exchange.

Comment [HK10]: Responsibility lies with SDCR not CFO

29 Disposal of Other Assets

- 29.1 When disposing of any other asset, Appropriate Officers must ensure the Council's Financial Advice Note on Disposal of Assets is followed.

INFORMATION MANAGEMENT

30 Computer and Information Management

- 30.1 Appropriate Officers shall make adequate arrangements for the protection, identification, security, recording and proper use of all:
- 30.1.1 Computer hardware/software and associated technologies owned by or accessible to the Council.
 - 30.1.2 Council information systems, manual and electronic, including the control of access to premises where information is processed.
- 30.2 Appropriate Officers shall have regard to the provisions of the British Standard Code of Practice for Information Security Management ISO/IEC 27001 and PCI-DSS or any replacement thereof for the time being in force when considering the protection and security of personal, financial, sensitive and confidential information.
- 30.3 All officers must comply with the Council's Information Security Policy and guidelines relating to the use of computer hardware, software, related technologies, E-mail and the Internet. All Officers must undertake Information Governance training annually.

Comment [HK11]: Payment Card Industry – Data Security Standard

INSURANCE ARRANGEMENTS

31 Insurance Cover

- 31.1 The Chief Financial Officer will arrange all insurance cover and keep a record of details.
- 31.2 Appropriate Officers must immediately tell the Chief Financial Officer about:
- 31.2.1 New risks to be insured.
 - 31.2.2 Alterations to existing insurance cover required.
 - 31.2.3 Insured Assets which have been disposed of.
- 31.3 Each year Appropriate Officers must check that insurance cover is adequate.

32 Insurance Claims

- 32.1 Appropriate Officers must immediately notify the Chief Financial Officer once aware of any loss, liability or damage which may involve a claim. The Chief Financial Officer will negotiate and/or arrange settlement in accordance with any insurance arrangements made.

WEST YORKSHIRE PENSION FUND

33 Pension Arrangements

- 33.1 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day to day responsibility for the management of the Fund. The Chief Financial Officer at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts. A copy of WYPF Governance Compliance Statement can be found on WYPF website.

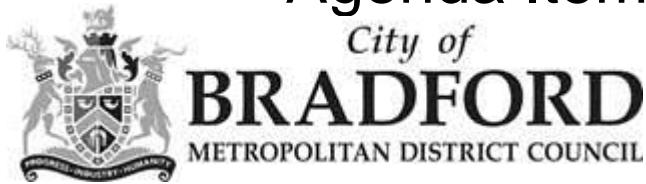
PUBLIC ACCOUNTABILITY REQUIREMENTS

34 Rules for Officers

- 34.1 An officer of the Council must not, in connection with their office of employment, accept any fee or reward whatsoever other than their proper remuneration.
- 34.2 An officer must not receive or give or offer any gift or bribe or personal inducements in connection with the Council's business.
- 34.3 An officer must not use Council property, assets or materials for other than the purposes of the Council. Permission of the Appropriate Officer must be sought for use of Council property, assets and materials for other purposes and such permission may only be given if it can be shown that such use is in the Council's interests.
- 34.4 An officer must not subordinate their duty to the Council to their private interests or put themselves in a position where their duty and private interests conflict.
- 34.5 If any officer suspects or knows of any financial loss or irregularity they must inform the Corporate Fraud Unit immediately.

34.6 An officer must comply with the Employee Code of Conduct.

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Report of the City Solicitor to the meeting of Governance and Audit Committee to be held on Thursday 18 April 2019

AP

Subject:

Review of the Constitution

Summary statement:

This report provides Members with details of proposed amendments to the Constitution for recommendation to Council.

Parveen Akhtar
City Solicitor

Portfolio: Corporate

Report Contact: Linda Bailey
Deputy Team Leader, Education,
Employment and Litigation Team
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1. SUMMARY

- 1.1 This Report provides Members with details of proposed amendments to the Constitution for recommendation to Council.

2. BACKGROUND

- 2.1 Article 14 of the Constitution requires the Monitoring Officer to maintain an up-to-date version of the Constitution and is authorised to make such amendments to the Constitution and related documents as may be necessary, but not including any changes of substance, to reflect and take account of changes in legislation, guidance, Council policy, decisions of the Council and Executive, and drafting changes and/or improvements.
- 2.2 Article 17 of the Constitution requires the Monitoring Officer to take steps to make herself aware of the strengths and weaknesses of the Constitution and make recommendations for improvement. Changes to the Constitution can only be made following approval by the full Council or by the Monitoring Officer, as set out in 2.1 above.
- 2.3 This report concerns proposals for amendments to the Constitution.

3. PROPOSED AMENDMENTS TO THE CONSTITUTION

The proposed amendments to the Constitution fall into the following categories:

1. Proposed minor amendments/updates to reflect changes in legislation or correct minor errors – these are set out in appendix 1
2. Proposed amendments to the Access to Information Procedure Rules to reflect changes to data protection law - these are set out in appendix 2
3. Proposed amendments required to reflect the alterations to the Council's Pay Policy Statement approved by Council on 19 March 2019 - these are set out in appendix 3
4. Recommendations to Council by the Regulatory and Appeals Committee, meeting on 11 April 2019, if approved, regarding replacing the Housing and Non Domestic Rates Appeal Panel and the Education Appeals Panel with an Officer Appeal Process (with the consequential deletion of Articles 8.6.1, 8.6.3, 8.7.4 and 8.7.6 of the Constitution).

4. FINANCIAL & RESOURCE APPRAISAL

The resources required to amend the Constitution can be met from existing provision.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The proposed amendments ensure that the Constitution is kept up- to- date.

6. LEGAL APPRAISAL

Legal implications are reflected in this report and the Appendices to this report.

7. OTHER IMPLICATIONS

None

8. EQUALITY & DIVERSITY

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. RECOMMENDATIONS

- 9.1 That the proposed amendments to the Constitution set out in Appendices 1-3 of this report be recommended to Council for adoption and implementation.
- 9.2 That the recommendations of the Regulatory and Appeals Committee (if any), meeting on 11 April 2019, regarding the Housing and Non Domestic Rates Appeal Panel and Education Appeals Panel be noted.
- 9.3 That the City Solicitor be granted delegated authority to make consequential amendments to the Constitution as a result of any recommendations approved by full Council.
- 9.4 That the City Solicitor ensures that any agreed amendments are implemented.

10. APPENDICES

- | | |
|------------|--|
| Appendix 1 | Minor amendments/updates to reflect changes in legislation or correct minor errors |
| Appendix 2 | Proposed amendments to the Access to Information Procedure Rules |
| Appendix 3 | Proposed amendments required to reflect the alterations to the Pay policy approved by Council on 19 March 2019 |

11. BACKGROUND DOCUMENTS

None

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Appendix 1 - Proposed minor amendments/updates to reflect changes in legislation or correct minor errors

- Article 14 - replace table at 14.30 of Statutory and Proper officers- with the below amended version (proposed amendments shown in italics and proposed deletions struck through)

Statutory and Proper Officers

Officer	Function(s)
Chief Executive	(i) Part III of the Local Government Act 1972 (ii) Representation of the People Act 1983 (iii) Parish and Community Meetings (Polls) rules 1983- 1987
City Solicitor	(i) Parts I, V, VII (excluding Sections 115 and 146), IX, XI, XII, Schedule 14, 16 and Schedule 29 of the Local Government Act 1972 (ii) Section 5 (Monitoring Officer) and 19 of the Local Government and Housing Act 1989 (iii) Section 41 of the Local Government (Miscellaneous Provisions) Act 1976 (iv) Registration Service Act 1953 (v) Marriage Act 1994 (vi) Ordnance Survey Act 1841 (vii) Local Authorities (Standing Orders)(England) Regulations 2001 (viii) Section 8 of the Representation of the People Act 1983 (Deputy Registration Officer)
Director of Finance	(i) Section 115 and Part VIII (including Section 151) of the Local Government Act 1972
Strategic Director Children's Services	(i) Section 532 of the Education Act 1996 (Chief Education Officer)
Strategic Director Health and Wellbeing	(i) Section 6 of the Local Authority Social Services Act 1970 (Strategic Director of Social Services) (ii) Public Health (Control of Disease) Act 1984 Food Act 1984 (iv) Public Health Act 1936 (v) Environmental Protection Act 1990 (<u>air quality, noise and nuisances, contaminated land</u>)
Strategic Director Place	(i) The Housing Acts 1985, 1988 and 1996 (ii) Sections 80 and 84 of the Environmental Protection Act 1990 (<u>environmental enforcement and street cleansing – pollution, waste, litter</u>) (i) Section 78 of the Building Act 1984 (ii) Food Act 1984
Assistant Director Office of the Chief Executive <i>Director of Public Health</i>	(i) Section 31 Local Democracy, Economic Development and Construction Act 2009 (i) National Health Service Act 2006
Chief Executive, Strategic Directors, City Solicitor and Directors	All other proper officer functions within their area of responsibility (Article 14.20), including Part VA of the Local Government Act 1972 in respect of reports prepared by officers within their area.

2. In addition, it is proposed to make the following amendments:-
 1. Article 6 paragraph 6.2.7 insert “and” between “Crime” and “Disorder”
 2. Article 7 paragraph 7.10.3 – to change the reference at the end of the sentence from “7.9” to “7.11”
 3. Article 9 paragraph 9.5.1 – change reference from “Confidential Reporting Code” to “Whistleblowing Code”
 4. Article 16 -Delete heading “Authentication of Documents”. Delete the text next to paragraph 16.5 and insert the word “(Deleted)” as this is dealt with in Contract Standing Orders
 5. Budget and Policy Framework Procedure Rules - paragraph 4.5.1 – insert the following to replace existing 4.5.1-

Estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections **31A, 31B, 34-36,36A, 42A, 42B, 45-49** ~~32 to 37 or 43 to 49~~, of the Local Government Finance Act 1992.
 6. Member and Officer Planning Code of Conduct – change “top management” to “senior leadership” at paragraph 5.1
 7. Protocol on Member Officer Relations – change “top management” to “senior leadership” at paragraphs 8.2 and 8.5

Appendix 2 - Proposed amendments to the Access to Information Procedure Rules

1. Access to Information Procedure Rules- change all references to Data Protection Act 1998 to Data Protection Act 2018
2. Replace paragraph 21 with the below (proposed amendments shown in italics and proposed deletions struck through) to ensure the Access to Information Procedure Rules correctly reflect legislation.

21 Subject Access Request

- 21.1 Any person about whom personal information is held by the Council is entitled to *obtain confirmation as to be told whether or not* personal information of which he or she is the subject, is being processed by or on behalf of the Council *and where that is the case s/he is entitled to access to copies of the personal information and the information set out in 21.3.*
- 21.2 A person making a subject access request should apply *verbally or* in writing to the Council and must provide sufficient information to enable the officer to locate the information and to be satisfied as to that person's identity.
- 21.3 A person making a subject access request is *also* entitled to be given the following information:
 - 21.3.1 ~~A description of the personal information held~~
 - 21.3.2 ~~A copy of that information in an intelligible form and an explanation if the information supplied is not otherwise intelligible~~
 - 21.3.3 ~~1 The purposes of *and legal basis for the processing* which the information is held~~
 - 21.3.4 ~~2. The categories of personal information concerned.~~
 - 21.3.5 ~~3 The recipients or categories of recipients to whom the personal information has been disclosed (including recipients or categories of recipients or categories of recipients in third countries or international organisations) persons (or classes of persons) to whom the information may be disclosed~~
 - 21.3.6 ~~4 The period for which it is envisaged that the personal information will be stored, or where that is not possible, the criteria used to determine that period. The source(s) of that information~~
 - 21.3.7 ~~5 The existence of the person's rights to request from the Council rectification of personal information and erasure of personal information or the restriction of its processing.~~
 - 21.3.8 ~~6 The existence of the person's right to lodge a complaint with the Information Commissioner and the contact details of the Information Commissioner. Where the information is used to take decisions, the logic involved in that decision. If an automated decision has been taken, the logic involved in that decision should be provided.~~
 - 21.3.9 ~~7 Communication of the personal information undergoing processing and of any available information as to its origin.~~
- 21.4 The *information to be supplied under Paragraphs 21.1 and 21.3 must be provided promptly in writing without undue delay*- and within no more than *one month* 40 days of the request.
- 21.5 Access to personal information held by the Council may be refused where one or more of the following apply:

- 21.5.1 Where the person making the request has failed to provide sufficient information as to his or her identity or to locate the information required.
 - 21.5.2 The supply of a copy of the information in permanent form is not possible or ~~would involve disproportionate effort~~ *the request is manifestly unfounded or excessive taking into account whether the request is repetitive in nature.*
 - 21.5.3 Any of the statutory exemptions under the Data Protection Act 1998 2018 apply or the information is not required to be disclosed under the 1998-2018 Act.
 - 21.5.4 A request has previously been made and a reasonable time has not elapsed since that request has been complied with.
 - 21.5.5 Where compliance would result in the disclosure of information relating to another individual *or another individual can be identified from that information*, unless that individual consents to the disclosure, or it is reasonable in all the circumstances to dispense with his or her consent having regard to any duty of confidentiality owed.
 - 21.5.6 In the case of the Council's employees, any confidential reference given by the Council.
 - 21.5.7 The information is held for the purposes of the prevention or detection, *investigation or prosecution* of crime or has been disclosed to or provided by another organisation for those purposes, and in each case disclosure of the information would be likely to prejudice those purposes.
 - 21.5.8 In the case of Social Services information, if disclosure would be likely to prejudice the carrying out of social work *because it would be likely to cause serious harm to the physical or mental health or condition of the data subject or any other person or if any exemption in the Data Protection (Subject Access Modification) (Social Work) Order applies.*
- 21.6 Any decision to refuse access to all or part of the information held must be taken by the Chief Executive, a Strategic Director, Director, City Solicitor or Assistant Director and the reasons for the refusal must be stated in writing.
- 21.7 ~~Any decision made under 21.6. may be reviewed on written request by the Chief Executive or relevant Strategic Director.~~
- 21.8 These arrangements are subject to the requirements of the Data Protection Act 1998 2018- and shall be interpreted in accordance with this Act.
3. Paragraph 22.2 insert the words "at maintained schools" after "Parents of pupils" and before "may have access"

Appendix 3 - Proposed amendments required to reflect the alterations to the Council's Pay Policy Statement approved by Council on 19 March 2019

1. Article 4 paragraph 4.4.13 Substitute the following for the existing 4.4.13:-

Approve proposed salary packages of £100,000 per annum or more before it is offered in respect of a new post in accordance with paragraph 7 of the Council's Pay Policy Statement and the Officer Employment Procedure Rules and approve proposed severance packages for Chief Officers as defined in the Pay Policy Statement of £100,000 or more in accordance with the Council's Pay Poicy Statement.

2. Officer Employment Procedure Rules - delete existing paragraph 4.8 and replace with:-

Full Council must approve any salary package, as defined in the Council's Pay Policy Statement, of £100,000 per annum or more before it is offered in respect of a new post not listed in Appendix B of the Pay Policy Statement or if it is proposed to pay more than the top of the salary range for an existing post in Appendix B (excluding pay awards) unless paragraph 9 of the pay Policy Statement applies.

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Report of the Strategic Director of Corporate Resources to the meeting of the Governance and Audit Committee to be held on 18 April 2019.

AQ

Subject:

INTERNAL AUDIT PLAN 2019/20

Summary statement:

This report outlines the Internal Audit Plan for the financial year 2019/20. The delivery of the audit plan will assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control.

The 2019/20 Internal Audit plan is the second year of a five year internal audit planning cycle which is detailed in the report.

Joanne Hyde
Strategic Director of Corporate
Resources

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Portfolio:

Corporate

Improvement Area:

Corporate

1. SUMMARY

- 1.1 The purpose of this report is to inform the Governance and Audit Committee of the Internal Audit Plan for the financial year 2019/20, giving the Committee the opportunity to contribute to the plan. It seeks to demonstrate that Internal Audit adds value to the Council by providing independent and objective assurance of risks to internal control within the Council's systems and processes. The Audit Plan reflects internal stakeholders' needs and the expected needs of the Council's external auditors for 2019/20.
- 1.2 The delivery of the audit plan will assist with risks within the systems reviewed being managed to an acceptable level through improvement in internal control.
- 1.3 This Internal Audit Plan is the second year of a five year internal audit planning cycle and details the work planned for the financial year 2019/20, together with indicative plans for the next four years 2020/21 to 2023/24.

2. BACKGROUND

Internal Audit Plan 2019/20

- 2.1 The Council's Constitution gives the Governance and Audit Committee the responsibility of approving the Internal Audit Plan.
- 2.2 The Internal Audit Plan details the work planned for the 2019/20 financial year. The plan demonstrates that Internal Audit's resources are managed effectively and that the coverage is appropriate to allow the Head of Internal Audit, Insurance, Information Governance and Risk to gain sufficient evidence to be able to form an opinion on the internal control systems of the Council that it has reviewed. The opinion must be based on a balance of work so that the internal control environment, the risk management and governance arrangements of the authority can be assessed.
- 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 has been substantially implemented as at March 2018. The QAIP has been incorporated into the Internal Audit five year plan 2018/19 to 2022/23. 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.
- 2.4 Four additional Senior Auditors (3.35FTE) were recruited in August 2018. However, due to the high demand for planned audit work in 2019/20, the Service, in conjunction with the s151 officer, has had to consider and prioritise the use of these resources. The main core delivery of Internal Audit in 2019/20 is planned to be the provision of assurance on the Council's fundamental financial and significant systems.
- 2.5 The current plan is based on a five year plan that was redesigned for 2018/19 to 2022/23. The five year plan re-examined the risks of the authority as stated in the corporate risk register and the financial flows to ensure that internal audit resources are directed appropriately and that the Council's assurance processes are maintained. The five year plan has included contributions from departmental management teams and has also been subject to consultation with Council Management Team. It is the case that there will always be a shortfall of resources against the planned work required. Consequently, it is expected that not all planned audits in the five year plan are deliverable and the Service will have to prioritise the use of its resources in producing the individual annual audit plans.

- 2.6 Performance will be reported to the Governance and Audit Committee in the Internal Audit Half Year Monitoring statement in November 2019 and in the Annual Audit Report in June/July 2020.
- 2.7 The 2019/20 audit plan will enable the Head of Internal Audit, Insurance, Information Governance and Risk to form an opinion at the end of the year on the Council's control, risk and governance arrangements. As part of implementing the QAIP, the 2019/20 audit plan has been developed to show clearly how the work planned will contribute to forming audit conclusions on control, risk and governance that will feed into the year end opinion.

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 There are no direct financial consequences arising from this report. 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.

7. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 7.1 The work undertaken within Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. The key risks examined in our audits are discussed with management at the start of the audit and the action required from our recommendations is verified as implemented by Strategic Directors.

8. LEGAL APPRAISAL

- 8.1 The Accounts and Audit Regulations 2015 requires 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. The Council achieves this by complying with the Public Sector Internal Audit Standards (PSIAS), which it does by following the CIPFA Local Government Application Note. The Internal Audit Plan needs to be approved by the Governance and Audit Committee to ensure compliance with the PSIAS.

9. OTHER IMPLICATIONS

- 9.1 Equality and Diversity

The Audit Plan 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 will review the delivery of service to ensure that either appropriate charges have been made or that the service provided is in accordance with the formal decision making process of the Council.

9.2 Sustainability implications

When reviewing Council Business Internal Audit will be examining the sustainability of the activity and to ensure that mechanisms are in place so that services are provided within the resources available.

9.3 Greenhouse Gas Emissions Impacts

There are no direct 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

11.1 That the Internal Audit Plan for 2019/20 be reviewed and approved.

12. APPENDICES

12.1 Appendix 1 – Internal Audit Plan 2019/20.

13. BACKGROUND DOCUMENTS

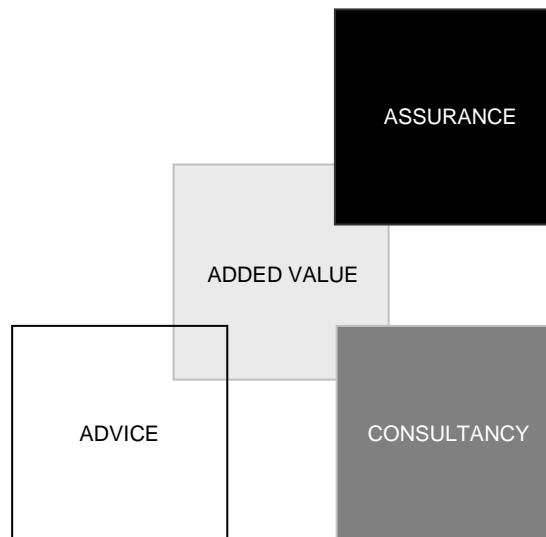
- 13.1 Accounts and Audit Regulations 2015.
- 13.2 Public Sector Internal Audit Standards 2017.
- 13.3 The CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition.

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Internal Audit



INTERNAL AUDIT PLAN 2019/20



DEPARTMENT OF CORPORATE RESOURCES

INTRODUCTION

One of the requirements of the “Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note” is that an Annual Internal Audit Plan is produced and approved by the Governance and Audit Committee. Compliance with the PSIAS and the Local Government Application Note is a requirement of the Accounts & Audit Regulations 2015.

The plan has been developed in consultation with Joanne Hyde, the Strategic Director of Corporate Resources, the Section 151 Officer of the Council and the Strategic Directors for each Department along with their management teams. In order to prevent duplication of work and to ensure that the required audit assurances on the Council’s financial systems are provided, the 2019/20 plan will be shared, as is normal practice, with the Council’s external auditors. Internal Audit is committed to maintaining a strong working relationship with External Audit co-planning the internal and external audit programmes as required. Regular meetings will be held with the External Auditors throughout the year in order to share mutually beneficial information relating to risks and controls.

This Internal Audit Plan details the work planned for the financial year 2019/20 and indicative plans for 2020/21 to 2023/24.

Mark St Romaine

Head of Internal Audit, Insurance, Information Governance and Risk

April 2019

Circulation:

Members
Joanne Hyde
Cameron Waddell
All Staff

Governance and Audit Committee
Strategic Director of Corporate Resources
Director and Engagement Lead, Mazars
Internal Audit

1. KEY AIMS

- 1.1 Internal Audit's role is to independently review, evaluate and report upon the internal control procedures that management have established, both in financial and non financial systems and make appropriate recommendations whenever controls are found to be missing, excessive or not operating effectively.
- 1.2 Internal Audit will assess and make appropriate recommendations to improve the organisation's governance processes for:
 - making strategic and operational decisions
 - overseeing risk management and control
 - promoting appropriate ethics and values within the organisation
 - ensuring effective organisational performance management and accountability
 - communicating risk and control information to appropriate areas of the organisation, and
 - coordinating the activities of and communicating information among CMT, Governance and Audit Committee, external and internal auditors, other assurance providers and management
- 1.3 Internal audit activity will evaluate risk exposures and the effectiveness of control relating to the organisation's governance, operations and information systems regarding the
 - achievement of the organisation's strategic objectives
 - reliability and integrity of financial and operational information
 - effectiveness and efficiency of operations and programmes
 - safeguarding of assets, and
 - compliance with laws, regulations, policies, procedures and contracts
 - occurrence and management of fraud risk
- 1.4 Overall Internal Audit undertakes the following functions:-
 - a) The continuous, systematic and structured review of the soundness, adequacy and application of the Council's internal control systems in accordance with the audit plan.
 - b) Receiving notifications of all suspected or known losses or irregularities concerning cash, property, stores or other financial matters.
 - c) Undertaking management reviews and reporting the findings to management for them to take the appropriate course of action.
 - d) Reviewing and advising upon developing systems.
 - e) Providing advice on financial systems, procedures, regulations, corporate governance issues and risk management.
 - f) Contributing to the Council's objectives and best value whenever possible

2. RESOURCES AVAILABLE

- 2.1 The total net resources available to Internal Audit are 2505 person days (9.6 FTE) which has increased by 229 days (0.9 FTE) from the 2276 days (8.7 FTE) available in 2018/19. The net increase is due to the full year effect of recruiting four Senior Auditors (3.35FTE) in August 2018, the reduction in working hours of one Senior Auditor effective from 1.4.19 (0.4FTE) and the secondment of one member of staff to Financial Services (1FTE). The

additional resources have ensured that the Internal Audit Opinion can be supported by sufficient evidence and correct the weakness identified in the external review of Internal Audit completed in March 2018. During 2019/20 resources permitting, Internal Audit would like to appoint a number of apprentices to support succession planning for the Service

3. INTERNAL AUDIT PLAN SUMMARY 2019/20

- 3.1 The summary of the Internal Audit Plan for 2019/20 in person days, by type of audit activity, is shown in Appendix A. The Plan initially showed a resourcing gap of 265 days, which was subsequently balanced after undertaking a prioritisation process (see 5.9 for more details).
- 3.2 This resource gap is mainly attributable to the high demand for planned audit work in 2019/20. The Committee needs to determine whether it approves of the Service's proposed action to reprioritise and reduce the scope and coverage of its initial 2019/20 audit plan in order to match it to available resources. Members will need to be mindful that certain risks will not be audited in as much detail as initially planned and in some cases not at all. This is detailed in Appendix E.
- 3.3 During the year progress against the audit plan will be regularly monitored to ensure that audit resources are efficiently and effectively deployed. The performance will be reported to the Governance and Audit Committee in the Internal Audit Half Year Monitoring statement in November 2019 and in the Annual Audit Report in June/July 2020. These reports will also be presented to Council Management Team.

The majority of assignments will be completed during the year but as is normal working practice some will inevitably be finalised in the following financial year.

The annual plan may change during the year, subject to capacity constraints, to reflect any significant events or new risks that occur through the year.

4. INTERNAL AUDIT PLANNED WORK

- 4.1 An audit risk assessment is undertaken annually on all individual systems throughout the Council. The assessment takes into account a wide number of factors such as financial value, whether the systems operating have changed, Corporate Governance requirements, Corporate and Directors' priorities, prior audit assurance and known areas of concern.

The risk assessment drives the annual audit plan which enables Internal Audit to perform the necessary controls assurance work on the Council's core systems and processes.

The Internal Audit Plan has been designed so that the Head of Internal Audit can provide an opinion which assesses the internal control environment, the risk management and governance arrangements of the authority.

- 4.2 The current audit plan is based on a five year plan that was redesigned for 2018/19 to 2022/23. The five year plan re-examined the risks of the Authority as stated in the corporate risk register and the key financial flows as stated in the financial ledger, to ensure that Internal Audit resources are directed appropriately and that the Council's assurance processes are maintained. The five year plan has included contributions from departmental management teams and has also been subject to consultation at Council Management Team.

5. BREAK DOWN OF AUDIT ACTIVITY

The following sections provide the detailed breakdown of the major productive areas covered in the Internal Audit Plan, by audit activity type, together with an indication of some of the key considerations in each area.

5.1 Service Assurance Based Internal Audit Activity

PSIAS require Internal Audit to take a broader view on the Council's business risks and objectives. In order to facilitate this, Internal Audit will review the control environment supporting the Council's Corporate risks. An assurance mapping exercise was performed on the Council's Corporate risk register to identify the possible work Internal Audit could complete to benefit the Council.

This was used to produce the five year audit plan, with the 2019/20 audit plan aiming to provide a broader view of audit coverage, as there is provision in the plan to perform audits that will look at controls which focus on organisational issues, the Council Plan and transformational change as well as financial issues. These audits will, on a cyclical basis, focus on providing assurance on a sample of the corporate risks as stated in the corporate risk register. Appendix B shows the suggested cyclical audit coverage of the current corporate risks, the Council Plan and transformational change, which can be revised as appropriate.

The preliminary areas to review in 2019/20 are:

- Safe, clean and active communities
- Transformational Change
- Adults safeguarding incident
- Children's Safeguarding Incident
- Environment and Sustainability
- Information Security

In addition, the audit plan will look to deliver more service assurance based internal audit activity than in previous years. These are included within the significant systems area of the plan, see Appendix D.

5.2 Fundamental Financial Systems

The work undertaken by Internal Audit helps the Strategic Director of Corporate Resources and External Audit to fulfil their statutory responsibilities. Fundamental financial systems are those systems that have a material impact on the Council's accounts, for example Council Tax. These audits ensure that there are adequate controls to support the Annual Governance Statement and influence the level of External Audit testing.

Appendix A shows that a total of 305 days has been allocated to fundamental financial systems work for 2019/20. This is an increase of 19% on the 257 days allocated in 2018/19.

The approach to auditing fundamental financial systems centres on in depth auditing, on a five year cycle, of the controls operating within an element of the fundamental financial systems. This is the prime basis of the Head of Internal Audit, Insurance, Information Governance and Risk's assurance statement. Details of the fundamental financial systems and their cyclical coverage are shown in Appendix C

5.3 Significant Systems

The audit risk assessment identifies all the significant audit risks. The work on significant systems of the Council, which are operational within Services, such as Better Care Fund, Leaving Care Placements, Performance Management and Waste Management supports

the Head of Internal Audit, Insurance, Information Governance and Risk's assurance statement on the internal control systems of the Council. On a five year cycle, Internal Audit aims to cover all of the Council's significant systems.

Details of the cyclical coverage of core significant departmental systems including schools are shown in Appendix D.

Appendix A shows that 421 days has been allocated to significant systems work for 2019/20, which is an increase of 8% on the 390 days allocated in 2018/19.

5.4 School Audits

Schools operate under delegated financial and governance arrangements and have responsibility for significant resources. The audit plan each year includes time for the review of the systems within schools and supporting schools.

Each year audits are undertaken at a number of individual schools deemed higher risk due, for example, to the level of support they need from the Council's School Funding Team or other significant changes known about a school. These audits assess the mitigation of risks at schools across seven key system areas. The 2019/20 plan includes capacity to perform eight school audits during the year, the same as in 2018/19. The position regarding academy conversions will continue to be monitored throughout 2019/20 to ensure audit resources are focussed appropriately in the context of this changing landscape.

In 2019/20 Internal Audit will look to review its audit approach for maintained schools in an effort to provide additional audit assurance and guidance to as many schools as possible. An allocation of time has been made for this development work.

Further, there is an allocation of time relating to the Schools Financial Value Standard, (SFVS), an Education & Skills Funding Agency initiative, (sitting within the Department for Education), currently consisting of 25 questions which school Governing Bodies must discuss annually with their Heads and Senior Staff, to give them assurance that they have secure financial management in place. All maintained schools, except those that meet certain exception criteria, are required to complete an annual SFVS assessment and return it to the Council by the 31st March each year.

The SFVS scheme also places a requirement on the Council's Director of Finance to have in place a system of audit for schools which gives adequate assurance over standards of financial management and to take into account the SFVS returns when setting the audit plan for schools. This must be declared within an annual position statement which also details the number of schools carrying out the self assessment. There is an allocation of time within the plan for analysis of the assessments in order to inform the audit plan and the position statement.

Completion of the SFVS is the responsibility of individual schools, however there is an allocation of time in the audit plan to provide schools with training support on the consideration and completion of their SFVS assessments. The aim of the training is to equip Governing Bodies with the skills needed to produce a good quality SFVS assessment by ensuring that effective financial management is in place in school. This has proved to be an effective use of audit resources as good practice on financial management principles can be disseminated to many schools during one training session. Positive feedback has been received from delegates on training delivered to date.

The Department for Education (DfE) announced in May 2018 that the SFVS scheme would change and the final returns for the current scheme are due by 31st March 2019. In February 2019, the new SFVS scheme was formally released for returns to be completed

during 2019/20 and submitted before the 31st March 2020. The SFVS scheme has significantly changed and now comprises a checklist of 29 questions and also a dashboard which will provide ratings based on a school's own data of spend and characteristics. Time is allocated to provide schools with training support to prepare for the changes required by the introduction of the new SFVS scheme.

Appendix A shows that the number of resources allocated to schools work for 2019/20 is 166 days, which is the same number of days that were allocated for schools audit work in 2018/19.

5.5 Computer Audit

A total of 60 days has been allocated to computer audit in 2019/20, which is consistent with the days allocated in 2018/19. However, the Service does not currently have a Computer Audit capability since the Service bought in from Wakefield Council ceased in 2017/18. Discussions have commenced with Salford Council who will be completing an Audit Needs assessment of Bradford's ICT functionality. Once this has been completed a decision will be made how to fulfil this requirement. Salford Council also provide Computer Audit Services for a number of Councils and organisations in the North West and have indicated they would be willing to provide a similar service for Bradford Council on a Service Level agreement or contractual basis.

5.6 Grants

There are no significant differences in the number of grants and funding streams known to require certification in 2019/20 compared to 2018/19, although, as in previous years there is always potential for Internal Audit to receive notification of new grant certifications during the year.

Grant work has been allocated 66 days within the 2019/20 plan to complete the certifications listed below.

- Cycle City Ambition Grant 2018/19
- Disabled Facilities Grant 2018/19
- Families First (Troubled Families Funding) 2019/20
- Highways Challenge Fund Grant 2018/19
- Pot Hole Action Fund Grant 2018/19
- Local Authority Bus Subsidy Grant 2018/19
- National Productivity Investment Fund Grant 2018/19
- PE & Sport Grant 2018/19
- WCA Local Transport Block Funding Grant 2018/19
- West Yorkshire Plus Transport Fund Grant 2018/19
- Bradford Interchange Access Improvement Grant 2018/19

5.7 Follow Up Audits

The Chief Executive and Strategic Directors have the responsibility, in accordance with Financial Regulations, to ensure that the agreed action on Internal Audit report recommendations has been implemented; and on an annual basis Internal Audit seek written confirmation of the level of progress of implementation.

In addition, a sample of follow up audits are carried out to confirm that actual progress is in line with that stated.

During 2019/20 Internal Audit will look to enhance the way in which recommendations are monitored with the aim of encouraging more timely implementation of recommendations, by following them up more frequently, which is expected to assist in improving the accuracy of the annual Director's sign off.

Appendix A shows that the number of resources allocated to follow ups in 2019/20 is 45 days, which is the same allocation as in 2018/19.

5.8 Advice & Controls Awareness

Advisory and control awareness work is mainly demand led and includes advice on system design. An allocation of 104 days has been made for this work in 2019/20, which is the same allocation as in 2018/19.

5.9 Audits Deferred from the 2019/20 Plan

Details of the audits removed from the Original Internal Audit Plan 2019/20 to match the level of available resources are shown in Appendix E. The majority of the reduction to produce the Internal Audit Plan for 2019/20, came from the Significant Systems (185 days) area of the audit plan, as this is the largest audited area.

These deferred audits have been provisionally allocated across the remaining future years, 2020/21 to 2022/23, of the five year plan.

It should be noted that even after the recruitment of the four Senior Auditors in 2018, there will still be an overall shortfall in resources in delivering the five year plan 2018/19 to 2022/23. Consequently, it is expected that not all planned audits in the five year plan are deliverable and the Service will have to prioritise the use of its resources in producing future annual audit plans. However, it is recognised that the recruitment of the additional Senior Auditors does significantly strengthen the work supporting the Annual Internal Audit opinion.

6. WEST YORKSHIRE PENSION FUND (WYPF)

The WYPF Internal Audit Plan (see Appendix F) is for 255 days commissioned work that is split between investments and the administration of pensions. The number of days was increased from 170 in previous years to 255, from 2018/19, at the request of the WYPF Financial Controller, due primarily to increasing risk as a result of the Northern LGPS and also an increase in activity in shared services to other Pension Funds such as Lincolnshire Pension Fund, London Borough of Hounslow Pension Fund and Fire Services. As a result of this increase in days, the 2018/19 Internal Audit plan included additional audit areas such as GDPR Compliance, Transfer of Data into WYPF systems (from new shared service partners) and Investment Pooling Arrangements. During 2019/20, Internal Audit will use some of the extra days to increase sample sizes used in testing controls. This is due to an increase in shared service partners such as the London Borough of Hounslow and further fire services. This allows Internal Audit to provide a level of assurance on transactions in respect of the shared service partners without diluting the assurance provided for the West Yorkshire Pension Fund. The extra days provided to the WYPF achieves additional income to Internal Audit of approximately £30K.

The volume and value of transactions is used to initially determine the frequency of an audit and necessitates that some of the key financial systems are reviewed more frequently than others. Consideration is also given to the significance of previous recommendations made, new legislation, new systems and the Director's priorities. The timing or frequency of an audit may change if a system is changed or Internal Audit is asked to bring forward a

specific audit or has specific concerns. If new systems are introduced these will be prioritised to be audited once the system is embedded.

Investments

Equities are audited every year due to the value of the investments, (63.8% of WYPF's market value at 31.12.18). Other asset classes are audited on either a three or five yearly basis dependent on risk considerations.

Treasury Management is currently being audited on an annual basis following the banking crisis and the increased risk to cash holdings. The Financial Controller has also requested that we carry out a Quality Check on the WYPF statement of accounts on an annual basis.

Pensions

Ensuring that New Pensions and Lumps Sums are correctly calculated and paid is crucial to the success of the system because all future payments are based on this calculation. Therefore this area is audited annually, using a different pensioner type each year.

Pensioners Payroll is audited twice in every five years as is Local Government Scheme Contributions. Reimbursement of Agency Payments, AVC Arrangements and Life Certificates are audited once every five years because of the low level of recommendations made in previous audits.

All of the other pension audits occur at least once in every five years subject to agreement with the Financial Controller on an annual basis.

Contingency

The WYPF Internal Audit Plan also contains a contingency to accommodate requests for additional work during the year.

7. COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

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 needed to be implemented to ensure the Service is fully compliant with the standards. The QAIP has been substantially implemented as at March 2018 with all the main documentation in place. This will be reported on in the Annual Internal Audit Report 2018/19. The focus of the Quality Assurance Improvement Plan from 1st April 2019 will be the skills development of colleagues within the department.

The 2019/20 audit plan will enable the Head of Internal Audit, Insurance, Information Governance and Risk to form an opinion at the end of the year on the Council's control, risk and governance arrangements. As part of implementing last years QAIP, the 2019/20 audit plan has been developed to show clearly how the work planned will contribute to forming audit conclusions on control, risk and governance that will feed into the year end opinion.

The Head of Internal Audit is not involved in audits where they have had either existing or previously held operational responsibility. If an audit is undertaken of Risk Management, Information Governance or Insurance the reports are reviewed by an Audit Manager and reported directly to the Strategic Director of Corporate Resources to avoid a conflict of interest.

INTERNAL AUDIT PLANS FOR 2019/20 AND 2018/19 BY AUDIT ACTIVITY

	2018-19 Plan	2019-20 Plan
	2018-19	2019-20
Full Time Equivalents (net of leave & public holidays)	8.7	9.6
	Days	Days
Fundamental Financial Systems	257	305
Significant Systems	390	421
Strategic & Departmental Risks/Council Plan	60	156
Transformational Change	25	25
Schools	166	166
Computer Audit	60	60
Grants	67	66
Follow-up Audits	45	45
Advice & Control Awareness	104	104
West Yorkshire Pension Fund	255	255
Administration	207	210
Management: Plan Delivery	208	208
Management: Technical	51	45
Training	70	70
Non-Audit Functions	264	369
Contingency Provision	47	0
TOTAL PRODUCTIVE TIME	2276	2505

PSIAS Standards Alignment

The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion that concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

The 2019/20 annual audit plan, Appendices B to F, indicates how it contributes to the forming of the annual audit opinion conclusions on control, risk and governance as follows:

C = Control
 G = Governance
 R = Risk Management

APPENDIX B

CORPORATE RISKS / COUNCIL PLAN / TRANSFORMATIONAL CHANGE – 5 YEAR PLANNED COVERAGE 2019-20 TO 2023-24

PSIAS	AUDIT	Audit Plan Year				
		2019-20	2020-21	2021-22	2022-23	2023-24
	A great start and good schools for all our children		x		x	
	Better skills, more good jobs and a growing economy		x		x	
	A well run council, using all our resources to deliver our priorities		x		x	
	Decent homes that people can afford to live in		x		x	
	Better health, better lives			x		x
C,G,R	Safe, clean and active communities	x		x		x
C,G,R	Transformational Change	x		x		x
R	Adults safeguarding incident	x				x
	Financial Resilience and Sustainability			x		
R	Children's Safeguarding Incident	x				x
R	Environment and Sustainability	x				x
R	Information Security	x				x
	Maintenance of Business Continuity Capacity		x			
	Partnership Delivery			x		
	Governance Breakdown		x			
	Quality Accessible and Affordable Housing		x			
	Regeneration and Investment attraction into the District			x		
	Delivery of Skills and Training Priority				x	
	Adults Social Care Transformation				x	
	Educational Attainment				x	
	Health Management				x	
	Maintenance of Cohesive Communities				x	

FUNDAMENTAL SYSTEMS – 5 YEAR PLANNED COVERAGE 2019-20 TO 2023-24

		AUDIT PLAN YEAR				
		2019-20	2020-21	2021-22	2022-23	2023-24
PSIAS	Fundamental System					
	Council Tax/NNDR					
	Valuation/Liability/Billing/Refunds		x			x
	Enforcement & Write Offs			x		
C, G, R	NNDR - BIDS	x				
	Benefits					
	Housing Benefit			x		
C, R	Discretionary Housing Benefits	x				
	Free School Meals					x
C, R	Overpayments	x			x	
	Accounts Receivable					
	Invoicing				x	
	Enforcement, Refunds & Write Offs					x
	Accounts Payable					
	Requisitioning/Ordering/Receipting			x		x
C, R	Payments including feeder files and miscellaneous payments	x			x	
C, R	Supplier Maintenance	x			x	
	Procurement					
	Corporate Contracts & Frameworks		x		x	
	IR35			x		
C, R	Agency Spend	x				x
	Contract Management Review				x	
C, R	Procurement Processes (Quotes, Tenders, Contracts Award)	x		x		x
	Purchase cards		x		x	
	Third Sector Contracts			x		
C, R	Contract Variations	x				x
	Payroll					
C, R	Starters & Leavers*	x		x	x	
C, R	Certification of Pension Contributions	x	x	x	x	x
	Payroll Processing including temporary & permanent variations, voluntary deductions, salary sacrifice, statutory payments and Apprenticeship Levy		x		x	
	External Payroll Provision including billing for salary costs		x		x	
	Expenses and Allowances			x		
	Third Party Payments	x			x	
	* alternate between Schools and Council					

		AUDIT PLAN YEAR				
PSIAS	Fundamental System	2019-20	2020-21	2021-22	2022-23	2023-24
	Cash, Banking, Investments and Loans					
C, R	Cash income (collection, banking, management/governance)/Capita cash receipting system	x		x		x
C, R	Bank reconciliation/unallocated cash	x			x	
	Cash Purchasing		x		x	
	Investments and Loans		x			x
	Budgetary Control					
C,R	Budgetary control	x			x	
	Capital					
	Accuracy of Asset Management register (CAFM): Revaluations, additions and disposals			x		
	Capital Programme			x		
C, R	Capital Schemes	x	x	x	x	x
C, R	Final accounts review	x				x
	Human Resources					
	Flexitime / Timerecording					x
	Sickness Absence			x		

CORE DEPARTMENT SYSTEMS INCLUDING SCHOOLS – 5 YEAR PLANNED COVERAGE 2019-20 TO 2023-24

		CORE DEPARTMENT SYSTEMS INCLUDING SCHOOLS	Audit Plan Year				
	PSIAS		2019-20	2020-21	2021-22	2022-23	2023-24
Health & Wellbeing	C, R	Continuing Healthcare	X		X		
		Self Directed Support (Direct Payments/ISFs etc)		X			X
		S117 Mental Health				X	
	C, R	Better Care Fund including Support & Enablement	X		X		
		Financial Assessment / Journey of Clients					X
		BACES		X			
	C, R	Deferred payment for long term residential care	X			X	
	G	Governance Arrangements re Future Integration with Health	X			X	
		Public Health Contracts / Monitoring/ Service Delivery			X		
		Deprivation of Liberties / Court of Protection / Deputyships		X			X
		Resource Allocation System		X			X
		ContrOCC & System One			X		
		Receiverships & Appointeeships			X		
		Data Quality			X		
Children's Services		Commissioned Care			X		
		No recourse to public funds				X	
	R	Departmental Risk Management	X		X		X
	C, R	Looked After Children (in house fostering, special guardianship) & Leaving Care Placements	X		X		X
		Outdoor Centres					X
		Special Educational Needs Placements (out of area)		X			X
		Early Years		X		X	
		Quality Assurance of Social Work activity				X	
		Residential Children Homes			X		
	C, R	Travel Assistance (School Travel, Travel Training)	X			X	
		Commissioning (Fostering agencies)		X			X
		Procurement – Children's		X			X
	C,G,R	Ofsted Inspection Improvement Plan – NEW added in 19/20	X	X			

	C, R	Education Attendance/Safeguarding – NEW added in 19/20	X				x
	R	Departmental Risk Management	X		x		x
		School Funding Allocation		x			
Corporate Resources		Building Maintenance/Services/TF/ CAFM					x
		Risk Management		x		x	
	C, R	Health & Safety	X				
		Rents incl miscellaneous, market and other rents		x			
		Energy Management / Carbon Reduction / Utilities		x			
		Insurance				x	
		Member's Allowances		x			
	C	Grants certification	X	x	x	x	x
		Grants to Voluntary Organisations				x	
		Registrars				x	
		Departmental Risk Management		x		x	
Place	C, R	Waste Management/Recycling	X				x
		S106 and Community Infrastructure Levy					x
	C, R	Swimming Pool and Sports Centre Income	X				x
		Licensing (Taxis etc)			x		
	C, R	Car Parking Income	X				x
		Transport incl vehicle repairs and maintenance, fuel recharge				x	
		Homelessness		x			
		Planning Applications and Building Regulations Fees			x		
	C, R	Regeneration Grants / Loans/Business Rates Relief	X				x
		Neighbourhoods and Customer Service			x		
		Gritting			x		
	C, R	Cemeteries and Crematoria	X				x
		Departmental Risk Management		x		x	
Chief Executive		Corporate Governance					x
	C, G, R	Performance Management	X				x
		Conflicts of Interest			x		
	G	Partnership Governance	X				
		Departmental Risk Management		x			
Schools	C, G, R	School Audits - Finance and Governance	X	x	x	x	x
		Safeguarding & Recruitment			x		

	IR 35			X		
	Procurement			X		
	Independent Payroll			X		X
C, G, R	SFVS Assessment	X	X	X	X	X
C, G, R	SFVS Training	X	X	X	X	X
C, R	In Control news letter	X	X	X	X	X
C	6 th Form Funding Assurance	X	X	X	X	X

2019-20 PLANNED AUDITS DEFERRED TO FUTURE YEARS IN ORDER TO BALANCE THE AUDIT PLAN (2019-20) TO AVAILABLE RESOURCES.

THESE DEFERRED AUDITS HAVE BEEN PROVISIONALLY ALLOCATED ACROSS 2020-21 TO 2022-23

AUDIT AREA	AUDIT DEFERRED FROM 2019-20 TO FUTURE YEARS	INITIALLY RE-ALLOCATED TO
Corporate Risk Management	Financial Resilience and Sustainability	2021-22
	Maintenance of Business Continuity Capacity	2020-21
	Partnership Delivery	2021-22
	Public Health Priorities	Removed from Plan as no longer a corporate risk
Council Plan	Better Health, Better Lives	2021-22
Benefits	Free School Meals	2021-22
Cash, Banking, Investments and Loans	Cash Purchasing	2020-21 (follow up audit done Dec 2018)
Council Tax / NDR	Valuation/Liability/Billing/Refunds	2020-21 (last audited Jan/March 2018)
Health & Wellbeing	BACES	2020-21
	Residential Homes	Remove from plan as CQC provides assurance
	Case Management	Remove from Plan coverage provided in other audits
Children's Services	Case Management	Remove from Plan coverage provided in other audits
	Early Years	2020-21
	QA of Social Work	2022-23
	Residential Children Homes	2021-22
Place	Homelessness	2020-21
	Planning Applications and Building Regulations Fees	2021-22
Chief Executive	Conflicts of Interest	2021-22

PSIAS		WYPF Plan 2019/20 to 2022/24				
		2019/20	2020/21	2021/22	2022/23	2023/24
	Pensions Administration					
	Local Government Scheme Contributions			X		X
C	New Pensions and Lump Sums	X	X	X	X	X
	Transfers Out		X			
C	Transfers In	X		X		
	Reimbursement of Agency Payments					X
	Life Certificates		X			
	AVC Arrangements					X
C,R	Admission of New Bodies	X				
	Pensioners Payroll		X			X
	Purchase of Additional Pension				X	
C	Annual Benefit Statements	X			X	
	New Pension and Lump Sums - Fire Service		X			X
R,G	Information Governance including GDPR			X		
C	Accuracy of Contributions Recorded on Member Records	X				
	Investments					
C	Equities	X	X	X	X	X
C	UK Fixed and Index Linked Public and Corporate Bonds	X				X
C	UK and Overseas Unit Trusts (Property and Other)	X				X
	Fund of Hedge Funds		X			
	UK and Overseas Private Equity		X			X
	Global Bonds					X
C	Cash Treasury Management (Short term Lending)	X	X	X	X	X
	Stock Lending			X		
	Compliance with IAP Investment Decisions and Policies			X		
	Verification of Assets				X	
C,G	GLIL	X				
C,G	Custodial Procurement and Transfer of Custodial Arrangements	X				
C	Annual Accounts Verification	X	X	X	X	X