



## **Notice of a public meeting of**

### **Audit & Governance Committee**

- To:** Councillors Derbyshire (Chair), Dew (Vice-Chair), Shepherd, Cuthbertson, Fenton, Kramm, Steward and Mr Mendus
- Date:** Wednesday, 6 December 2017
- Time:** 5.30 pm
- Venue:** The George Hudson Board Room - 1st Floor West Offices (F045)

### **AGENDA**

#### **1. Declarations of Interest**

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

#### **2. Minutes (Pages 1 - 8)**

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 20 September 2017.

### **3. Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday 5 December 2017**.

To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

#### **Filming, Recording or Webcasting Meetings**

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[http://www.york.gov.uk/download/downloads/id/11406/protocol\\_for\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings\\_20160809.pdf](http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf)

### **4. Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2016/17 (Pages 9 - 28)**

This report presents a Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2016/17.

### **5. Contract Procedure Rules Update (Pages 29 - 68)**

This report sets out the proposed changes to the Contract Procedure Rules.

**6. Local Government Association Corporate Procurement Peer Review** (Pages 69 - 72)

This report updates Members on the progress made in delivering the recommendations of the Local Government Association (LGA) external peer review of corporate procurement within the Council.

**7. Mazars Annual Audit Letter 2016/17** (Pages 73 - 94)

This report presents the Annual Audit Letter from Mazars (the Council's external auditors). The paper attached at Annex A (from Mazars) summarises the outcome of their audit of the Council's 2016/17 annual accounts and their work on the value for money conclusion.

**8. Monitor 3 2017/18 - Key Corporate Risks** (Pages 95 - 124)

To receive an update on the key corporate risks for City of York Council.

**9. Audit & Counter Fraud Monitoring Report** (Pages 125 - 144)

To receive an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

**10. Review of the Effectiveness of the Audit & Governance Committee** (Pages 145 - 150)

To consider options for undertaking a review of the effectiveness of the committee.

**11. Information Governance Report** (Pages 151 - 162)

This report provides Members with updates in respect of:

- Information governance performance
- General Data Protection Regulation (GDPR)
- the NHS Digital audit

**12. Audit & Governance Committee Forward Plan to September 2018** (Pages 163 - 170)

This report presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2018.

### 13. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Becky Holloway  
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Email: [becky.holloway@york.gov.uk](mailto:becky.holloway@york.gov.uk)

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

**This information can be provided in your own language.**

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

 (01904) 551550

City of York Council

Committee Minutes

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Meeting	Audit & Governance Committee
Date	20 September 2017
Present	Councillors Derbyshire (Chair), Dew (Vice-Chair), Cuthbertson, Fenton, Kramm, Steward, Funnell (Substitute) and Mr Mendus
Apologies	Councillor Shepherd

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## 21. DECLARATIONS OF INTEREST

Members were asked to declare any personal interests, not included on the Register of Interests, or any prejudicial or disclosable pecuniary interests which they may have in respect of business on the agenda.

Cllr Derbyshire declared a pecuniary interest in relation to the agenda item 8 (Audit & Counter Fraud Monitoring Report) due to her work at a local school. As a result, it was agreed that Cllr Dew would overtake the responsibilities of the Chair during discussion of the aforementioned item.

## 22. MINUTES

Resolved: That the minutes of the meetings of the Committee held on 21 June 2017 and 19 July 2017 be approved as a correct record and then signed by the Chair.

## 23. PUBLIC PARTICIPATION

It was reported that there had been two registrations to speak at the meeting under the Council's Public Participation Scheme on general matters within the remit of the Audit & Governance Committee.

Gwen Swinburn spoke in relation to conduct during the Audit & Governance (A&G) Committee session held on 22 February 2017, asking why the Local Government Association (LGA)

report had not been made available to the Councillors and the A&G Committee.

Cllr Warters also spoke in relation to the LGA report, indicating that the Executive Leader had stated during the last Full Council meeting on 20 July 2017 that the report was to be disseminated to Members immediately upon release. He stated that, as the report had not been released yet, this questioned the integrity of governance at CYC and asked the Committee to request the full draft LGA report investigating the conduct of the A&G meeting from 22 February 2017 for review, if necessary, at an emergency Committee meeting.

#### **24. MAZARS AUDIT COMPLETION REPORT**

Members considered the report from Mazars that communicated their findings of the audit for the year ended 31 March 2017. Gareth Davies and Jon Reece from Mazars were present in the meeting to present the report. They highlighted the completed and outstanding elements as well as significant findings, internal control recommendations and arrangements that CYC had made to secure economy and efficiency in its use of resources.

It was clarified that the one instance of a Director failing to declare an interest as a Director of a company with which the Council traded in 2016/17 referred to a personal company; the period spanned over the 2015/16 and 2016/17 financial years. It was also explained that the requests for updating the declarations of interests were sent to colleagues on an annual basis. Members considered whether the additional mechanisms ensuring that annual declarations of interests were returned could be introduced.

Resolved: That matters set out in the Audit Completion report presented by the external auditor be noted.

Reason: To ensure proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money.

**25. ANNUAL FINANCIAL REPORT - STATEMENT OF ACCOUNTS 2016/17**

Members' attention was drawn to the report presenting a final set of accounts for 2016/17 to reflect changes made since the draft pre-audit accounts were presented to the Committee on 19 July 2017. The Finance & Procurement Manager provided a brief summary of the report and it was agreed that the issue of obtaining valuations for the Yorkshire Museum items and artefacts would be investigated further. It was also confirmed that a specific process in relation to academy conversion was in place and this included pensions.

- Resolved:
- (a) That the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report be noted.
  - (b) That the amended Annual Financial Report at Annex A be approved for the signature by the Chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.

- Reason:
- (a) To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual audit of accounts and review of the Council's arrangements for ensuring value for money
  - (b) To ensure compliance with the International Auditing Standards and relevant legislative requirements

**26. LOCAL GOVERNMENT ASSOCIATION PROCUREMENT PEER CHALLENGE**

Members considered a report presenting feedback from LGA external peer review of corporate procurement within the Council, along with an update on the action that had already

been undertaken, actions ongoing and consideration of any future actions following the recommendations to ensure the full benefits were realised from the peer review process.

In response to Members' queries, it was also clarified that the LGA exercise undertaken was a peer review and not an investigation; therefore, the reviewers did not have an opportunity to look at detailed documentation providing evidence of processes in place. Members then asked for details of the reasons why the second LGA report investigating the procedures under which the Committee operated on 22 February 2017 had not been disclosed. It was explained by the Deputy Chief Executive that, because the matter referred to a review of conduct of the meeting, including individuals at the meeting, the HR and Standards Committee processes needed to be followed. It was noted that the Council Leader had issued a press release on the matter.

The Finance and Procurement Manager then spoke to clarify Members' questions. It was noted that:

- the task group for commissioning and procurement network had been created and the review of the contract procedure rules had been undertaken; this would be reported back to the Committee in due course;
- the target of 100% of transactions being procured would never be achieved as some of the payments (e.g. payments to government departments) were not procured;
- every single payment raised at CYC was authorised and the internal audit had given the highest assurance rating in relation to the payment processes;
- the issue raised in the A&G meeting in February referred to the retention of documents where no evidence of the procurement process used could be provided but not to the payment processes themselves;
- all the current procurement contracts were currently stored centrally.

Resolved: That the contents of the report and recommendations of the peer review feedback report be noted. That the answers to the 11 questions referred to in the scope of the review be requested from the LGA and to be circulated to the Committee.



Reason: To update the Committee on the feedback from the LGA procurement peer review and keep regularly informed of any future actions taken.

## **27. INTERNAL AUDIT FOLLOW UP REPORT**

Members considered a report setting out progress made by council departments in implementing actions agreed as part of internal audit work. Head of Internal Audit (Veritau Ltd) was in attendance to answer Members' questions.

Resolved: That the progress made in implementing internal audit agreed actions as reported be considered.

Reason: To enable Members to fulfil their role in providing independent assurance on the Council's control environment.

## **28. AUDIT & COUNTER FRAUD MONITORING REPORT**

Members considered a report providing an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity. It was clarified that both the audit and counter fraud topics overlapped and for this reason they were presented in one report.

Resolved: That the progress made in delivering the 2017/18 internal audit work programme and current counter fraud activity be noted.

Reason: To enable Members to consider the implications of audit and fraud findings.

## **29. MONITOR 2 2017/18 - KEY CORPORATE RISKS AND UPDATE ON MAJOR PROJECTS**

The report outlining the update on the key corporate risks (KCRs) and an update on major projects for City of York Council (CYC) was presented to the Committee. The Principal

Accountant (Corporate Finance) was in attendance to answer Members' questions.

It was agreed that one KCR would be presented to the Committee at a time and that the order of presentation would be chronological, i.e. KCR1 (Financial Pressures) would be presented at the next Committee's meeting, followed by KCR2 etc.

The Officers explained that the major projects' presentation was prepared specifically for Members and was part of the standard risk mitigation process. Members suggested that the Officers consider making the updates available electronically and that it was no longer necessary to include Annex B (major projects) in the Committee report.

Resolved: (a) That the key corporate risks provided at Annex A be considered.

(b) That the project information provided at Annex B be considered.

(c) That feedback on any further information that Members wish to see on future Committee agendas be provided.

Reason: To provide assurance that the authority is effectively understanding and managing its key risk and is kept updated on major programme and project activities.

### **30. OVERVIEW OF THE CONSTITUTION**

The Assistant Director (Legal and Governance) (AD) presented the report outlining the overview of the Constitution as per Members' request. The AD highlighted that at CYC every Executive Member decision was included in the Forward Plan which was not required by law. High level of public participation in York was also noted.

The following was noted:

1. The task and finish group would be formed in order to consider the scope of work in relation to potential changes

to the Constitution. Such work could involve public consultations.

2. The Members of the group would include Cllr Steward, Cllr Derbyshire, Cllr Kramm and one Liberal Democrat Member.
3. The task and finish group would present an interim report with recommendations to the Audit & Governance Committee.

Resolved: That the report be noted.

Reason: To answer to Members' requests to outline an overview of the Constitution.

### **31. YORK ENVIRONMENTAL SERVICES CONSULTANCY**

Members considered a report presenting further information on the York Environmental Services (YES) Consultancy as requested at the previous meeting. The Head of Public Protection explained that the current method of operation helped retain specialist staff and share the resources across other Local Authorities as well as reduce the number of complaints and the cost of the service for the tax payer.

Resolved: That the contents of the report be noted.

Reason: To ensure that the Audit & Governance Committee are fully briefed on this matter.

### **32. AUDIT & GOVERNANCE COMMITTEE FORWARD PLAN TO JULY 2018**

The Committee considered a paper presenting the future plan of reports expected to be presented during the forthcoming year to April 2018. It was noted that an update on recruiting an additional independent member to the Committee would be provided in due course. It was also agreed that a review of the effectiveness of the Committee should be considered, and that a report on this would come to the next meeting.

Resolved: (a) That the Committee's forward plan for the period up to July 2018 be noted.

(b) That a report on a review of the effectiveness of the Committee be added to the next meeting.

Reason:

(a) To ensure the Committee received regular reports in accordance with the functions of an effective audit committee.

(b) To ensure the Committee can seek assurances on any aspect of the Council's internal control environment in accordance with its roles and responsibilities.

Cllr F Derbyshire, Chair

[The meeting started at 5.30 pm and finished at 8.55 pm].

**Audit & Governance Committee****6 December 2017**

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

**Scrutiny of Treasury Management Mid year Review and Prudential Indicators 2016/17****Summary**

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2017/18 approved by full Council on 23 February 2017. The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”) stipulates that:
  - There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved
  - Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
2. Attached at Annex A is the Treasury Management Mid Year Review and Prudential Indicators 2017/18 report presented to November Executive. This information provides Members with an update of treasury management activity for the first six months of 2017/18.

**Recommendations**

3. (a) Audit & Governance Committee note and scrutinise the Treasury Management Mid year Review and Prudential Indicators 2017/18 at Annex A

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

### **Analysis**

4. The report reviews the economic and market conditions, highlighting the continued uncertainty around the Brexit negotiations and both consumer and business confidence and that this presents challenges for the Council's treasury function. At the time of writing, the November MPC meeting has just agreed an increase in Bank Rate to 0.5%.
5. Short term interest rates for investment opportunities continue to be low and the counterparty list, where the council's surplus funds can be invested is limited. The average rate of return achieved to date in 2017/18 is lower than in 2016/17, but is higher than the Bank Rate.
6. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
7. Borrowing rates have continued to fluctuate with the recent trend now being upwards. The finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset Services in respect of borrowing timings and amounts.

### **Consultation**

8. Not applicable

### **Options**

9. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". No alternative options are available.

### **Council Plan**

10. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priority areas as set out in the council plan. It therefore underpins all of the council's aims.

### **Implications**

11. The implications are

- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
- Human Resources - there are no human resource implications to this report.
- Equalities - there are no equality implications to this report.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property –there are no property implications to this report.
- Other – there are no other implications to this report.

### **Risk Management**

12. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

#### **Contact Details**

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**Chief Officer responsible for the report:**

Ian Floyd  
Deputy Chief Executive/Director  
of Customer & Corporate  
Services

Report approved  27 Nov  
2017

**Specialist Implications Officer(s)** None

**Wards Affected:**

All

**For further information please contact the author of this report**  
**Background Working Papers**

None

**Annexes**

1. Treasury Management Mid Year Review and Prudential Indicators 2017/18
2. Annex to above report – Prudential Indicators 2017/18





**Executive**

**15 November 2017**

**Report of the Deputy Chief Executive and Director of Customer & Corporate Services**

**Treasury Management Mid Year Review and Prudential Indicators 2017/18**

**Summary**

1. The Council is required through legislation to provide members with a mid year update on treasury management activities. This report provides an update on activity for the period 1 April 2017 to 30 September 2017.

**Recommendations**

2. Members are required, in accordance with the Local Government Act 2003 (revised), to:
  - Note the Treasury Management activities to date in 2017/18
  - Note the Prudential Indicators set out at Annex A and note the compliance with all indicators.

*Reason: to ensure the continued performance of the Council's Treasury Management function.*

**Background**

3. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.
4. This mid year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:
  - An economic update for the first part of the 2017/18 financial year;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - The prudential indicators;
  - A review of the Council's investment portfolio;

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- A review of the Council's borrowing strategy;
- A review of compliance with the Treasury and Prudential Limits.

### **Economic Background and Analysis**

5. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.
6. The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU



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<b>5 Yr PWLB rate</b>	1.50	1.60	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
<b>10 Yr PWLB rate</b>	2.20	2.30	2.30	2.40	2.40	2.50	2.50	2.60	2.60	2.70
<b>25 Yr PWLB rate</b>	2.90	2.90	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30
<b>50 Yr PWLB rate</b>	2.70	2.70	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10

**Table 1: Capita Asset Services Interest Rate Forecast (%)**

### **Annual Investment Strategy Update**

10. The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Council on 23 February 2017. There are no policy changes to the TMSS and the details in this report do not amend the TMSS.
11. The Council's Annual Investment Strategy, which is incorporated in the Strategy, outlines the Council's investment priorities as follows:
  - security of capital
  - liquidity
  - yield
12. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Council's risk appetite.

### **Investment Portfolio**

13. The average level of cash balances available for investment purposes in the first 6 months of 2017/18 was £114.243m (£106.306m for the same 6 month period in 16/17). The level of cash balances available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. These funds are therefore only available on a temporary basis depending on cash flow movement.
14. The average level of cash balances has increased compared to a year ago due to a number of factors. These include the receipt of grant

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funding in advance of the associated profiled spend and delays to a number of capital schemes.

15. This allows the Council to continue to use cash balances instead of taking long term debt to finance the Councils capital programme. This strategy remains a prudent one as investment rates continue to be lower than borrowing rates when viewed on a short term projection but the potential to secure long term funding is kept under review to ensure this remains the most effective use of cash balances, given long term rates are currently at attractive levels.
16. Investment return (calculated as the amount of interest earned against the average cash balance for the period) during the first six months of 2017/18 is shown in table 2:

	<b>2016/17 (full year)</b>	<b>2017/18 (part year to date)</b>
Average CYC Rate of Return	0.49	0.38
<b><u>Benchmarks</u></b>		
Bank of England Base Rate	0.25	0.25
Average 7 Day LIBID	0.20	0.11
Average 1 Month LIBID	0.32	0.13

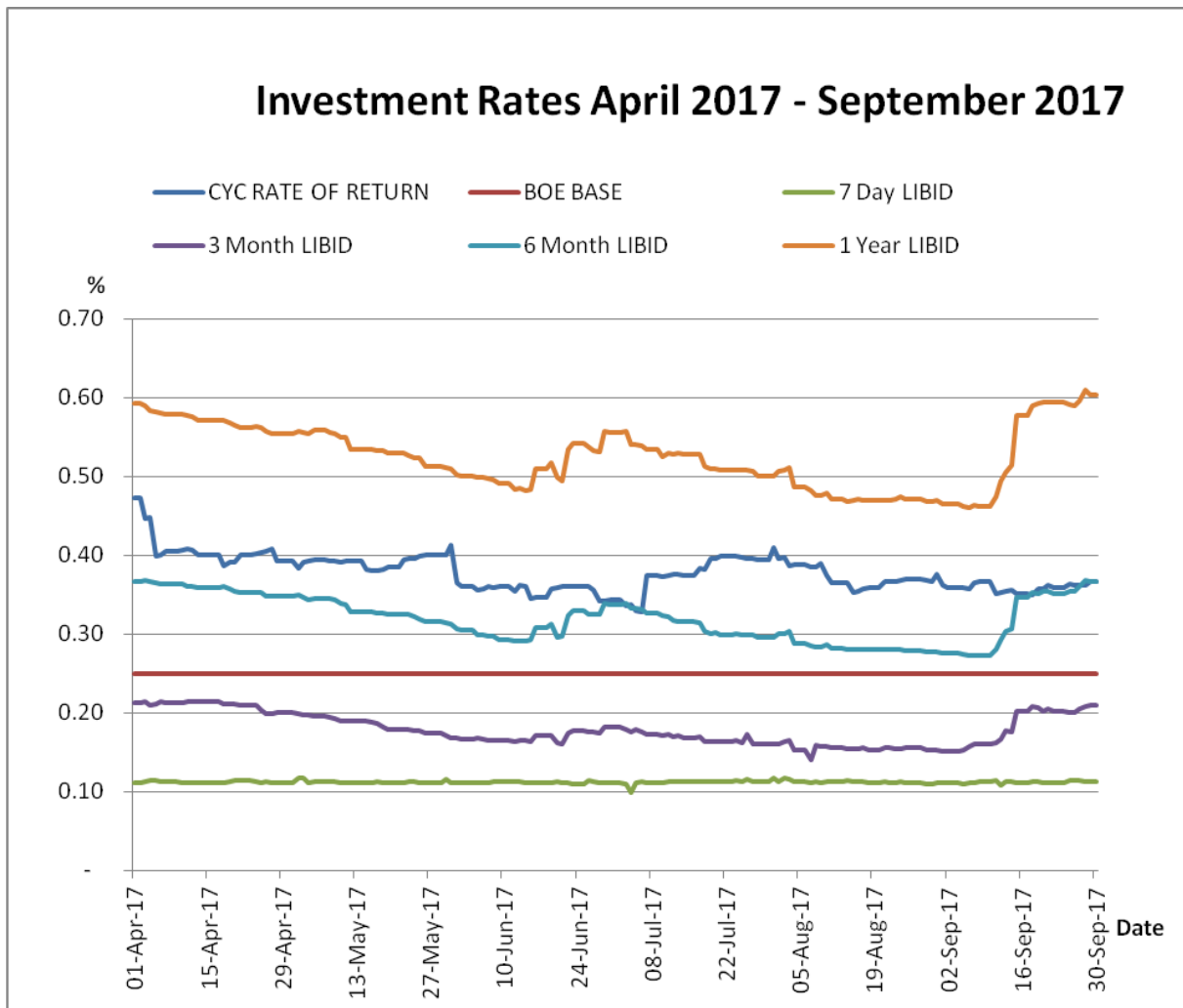
**Table 2: CYCs investment rate of return performance vs. benchmarks**

17. The average rate of return achieved to date in 2017/18 has fallen compared to the average seen in 2016/17. The reason for this is a combination of continuing falling interest yields across all types of investment accounts the Council makes use of on a short term basis, such as instant access Money Market Funds and notice accounts, and the maturity of several fixed term investments that the Council held which were yielding a higher than current average interest rate. Where new fixed term investments have been entered into the yield is reflective of current market rates.
18. However, as set out earlier in this report, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates continue to be very low. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this

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risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

19. Figure 1 shows the interest rates available on the market based on LIBID rates between 7 days and 1 year and also the rate of return that the Council has achieved for the first six months of 2017/18. It shows that favourable / competitive interest rates have been obtained for investments whilst ensuring the required liquidity and security of funds for the Council.

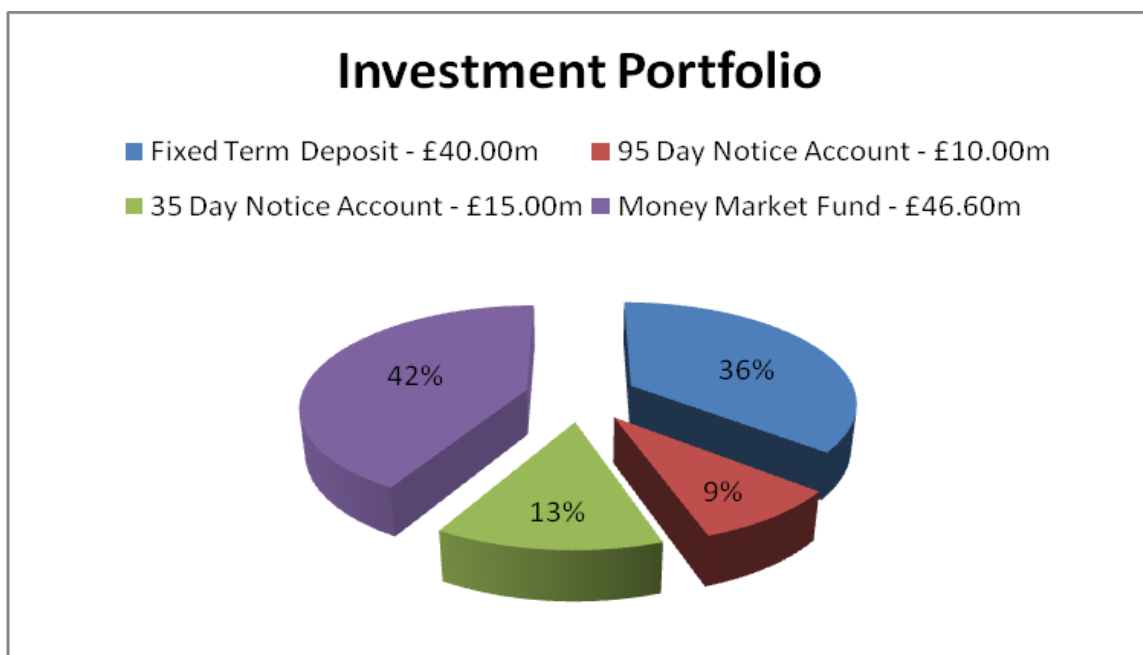


**Figure 1 CYC Investments vs Money Market Rates up to 30<sup>th</sup> September 2017**

20. Figure 2 shows the investments portfolio split by deposits in short term call accounts, fixed term investments and money market funds (MMFs).

21. All of the money market funds have an AAA credit rating, the notice call accounts are all AA or A+ rated and the fixed terms investments are A+ or A rated.

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**Figure 2 Investment Portfolio by type at 30<sup>th</sup> September 2017**

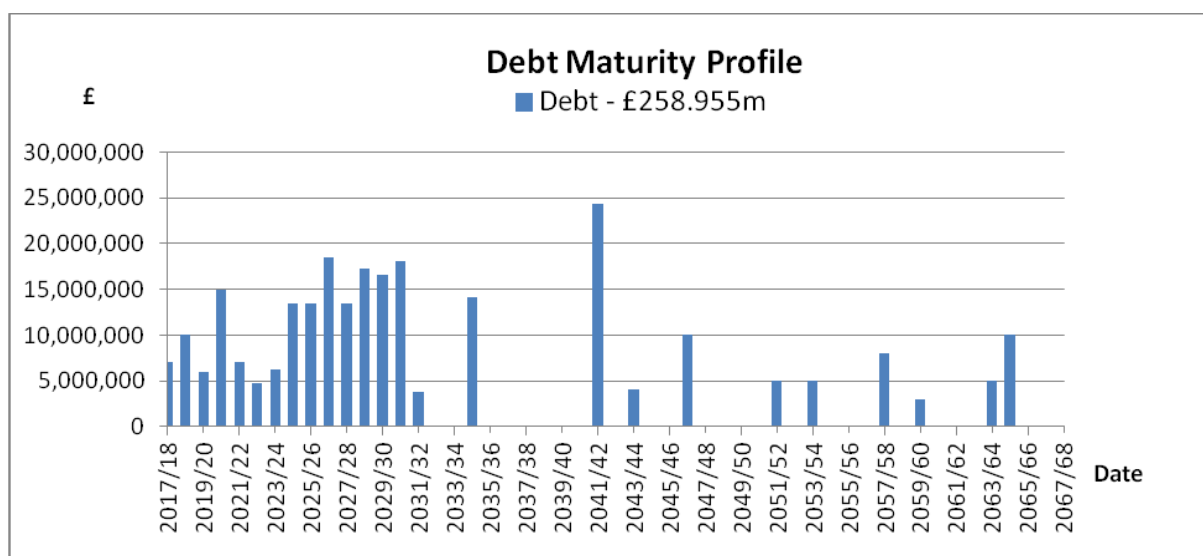
### Borrowing Portfolio

22. The Council undertakes long term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
23. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent.
24. Under regulation, the Council can borrow in advance of need and Markets are therefore constantly monitored and analysed to ensure that advantage is taken of favourable rates and the increased borrowing requirement is not as dependant on interest rates in any one year.
25. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised. In the current interest rate environment, where investment rates on holding investments are significantly below borrowing rates, consideration is given to the value of taking borrowing or whether it is better for the council to keep investment balances lower.
26. Throughout 2017/18 the finance team continues to closely monitor the opportunities that arise and receive daily updates from Capita Asset

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Services in respect of borrowing timings and amounts. One new loan has been taken during 2017/18 on 1<sup>st</sup> September 2017 for £618,598.00 from West Yorkshire Combined Authority at 0% interest, repayable on the 28th February 2027. No repayments are due during the term of the loan. The purpose of the loan is to help to fund York Central infrastructure projects. Members are reminded that this is a further instalment of a total £2.55m loan agreed by Executive on the 14th July 2016.

27. The Councils long-term borrowing started the year at a level of £261.3m. On 1<sup>st</sup> September 2017 a £0.619m WYCA loan was taken taking the Council's long-term borrowing figure to £261.9m. On 10th September 2017 a £3m PWLB loan was repaid taking the Councils long-term borrowing figure to £258.9m. The Housing Revenue Account settlement debt amounts is 47% of the borrowing portfolio (£121.5m) and the General Fund debt is 53% (£137.4m). On 5th November 2017 a £2.00m PWLB loan will be repaid taking the Councils long-term borrowing figure to £256.9m.
28. Figure 3 illustrates the 2017/18 maturity profile of the Council's debt portfolio at 30th September 2017. The maturity profile shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency.



**Figure 3 – Debt Maturity Profile 16/17 up to 30<sup>th</sup> September 2017**

29. Table 3 shows PWLB Certainty borrowing rates available for selected loan durations. There have been fluctuations in the rates with an average trend upwards to 30th September 2017.



	<b>PWLB Certainty borrowing rates by duration of loan</b>				
	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
<b>Yr High</b>	1.41%	1.89%	2.47%	3.03%	2.77%
<b>Yr Low</b>	1.02%	1.40%	2.04 %	2.72%	2.45%
<b>Yr Avg</b>	1.16%	1.57%	2.20%	2.85%	2.59%
<b>Spread</b>	0.39%	0.49%	0.43%	0.31%	0.32%

**Table 3 – PWLB Borrowing Rates (%) – to 30<sup>th</sup> September 2017**

### **Compliance with Prudential Indicators**

30. The Prudential Indicators for 2017/18 included in the Treasury Management Strategy Statement are based on the requirements of the Council’s capital programme and approved at Budget Council on 23 February 2017.
31. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits” included in the Prudential Indicators. The monitoring of the Prudential Indicators is attached at Annex A. During the financial year 2017/18 to date the Council has operated within the treasury limits and Prudential Indicators set out.

### **Revised CIPFA codes**

32. The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.
33. A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non treasury investments.

## Annex 1

Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on the Council.

### **MIFID II**

34. The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from for cash deposits with banks and building societies.

### **Consultation and Options**

35. The report shows the six month position of the treasury management portfolio in 2017/18. The treasury management budget was set in light of the council's expenditure plans and the wider economic market conditions, based on advice from Capita Asset Services. It is a statutory requirement to provide the information detailed in the report.

### **Council Plan**

36. The treasury management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.

### **Financial implications**

37. The financial implications are in the body of the report.

### **Legal Implications**

38. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

## Annex 1

**Other Implications**

39. There are no crime and disorder, information technology, property, equalities, human resources or other implications as a result of this report.

**Risk Management**

40. The Treasury Management function is a high-risk area because of the level of large money transactions that take place. As a result of this there are procedures set out for day to day treasury management operations that aim to reduce the risk associated with high volume high value transactions. These are detailed in the Treasury Management Strategy Statement at the start of each financial year.

**Contact Details**

<b>Authors:</b>	<b>Cabinet Member &amp; Chief Officer Responsible for the report:</b>		
Debbie Mitchell Corporate Finance Manager 01904 554161	Ian Floyd Deputy Chief Executive & Director of Customer & Corporate Services		
Sarah Kirby Principal Accountant 01904 551635	<b>Report Approved</b>	✓	<b>Date</b> 1.11.17
<b>Wards Affected:</b> <i>All</i>			
<b>For further information please contact the author of the report</b>			

Specialist Implications:
<b>Legal – Not Applicable</b>
<b>Property – Not Applicable</b>
<b>Information Technology – Not Applicable</b>

**Annexes**

Annex A – Prudential Indicators 2017/18

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## Annex 2

	Prudential Indicator		2017/18	2018/19	2019/20	2020/21	2021/22
4b	<p><b>Incremental impact of capital investment decisions – Housing Rents</b></p> <p>Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.</p>		£0.00	£0.00	£0.00	£0.00	£0.00
5	<p><b>External debt</b></p> <p>To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.</p>	<p>Gross Debt</p> <p>Invest</p> <p>Net Debt</p>	<p>£283.8m</p> <p>£33.6m</p> <p>£250.2m</p>	<p>£291.6m</p> <p>£25.0m</p> <p>£266.6m</p>	<p>£295.5m</p> <p>£20.0m</p> <p>£275.5m</p>	<p>£295.3m</p> <p>£20.0m</p> <p>£275.3m</p>	<p>£293.2m</p> <p>£20.0m</p> <p>£273.2m</p>
6a	<p><b>Authorised limit for external debt</b></p> <p>The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.</p>	Borrowing / Other long term liabilities / Total	<p>£363.5m</p> <p>£30.0m</p> <p>£393.5m</p>	<p>£363.5m</p> <p>£30.0m</p> <p>£393.5m</p>	<p>£363.5m</p> <p>£30.0m</p> <p>£393.5m</p>	<p>£363.5m</p> <p>£30.0m</p> <p>£393.5m</p>	<p>£363.5m</p> <p>£30.0m</p> <p>£393.5m</p>

## Annex 2

	<b>Prudential Indicator</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
6b	<p><b>Operational boundary for external debt</b> The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.</p>	Borrowing Other long term liabilities / Total	£353.5m £10.0m <u>£363.5m</u>	£353.5m £10.0m <u>£363.5m</u>	£353.5m £10.0m <u>£363.5m</u>	£353.5m £10.0m <u>£363.5m</u>	£353.5m £10.0m <u>£363.5m</u>
6c	<p><b>HRA debt limit</b> The Council is also limited to a maximum HRA CFR through the HRA self-financing regime, known as the HRA Debt Limit or debt cap.</p>		£146.0m	£146.0m	£146.0m	£146.0m	£146.0m
7a	<p><b>Upper limit for fixed interest rate exposure</b> The Council sets limits to its exposures to the effects of changes in interest rates for 5 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.</p>		114%	110%	107%	107%	107%
7b	<p><b>Upper limit for variable rate exposure</b> The Council sets limits to its exposures to the effects of changes in interest rates for 5 years.</p>		-14%	-10%	-7%	-7%	-7%







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**Audit & Governance Committee****6 December 2017**

Report of the Deputy Chief Executive / Director of Customer &amp; Corporate Services

**Contract Procedure Rules Update****Purpose of Report**

1. This report sets out the proposed changes to the Contract Procedure Rules.

**Recommendation**

2. That Audit & Governance Committee:
  - Recommend to full Council approval of the revised Contract Procedure Rules attached at Annex A.

Reason: to ensure appropriate governance of the Council's purchasing activity

**Background**

3. The current Contract Procedure Rules (CPRs) were approved by Council on 21<sup>st</sup> July 2016, following scrutiny by Audit & Governance Committee on 22<sup>nd</sup> June 2016. The rules are regularly reviewed to ensure they are fit for purpose and the outcome of the latest review is attached at annex A to this report.
4. The CPRs form part of the Council's Constitution and are a key internal control.

**Analysis**

5. A number of changes are proposed in response to some recommendations from Veritau and the Local Government Association Peer Challenge, along with changes to try and clarify and strengthen the rules to ensure a high standard of governance in all procurement activities.
6. The key changes proposed include
  - Clarification regarding the application of the CPRs to schools
  - Clarification as to who can approve specifications and evaluation criteria
  - Specific changes to ensure compatibility with current legislation (eg use of Contracts Finder)
  - Additional clarity as to when a procurement can be considered as "routine"

- A new section on Concession Contracts
  - Making electronic documentation and the use of Yortender mandatory
  - Removal of some sections of guidance that are already included in the Procurement Toolkit (eg ordering and paying, applying for waivers)
  - Removal of the section on internal providers
  - Clarification on who can approve contract extensions
  - A number of minor wording and grammatical changes
7. The changes proposed are intended to strengthen the rules and clarify some areas that have been the subject of debate over the past year. They don't make any substantive changes to how the procurement process itself works or dilute the internal control mechanism.
8. Following this review a council wide communication will be issued reminding all staff of the CPRs and promoting the training available. Specific courses are being offered to schools staff. The rules will continue to be kept under review to ensure they are effective.

### **Consultation**

9. Officers within both procurement and legal services have been consulted on the proposed changes highlighted in annex A.

### **Council Plan**

10. Effective CPRs Good are an essential feature of how the Council is accountable to residents in ensuring a focus on cost and efficiency to make the right decisions in a challenging financial environment.

### **Implications**

11. The implications are
- Financial – fit for purpose CPRs will result in effective stewardship of public money.
  - Human Resources - there are no human resource implications to this report.
  - Equalities - there are no equality implications to this report.
  - Legal – there are no legal implications to this report.
  - Crime and Disorder - there are no crime and disorder implications to this report.

- Information Technology - there are no information technology implications to this report.
- Property –there are no property implications to this report.
- Other – there are no other implications to this report.

## Risk Management

12. Having clear, effective CPRs enables the council to deliver its objectives whilst ensuring sound arrangements for the procurement processes. Failure to review and maintain the CPRs would mean that the council would be failing in its responsibilities for ensuring accountability and the proper conduct of its affairs.

### Author:

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Finance & Procurement  
Manager  
Ext 4161

### Chief Officer responsible for the report:

Ian Floyd  
Deputy Chief Executive / Director of  
Customer & Corporate Services

Report  
Approved

Date 27 Nov 2017

Wards Affected: All

For further information please contact the author of the report

Annex A – Revised Contract Procedure Rules (with tracked changes)

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# CITY OF YORK COUNCIL

## CONTRACT PROCEDURE RULES

~~Version 4 – June 2016~~

Version 5 – December 2017



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## **Contract Procedure Rules**

These Contract Procedure Rules (CPRs) set out the key responsibilities and actions that Officers and Directors must follow when undertaking procurements.

All procurements and contracting arrangements made by or on behalf of the Council must follow these CPRs. Rule ~~28-25~~ sets out the only circumstances in which the other Rules are specifically excluded or may be waived. Appendix A contains a series of definitions. Any term which is defined is shown in the CPRs beginning with a capital letter.

Maintained Schools must follow these CPRs in addition to the York Scheme for Financing Schools. Specific governance processes for schools are set out in Appendix B.

### **1. Basic Principles and Compliance**

All procurement procedures and every contract entered into by the Council must:

- 1.1 realise value for money by achieving the optimum combination of whole life costs, and quality of outcome;
- 1.2 be consistent with the highest standards of integrity;
- 1.3 operate in a transparent manner;
- 1.4 ensure fairness in allocating public contracts;
- 1.5 comply with all legal requirements including the Public Contracts Regulations and the European Union (EU) treaty principles of proportionality, mutual recognition, transparency, non-discrimination and equal treatment;
- 1.6 comply with the Council's Constitution, these CPRs and the Council's Financial ~~Procedure Rules~~Regulations;
- 1.7 comply with the Council's strategic objectives and policies, including the Council's Procurement Strategy and the Council's Employee and Member Codes of Conduct; and
- 1.8 comply with the guidance set out in the Procurement Toolkit which should be read in conjunction with these CPRs;

These CPRs shall be applied to the contracting activities of any strategic partnership for which the Council is the accountable body unless the Council expressly agrees otherwise.

### **2. Officer Responsibilities**

#### **2.1. Authorised Officers**

2.1.1 Authorised Officers shall comply with these CPRs, the Council's Constitution and with all UK and EU legal requirements. Authorised Officers must ensure that any agents, consultants and contractual partners acting on their behalf also comply with these requirements.

2.1.2 Authorised Officers shall:



- (i) ensure, in relation to any proposed procurement, that the proposed procurement expenditure is contained in a Forward Procurement Plan and contained within a approved budget secured prior to commencement of the procurement in accordance with the Financial ~~Procedure Rules~~Regulations;
- (ii) keep the records required by Rule 4 of these CPRs;
- (iii) take all necessary procurement, legal, financial and professional advice, taking into account the requirements of these CPRs;
- (iv) prior to letting a Contract on behalf of the Council, check whether:
  - (A) the Council already has an appropriate Contract in place in the Contracts Register; or
  - (B) an appropriate national, regional or other collaborative contract is already in place.
- (v) ensure that if the Council already has an appropriate Contract in place, that it is used, (unless it can be established that the Contract does not fully meet the Council's specific requirements (to be determined on a case by case basis)), following consultation with Commercial Procurement and Legal Services;
- (vi) ensure that if an appropriate national, regional or collaborative contract is available, consideration ~~should be~~is given to using this, provided the contract offers Best Value. Authorised Officers should consult with Commercial Procurement to discuss;
- (vii) ensure that when any employee, either of the Council or of a Provider, may be affected by any transfer arrangement, then any TUPE issues are considered and legal and HR advice from within the Council is obtained prior to proceeding with the procurement exercise;
- (viii) consult with all relevant stakeholders including Members, trade unions and service users where TUPE may apply to identify and assess all options to ensure the Council's required outcomes are achieved;
- (ix) in consultation with Commercial Procurement establish a written specification and evaluation criteria (where competition is involved) and procurement methodology which must be formally approved ~~by the relevant Chief Officer~~at the relevant governance thresholds outlined in Rule 7 - Powers and Key Decisions (note the relevant decision making body as identified in the governance thresholds may give Officers written delegated authority to define the specification and evaluation criteria themselves);

(x) consult and seek advice from Commercial Procurement prior to beginning a procurement where:

(A) TUPE applies; and/or

(B) the procurement exceeds £100,000 in aggregate for the whole contract period (including any extensions).

(xi) register all completed procurements with a value of £5,000 or more on YORtender;

(xii) comply with any Council requirements to record decisions on the Officer Decision Log.

2.1.3 Failure to comply with any of the provisions of these CPRs, the Council's Constitution or UK or EU legal requirements may be brought to the attention of the Monitoring Officer, Head of Internal Audit, or relevant Director as appropriate. Depending on the nature of the non-compliance this may result in disciplinary action being taken.

## 2.2 Chief Officers

Chief Officers shall:

2.2.1 ensure their service area complies fully with the requirements of these CPRs;

2.2.2 ensure contracts are recorded in the Contracts Register as held and maintained by Commercial Procurement;

2.2.3 work with Commercial Procurement to identify the total expenditure relating to a particular category of spend by developing a Category Plan;

2.2.4 ensure that their service area provides the requisite information to allow Commercial Procurement to maintain and update the Forward Procurement Plan;

2.2.5 ensure all procurement activity is undertaken by suitably skilled and experienced staff;

2.2.6 report any breaches of these CPRs to the Monitoring Officer and Chief Finance Officer.

## 3. Relevant Contracts

3.1 All Relevant Contracts must comply with these CPRs. A Relevant Contract is any arrangement made by, or on behalf of, the Council for the carrying out of works, supplies or services. These include arrangements for:

3.1.1 the supply or disposal of goods;

3.1.2 the carrying out of building or engineering works

- 3.1.3 the hire, rental or lease of goods or equipment;
- 3.1.4 the delivery of services, including (but not limited to) those related to:
  - (i) the recruitment of staff;
  - (ii) land and property transactions;
  - (iii) financial and consultancy services.
- 3.2 The following will not be classed as Relevant Contracts:
  - 3.2.1 contracts of employment which make an individual a direct employee of the authority;
  - 3.2.2 subject to Rule 3.3, agreements relating solely to the acquisition, disposal, or transfer of land (to which the Financial ~~Procedure~~ RulesRegulations apply);
  - 3.2.3 the payment of grants to third parties; or
  - 3.2.4 those contracts/arrangements which are specifically excluded in accordance with Rule ~~28-825.9~~ below.
- 3.3 The acquisition, disposal, or transfer of land which involve elements requiring the supply of works, goods and/or services to or on behalf of the Council will be treated as Relevant Contract and these CPRs shall apply to all aspects of the procurement of those works, goods and/or services. Officers shall ensure that they consult with Legal Services as appropriate to ensure compliance with this Rule 3.3.
- 3.4 While grants are not covered by these CPRs, the rules on the awarding of grants are set out in Part E of the Councils financial regulations and must be observed. The Council cannot simply choose to treat a procurement as a grant in order to avoid conducting a competitive process.

#### 4. Records

- 4.1 The Public Contracts Regulations require contracting authorities to maintain the following comprehensive records of procurement activities:
  - 4.1.1 contract details including value;
  - 4.1.2 selection decision;
  - 4.1.3 justification for use of the selected procedure;
  - 4.1.4 names of bidding organisations, both successful and unsuccessful;
  - 4.1.5 reasons for selection;
  - 4.1.6 reasons for abandoning a procedure.
- 4.2 The outcome of any competitive procurement process must be recorded in electronic format on YORtender. Information from YORtender will also be used for the tracking of procurement savings, sustainability benefits, and other data.

- 4.3 Commercial Procurement will also maintain the Contract Register which will record key details of all Contracts (including contract reference numbers) with an aggregate value of £5,000 or more or such other value as the Chief Finance Officer may agree from time to time.
- 4.4 Where a Contract has not been awarded using YORtender, Officers must ensure full details of that Contract are passed to the Chief Procurement Officer for inclusion in the Contract Register where the aggregate value of the Contract is £5,000 or more or such other value as the Chief Finance Officer may agree from time to time. Decisions as to why YORtender was not used must be recorded in writing and sent to Commercial Procurement.
- 4.5 Full records of all contract documentation, quotations, estimates, tenders and any other correspondence pertinent to the award or acceptance of a Contract must be kept by Commercial Procurement for the duration of the Contract and a minimum of six years after the Contract has ~~been concluded~~expired or twelve years after the Contract has ~~been concluded~~expired where it is executed under common seal as a deed.
- 4.6 It is the responsibility of Chief Officers to ensure that all Contracts are properly entered into, administered and controlled to safeguard the Council's interests, secure Best Value and minimise the risk of theft, fraud and corruption.

4.6.4.7 Officers must comply with any Council requirements to record decisions on the Officer Decision Log.

## 5. **Risk Assessment**

- 5.1 All procurements which require an Invitation to Tender and/or Requests for Quotation (see Rule 9-10 below), must be supported by a risk assessment (where appropriate). This risk assessment must be carried out at the start of the procurement process and, where appropriate, shall include a Financial Appraisal in accordance with Rule 17.216.2.
- 5.2 The risk assessment process will identify where further specialist advice should be sought.
- 5.3 The approved risk log and matrix are available from Commercial Procurement.

## 6. **Advertising**

6.1 Officers must liaise with Commercial Procurement to ensure that the minimum advertising requirements, in line with EU treaty principles are met when conducting any procurement process (including Framework Agreements or Dynamic Purchasing Systems). Officers should refer to the further guidance in the Procurement Toolkit.

6.16.2 Where Contracts with a value of £25,000 and above are advertised anywhere, they must be advertised on Contracts Finder. This applies to Contracts that otherwise fall outside the scope of Part 2 of the Public Contracts Regulations.

## 7. **Powers and Key Decisions**

- 7.1 In consultation with the Monitoring Officer, Directors shall ensure that the Council has the legal power to enter into any Contract..

7.2 Directors shall ensure that they have delegated powers to enter into any Contract or to grant another Officer authority to do so.

7.3 No Contract may be entered unless an adequate budget is in place.

7.27.4 Rules 7.5 to 7.8 outline the governance thresholds required for all aspects of governing a procurement process.

7.37.5 Where a decision has already been made by Executive or an Executive Member and the budget is in place to permit a course of action then further approval is not required to award contracts necessary to implement that decision. Where schemes are included in the Capital Programme this has already been approved and further Executive approval is therefore not required. However a copy of the relevant report must be sent to Commercial Procurement for audit purposes. It is recommended that the approval sought includes a specific delegation to the Authorised Officer to award the Contract at the conclusion of the procurement. In other circumstances the procedure set out in ~~one of the clauses~~rules 7.4-6 to 7.7 8 below must be followed.

7.47.6 Where the aggregate contract value (including any extension) is £250,000 or less Directors may agree or authorise another Officer to enter a Contract under their delegated powers.

7.57.7 Where the aggregate contract value (including any extension) is between £250,000 and less than £500,000 then the decision to enter the contract requires the approval of an Executive Member or the Executive unless the procurement is treated as Routine as defined in clause 7.~~79~~.

7.67.8 Where the aggregate contract value (including any extension) is £500,000 or more the decision will be regarded as a Key Decision unless the Chief Finance Officer acting in consultation with the Monitoring Officer has approved the procurement as Routine.

7.77.9 A Routine procurement is any arrangement that represents a low commercial and legal risk to the Council and relates to ~~re~~-procurement of goods, services or works with a clearly defined specification ~~that have been procured in a compliant manner previously and that clearly relate to the routine day to day operation of the Council. Routine procurements will be limited to items such as utilities, insurance or stationery.~~ Where Officers consider a procurement process may be Routine, they are required to liaise with Commercial Procurement who will advise on the relevant paperwork to be submitted to the Chief Finance Officer. Authorisation to treat a procurement as Routine should be sought before the procurement process commences. A Director may enter a Contract where the procurement has been treated as Routine.

7.87.10 In relation to all Key Decisions, Authorised Officers must ensure that all authorisations are in place before the procurement process begins.

7.97.11 Notice of every Key Decision must be published on the Council's Forward Plan.

7.107.12 The Executive scheme of delegation requires that all Key Decisions (are reserved to the Executive unless specifically delegated to an Executive Member or an Officer or where the Leader and Chief Executive are acting in case of urgency.

~~7.117.13~~ This Rule 7 applies to all Relevant Contracts and all call offs from Framework Agreements ~~(including call-offs)~~ or Dynamic Purchasing Systems.

## 8. Pre-Tender Market Testing, ~~and Consultation~~ and Deciding on the appropriate Procurement Route

8.1 The Council may consult potential providers, prior to the issue of the Invitation to Tender or Request for Quotation, in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters, provided this does not prejudice any other potential organisation.

8.2 When engaging with potential providers, the Council must not seek or accept technical advice on the preparation of an Invitation to Tender or Request for Quotation where this may prejudice the equal treatment of all potential bidding organisations or distort competition.

8.3 In the case of the re-procurement of an existing contract (~~ie eg~~ where this is an existing supplier) sufficient care must be taken to ensure that the process is fair and is seen to be fair. The objective is to ensure a level playing field for all suppliers, whilst acknowledging that any incumbent supplier has an inherent advantage due to having previously worked for the council. Advice should be sought from Commercial Procurement to ensure the specification is clear and unambiguous.

8.4 In undertaking any market testing activities or consultation with providers, the Authorised Officer responsible should refer to any guidance contained in the Procurement Toolkit.

~~8.48.5~~ Guidance on choosing the appropriate procurement route can be found in the Procurement Toolkit.

## 9. Framework Agreements

~~9.1~~ ~~Framework Agreements are agreements between the Council (or other public sector bodies where applicable) and either:~~

~~9.1.1~~ ~~one provider (Single Provider Framework(s)); or~~

~~9.1.2~~ ~~three or more providers (Multiple Provider Framework(s))~~

~~for the provision of goods, works or services on agreed terms for a specific period, for estimated quantities against which orders may be placed if and when required during the contract period.~~

9.1 A list of approved available, appropriate Framework Agreements and Dynamic Purchasing Systems (including those established by other public sector bodies which the Council has access to) for certain requirements can be obtained from Commercial Procurement along with guidance on how ~~certain approved these~~ Framework Agreements and Dynamic Purchasing Systems should are to be used. Call-offs contracts/orders under Approved Framework Agreements and Dynamic Purchasing Systems shall be operated in accordance with these CPRs and/or the requirements of the approved Framework Agreement or Dynamic Purchasing System itself themselves where applicable (to be determined on a case by case basis). **Further advice should be sought from Commercial Procurement or Legal Services as required.** ~~If an Authorised Officer wishes to~~

~~use a Framework Agreement that is not an approved Framework Agreement they must seek approval from the Chief Procurement Officer.~~

9.2 Where a Framework Agreement has an option for a direct call off to one supplier, this can only be done if all the following conditions are met:

9.2.1 The Framework Agreement's process for doing so is followed;

9.2.2 The aggregate contract value (including any extension) is less than £250,000 (if using a Framework Agreement with more than one supplier); and

9.2.3 The relevant Chief Officer has approved a call off method after advice from the Authorised Officer and Commercial Procurement.

### **Establishment of Framework Agreements and Dynamic Purchasing Systems**

9.3 Authorised Officers (in conjunction with Commercial Procurement) may establish a Framework Agreement or Dynamic Purchasing System. The Chief Procurement Officer and relevant Assistant Director must agree to the establishment of any Framework Agreement or Dynamic Purchasing System prior to any selection or tendering phases. The Framework Agreement or Dynamic Purchasing System is otherwise treated as any other procurement and will follow the same levels and process as required by the value and object of the Framework Agreement or Dynamic Purchasing System. Note, there are additional requirements under the Public Contracts Regulations for the establishment and further use of a Framework Agreement or Dynamic Purchasing System, and advice should be sought from Commercial Procurement to ensure the Public Contracts Regulations are adhered to.

9.4 A Framework Agreement or Dynamic Purchasing System can be established jointly with other Contracting Authorities.

9.5 Any future call off from the established Framework Agreement or Dynamic Purchasing System requires authorisation in accordance with the governance thresholds set out in Rules 7.6 to 7.9.

~~9.2 consider it appropriate to establish a new Framework Agreement in relation to a particular procurement. In such circumstances, these CPRs shall apply to all aspects of the procurement and to the subsequent operation of the Framework Agreement including, but not limited to:~~

~~9.2.1 the procurement methodology;~~

~~9.2.2 the placement of orders under the Framework Agreement;~~

~~9.2.3 further competition between Providers appointed to the Framework Agreement.~~

~~9.3 The term of a Framework Agreement must not exceed four years and, while Single Provider Frameworks are permitted, where a Multiple Party Framework is established, there must be a minimum of three Providers.~~

~~9.4 In relation to Multiple Party Frameworks, contracts/orders may be awarded in one of two ways, as follows:~~

~~9.4.1 where the terms of the Framework Agreement are sufficiently precise to cover the particular call-off, by applying the terms laid down in the Framework Agreement without re-opening competition; or~~

~~9.4.2 where the terms laid down in the Framework Agreement are not precise or complete enough for the particular call-off and cannot meet the Council's exact requirements, by holding a further competition in accordance with the following procedure:~~

~~(i) inviting the organisations within the Framework Agreement, that are capable of executing the subject of the Contract, to submit bids electronically via the further competition step on YORtender with an appropriate time limit for responses, taking into account factors such as the complexity of the subject of the Contract;~~

~~(ii) awarding each Contract to the bidding organisation who has submitted the best bid on the basis of the relevant award criteria set out in the Framework Agreement.~~

~~9.59.6 It is the responsibility of the Authorised Officer in consultation with Commercial Procurement to identify and retain written justification and evidence as to why using a Framework Agreement delivers against the Council's required outcomes and ensures the Council receives Best Value.~~

## **10. Procurement Competition Requirements**

### **10.1 Competition Requirements**

10.1.1 The Authorised Officer must establish the total value of any procurement and/or contract, including whole life costs, annual cost and incorporating any potential extension periods which may be awarded. The value of the contract should be considered as the sum of all payments made to the supplier during the whole life of the contract, including extensions, ~~'roll-ons' or renewals~~. The Authorised Officer should have particular regard to the rules relating to aggregation contained within the Public Contracts Regulations (further details on which can be found in the Procurement Toolkit).

10.1.2 Authorised Officers shall ensure that values are not split in an attempt to avoid the applicability of these CPRs or the Public Contracts Regulations.

10.1.3 Based on the value of the procurement, quotations or tenders must then be invited in line with the following financial thresholds:

(i) Up to and including £5,000 – Best Value

(ii) Between £5,000-001 and up to and including £100,000 – at least **three** written quotations (This threshold may be lower where Officers deem there is additional risk associated with the project;



in such cases advice must be sought from Commercial Procurement.)

- (iii) Over £100,000 – Invitation to Tender. At least four written tenders with completed Form of Tender and Declaration of Non-Collusive Tendering.

10.1.4 **Where the Public Contracts Regulations apply (see Rule 9.510.6), the Authorised Officer shall consult Commercial Procurement at the outset to determine the correct procedure for conducting the procurement exercise.**

10.1.5 These rules are subject to the overriding requirement that a contract of any value which is likely to have 'cross border' interest (ie to be of interest to contractors in other member states in the European Community) must be advertised.

## 10.2 Procurement up to and including £5,000

10.2.1 All purchasing up to and including £5,000 must be procured using an Internal Service Provider or through an existing Contract arrangement or via ~~an existing~~ suitable approved Framework Agreement or Dynamic Purchasing System where they exist.

10.2.2 It is the responsibility of the relevant Authorised Officer to check whether a suitable Contract, Framework Agreement or Dynamic Purchasing System exists or not. Where no appropriate Internal Service Provider, existing Contract, ~~approved~~ Framework Agreement or Dynamic Purchasing System exists in relation to Contracts with an estimated value of up to and including is £5,000 ~~or less~~ the invitation of quotations is not mandatory but should be invited where appropriate. If the Authorised Officer believes that it represents Best Value for the Council to make a direct appointment without the need for competition, they may do so providing a written record of the decision (including reasons) is kept.

## 10.3 Procurement ~~over between~~ £5,000-001 and ~~under up to and including~~ £100,000

10.3.1 In relation to all procurements with a value ~~over between~~ £5,000-001 and ~~under up to and including~~ £100,000 Officers should, in conjunction with Commercial Procurement, consider whether there is an appropriate Internal Service Provider, existing Contract, ~~approved~~ Framework Agreement or Dynamic Purchasing System which can be used.

10.3.2 Where no appropriate Internal Service Provider, existing Contract or approved Framework Agreement or Dynamic Purchasing System exists, if the estimated value of a Contract ~~exceeds is between~~ £5,000-001 ~~but is less than~~ up to and including £100,000 a minimum of three written quotations must be invited from suitable potential providers. Efforts should be made to ensure that a diverse group of suppliers are asked to quote using the following principles:

- (a) Where possible, ensuring Small and Medium Enterprises (SMEs) are invited to quote;

- (b) Where possible, ensuring local suppliers are invited to quote;
- (c) Where possible, Not just inviting the same group of suppliers who have previously quoted for this or previous similar work;
- (d) Where possible, Looking for novel or new suppliers, ~~where suitable~~

10.3.3 The written ~~quotes~~ quotations must be obtained and documented in accordance with proper record keeping set out in Rule 4 and in accordance with the requirements of Rule 12.

10.3.4 All potential providers invited to submit quotations shall be provided in all instances with identical information and instructions.

10.3.5 The evaluation of the quotations shall be carried out by Authorised Officers.

10.3.6 Regardless of the procurement method used, the Delegated Decision to undertake a procurement of this value will generally be an Authorised Officer decision unless the decision maker considers that it will have significant impact. This is just general guidance and Authorised Officers should have regard to the Council's Constitution when deciding what kind of Delegated Decision applies.

#### 10.4 Procurement over £100,000

10.4.1 In relation to all procurements with a value in excess of £100,000 Officers should, in conjunction with Commercial Procurement, consider whether there is an appropriate Internal Service Provider, existing Contract or ~~approved~~ Framework Agreement or Dynamic Purchasing System which can be used.

10.4.2 Where no appropriate Internal Service Provider, existing Contract, approved Framework Agreement or Dynamic Purchasing System exists, competition is required for procurements over £100,000.

10.4.3 Where there are sufficient numbers of potential Providers, at least four written tenders shall be invited. Efforts should be made to ensure that a diverse group of suppliers are asked to tender using the following principles:

- (a) Where possible, ensuring Small and Medium Enterprises (SMEs) are invited to quote;
- (b) Where possible, ensuring local suppliers are invited to quote;
- (c) Where possible, Not just inviting the same group of suppliers who have previously quoted for this or previous similar work;
- (d) Where possible, Looking for novel or new suppliers, ~~where suitable~~

10.4.4 The tendering process shall be conducted in accordance with the Council's detailed procedure rules set out in the Procurement Toolkit.

Authorised Officers should consult with Commercial Procurement to establish the most appropriate tendering process/procurement route which will be determined on a case by case basis (depending on a number of factors including but not limited to the scope, value and technical requirements of the procurement).

- 10.4.5 All tenders and awards must be documented in accordance with Rule 4.
- 10.4.6 Where the estimated contract value reaches the relevant EU Threshold, Rule ~~9~~10.6 will also apply and officers must seek guidance from Commercial Procurement before commencing any procurement process
- 10.4.7 Where the estimated contract value reaches £250,000 or more, Rule 7 will also apply.

#### 10.5 Waiver

If it is not possible to comply in full with the competition procedures outlined in Rule ~~9~~10.3 or Rule ~~9~~10.4 a waiver must be sought in accordance with Rule ~~28~~25.3 as soon as possible and in any event in advance of contract award.

#### 10.6 Contracts that are subject to the Public Contracts Regulations

- 10.6.1 Where the estimated contract value reaches the relevant EU Threshold set out in the Public Contracts Regulations, Officers are required to procure the Contract in accordance with the Public Contracts Regulations and these CPRs. In all such circumstances appropriate advice must be sought from Commercial Procurement.
- 10.6.2 The current EU Thresholds are available from Commercial Procurement:
  - ~~(i) — Services — £164,176~~
  - ~~(ii) — Goods/Supplies — £164,176~~
  - ~~(iii) — Works — £4,104,394~~
  - ~~(iv) — Social and other specific services — £589,148~~

#### 10.7 Assets for Disposal

Assets for disposal must be dealt with in accordance with the Financial ~~Procedure Rules~~Regulations.

#### 10.8 Concession Contracts

- 10.8.1 Concession Contracts may be established by Authorised Officers in conjunction with Commercial Procurement. Generally, Concession Contracts will result in an income to the Council. The thresholds set out in Rule 7 will also apply to Concession Contracts.
- 10.8.2 For the purpose of Rule 10.8 the value of a Concession Contract is defined in the Concession Contracts Regulations. That is the value shall be the total turnover of the concessionaire generated over the duration of the contract, net of Value Added Tax, as estimated by

the Council, in consideration for the works and services which are the object of the Concession Contract and for the supplies incidental to such works and services.

~~10.7.1~~10.8.3 Contracts below the relevant thresholds defined in the Concession Contracts Regulations may be let using a three quotation process as outlined in Rule 10.3. Contracts above the relevant thresholds must be let in accordance with the process outlined in the Concession Contracts Regulations. Commercial Procurement will advise on the appropriate route and process to follow when letting Concession Contracts.

## **11. Evaluation Criteria and Standards**

### **11.1 Evaluation Criteria**

11.1.1 In any procurement exercise (regardless of overall contract value) the successful bid should be the one which either:

- (i) offers the most economically advantageous tender based on "price or cost" using a cost effectiveness approach, such as, life cycle costing; or
- (ii) offers the most economically advantageous balance between quality and price.

In the latter case, the Council will use criteria linked to the subject matter of the Contract to determine that an offer is the most economically advantageous, for example: price, quality, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost effectiveness, after-sales service, technical assistance, delivery date, delivery period and period of completion. The price element of the evaluation will always be 40% or greater unless a waiver has been given for alternative weightings (in accordance with Rule ~~28~~25.3).

11.1.2 Issues that are important to the Council in terms of meeting its corporate objectives can be used to evaluate bids provided that such criteria relates to the subject matter of the Contract and is objectively quantifiable and non-discriminatory. The criteria can include, for example, sustainability considerations, support for the local economy or the use of sub-contractors. The bidding organisations' approaches to continuous improvement and setting targets for service improvement or future savings could also be included.

11.1.3 The procurement documentation should clearly explain the basis of the decision to bidding organisations, making it clear how the evaluation criteria specified in the process will be applied, the overall weightings to be attached to each of the high-level criteria, how the high-level criteria are divided into any sub-criteria and the weightings attached to each of those sub-criteria.

~~11.1.3~~11.1.4 There is no scope to change the evaluation criteria once quotations or tenders have been received. If quotations or tenders received mean the original evaluation criteria are no longer able to

achieve the most economically advantageous tender then the procurement process shall be abandoned and treated as market engagement before a new procurement exercise is established with new evaluation criteria. In such a case, no award will be made from the original procurement exercise and Commercial Procurement must be consulted.

## 11.2 Standards

Relevant British, EU and International standards which apply to the subject matter of the Contract and which are necessary to properly describe the required quality must be included within the procurement documentation and the Contract. Officers should refer to further guidance set out in the Procurement Toolkit.

## 12. Invitation to Tender / Request for Quotation

12.1 Invitations to Tender/Requests for Quotation must be issued in accordance with the requirements of these CPRs, with particular attention to Rule 6 and Rule 910.

12.1.1 ~~Above the single quotation threshold outlined in Rule 9.1.3 (i), all procurement documents including Invitations to Tender and Requests for Quotation must be issued via YORtender. All procurement documentation is to be issued electronically. All procurements with a value over £30,000 must be conducted through Yortender.~~

12.1.2 In exceptional cases, where specific circumstances mean that a procurement process cannot be carried out electronically or, for example, where there is a failure of the electronic system, permission to conduct a procurement process by alternative means must be obtained from the Chief Procurement Officer.

## ~~13. Shortlisting~~

~~Any shortlisting (i.e. provider selection or pre-qualification) must have regard to the economic, financial and technical standards relevant to the Contract and the evaluation criteria. Special rules apply to contracts covered by the Public Contracts Regulations. Authorised Officers should refer to further guidance contained in the Procurement Toolkit.~~

## ~~14.13. Submission, Receipt and Opening of Tenders / Quotations~~

### ~~14.13.1 Opening of Tenders and Quotations~~

~~14.1.1 Bidding organisations must be given an adequate period in which to prepare and submit a proper quotation or tender, consistent with the complexity of the Contract requirements. Where the Public Contracts Regulations apply, Part 3 of the Public Contracts Regulations lays down specific minimum time periods for tenders.~~

~~14.1.2~~13.1.1 Tenders and Quotations, except those which have been approved as exempt from electronic tendering, must be submitted electronically via YORtender. Tenders submitted by any other means must not be accepted.

~~14.1.3~~13.1.2 Detailed procedure notes on tendering requirements and protocols are set out in the Procurement Toolkit.

#### ~~14.2~~ Quotations

~~Competitive quotations must be submitted electronically via YORtender, except where specifically exempt under Rule 12.1.2. Quotations submitted by any other means must not be accepted.~~

#### ~~14.3~~ Electronic Arrangements

~~14.3.1 Quotations, further competition bids under Framework Agreements and pre-qualification questionnaires which are received electronically via YORtender will be opened by a representative of Commercial Procurement. The system will not allow any quotations to be opened until the allocated return date/time has passed.~~

~~14.3.2 Tenders which are received electronically via YORtender will be opened by a representative from Commercial Procurement.~~

#### ~~14.4~~13.2 Hard Copy Arrangements

~~14.4.1~~13.2.1 In the event that “hard copy” tenders are to be accepted (see Rule 12.1.2 ~~and Rule 14.1.2 for guidance~~) these must be submitted, sealed, in the envelope provided with the procurement documents and addressed to the Chief Procurement Officer without any mark revealing the bidding organisation’s identity.

~~14.4.2~~13.2.2 All hard copy tenders will be held by the Chief Procurement Officer until the tender opening date/time has been reached.

~~14.4.3~~13.2.3 All hard copy tenders for the same Contract will be opened at the same time by a representative of the Chief Officer who invited the tenders and a representative from Commercial Procurement. A register of tenders received will be kept by Commercial Procurement and will be initialled on each occasion by the Authorised Officers who are present at the opening of the tenders.

~~14.4.4~~13.2.4 In the event that hard copy quotations are to be accepted (see Rule 12.1.2 ~~and Rule 14.1.2 for guidance~~) these must be submitted in a plain envelope marked “Quotation for ...” followed by a description of the goods, works or services being procured.

~~14.4.5~~13.2.5 All hard copy quotations must be opened together once the official return date/time has been passed.

### ~~15.14~~ E-auctions

~~15.1~~14.1 Where a tender is to be carried out by way of a collaborative e-auction process the following procedures will apply:

~~15.1.1~~14.1.1 approval for this approach must be sought in advance of the auction from the relevant Chief Officer and Chief Procurement Officer;

~~15.1.2~~14.1.2 the auction must be provided through a recognised managed service provider approved by the Chief Procurement Officer;

~~15.1.3~~14.1.3 the process for selecting bidders must be agreed in advance with the Chief Procurement Officer;

~~15.1.4~~14.1.4 the tender evaluation process must be agreed in advance with the Chief Procurement Officer;

~~15.1.5~~14.1.5 the time limit for the auction must be set in advance, clearly notified and be appropriate to the nature of the auction;

~~15.1.6~~14.1.6 a minimum of two Authorised Officers must be in attendance at the managed service providers viewing room to ensure the process is conducted fairly and in accordance with the Public Contracts Regulations. One of the Authorised Officers must be an independent observer and have had no involvement with the exercise. They should not leave the room during the auction.

~~15.1.7~~14.1.7 prior to start of the auction, Officers attending must satisfy themselves that the correct quality weightings (if applicable) have been loaded into the software and that the software is working correctly;

~~15.1.8~~14.1.8 the final scoring of all the bidders needs to be documented and counter signed by each Officer immediately after the close of the auction;

~~15.1.9~~14.1.9 the e-auction summary report which is normally produced by the e-auction provider (within a week of the auction) must be cross referenced to the Officers own records and both must be kept on file;

~~15.1.10~~14.1.10 a signed copy of both these records must be passed to Chief Procurement Officer and copied to the Monitoring Officer;

~~15.1.11~~14.1.11 if the lowest price bidder is not successful approval for the award of a Contract must be sought in line with these CPRs.

~~15.2~~14.2 The application of these e-auction procedures exempts the tender from the opening rules set out at Rule ~~4413~~. It does not exclude compliance with any other financial and EU regulations as set out elsewhere in these CPRs.

~~15.3~~14.3 The Council will arrange for award notices to be sent to the successful bidder (following a 10 day Standstill Period) and brief the losing providers. A copy of the award notice must be kept on file.

~~15.4~~14.4 The Council must ensure that a discrete Contract complying with the Council's standard terms and conditions is put in place with each successful bidder.

#### **16.15. Clarification Procedures**

~~16.1~~15.1 The Council can ask bidding organisations for clarification of any details submitted as part of their bid. However, any such clarification must not involve changes to the basic features of the bidding organisation's submission.

46.215.2 When requesting clarification, the Authorised Officer must follow any guidance contained in the Procurement Toolkit. It may not be used to negotiate or re-negotiate Contract terms. Authorised Officers are required to take all necessary procurement and/or other relevant professional advice if they are in any way unsure of what may or may not constitute a 'clarification' under the Public Contracts Regulations.

## **47.16. Evaluation, Financial Appraisal, Award of Contract and Debriefing of Organisations**

### 47.116.1 Evaluation

The evaluation of bids must be conducted in accordance with the evaluation criteria set out in the relevant procurement documents (see Rule 11 above) provided to bidding organisations, and in line with any guidance detailed in the Procurement Toolkit.

### 47.216.2 Financial Appraisals

Financial Appraisals must be completed in respect of all third parties submitting bids for Contracts in excess of £100,000. It is the responsibility of the Authorised Officer in consultation with the relevant Finance Manager to take all steps reasonably necessary (having regard to the subject matter, value and duration of the contract and any other relevant factors) to complete a risk assessment of the potential provider's financial stability and to ensure this is done to a standard required by the Finance Manager.

### 47.316.3 Award of Contract

47.3.116.3.1 The Council is required to notify successful and unsuccessful bidders of the outcome of a procurement process, in writing, in as timely a fashion as possible.

47.3.216.3.2 Where procurement ~~has been~~ subject to the Public Contracts Regulations (see Rule 910.5 above), a Standstill Period will need to be included in the procurement timetable and observed before the Contract can be awarded. Authorised Officers should refer to the guidance in the Procurement Toolkit and consult with Commercial Procurement in relation to the Standstill Period requirements and associated documentation to be issued to bidders. Where a Standstill Period applies, successful and unsuccessful bidders shall be sent a standstill notice containing all the debrief information required under the Public Contracts Regulations. A copy of the standstill notice must be kept on file. Following successful completion of the Standstill Period successful bidders will be issued with their contract award notice.

47.3.316.3.3 Provided the winning bid:

- (i) is the most economically advantageous;
- (ii) is within the financial budget made for it;
- (iii) complies with the Council's proposed terms and conditions; and
- (iv) meets the Contract specification,



it may be accepted by the relevant Authorised Officer.

~~17.3.4~~16.3.4 Where a tender is not:

- (i) the most economically advantageous (if payment is to be made by the Council); or
  - (ii) the highest tender (if payment is to be received by the Council),
- the award of the Contract must be passed to the Chief Finance Officer for decision clearly setting out the reasons why this is required.

~~17.3.5~~16.3.5 Once approved, all proposed contract awards over £100,000 must be recorded in the Officer decision log on the mod.gov system.

~~17.3.6~~16.3.6 The approval of the relevant Executive Member and Chief Finance Officer must be given if a tender received as part of a capital scheme results in the scheme or project exceeding the approved financial budget by 10% or £50,000 (whichever is the lower) and this can not be accommodated within the original financial budget.

#### 17.416.4 **Debriefing**

The Authorised Officer shall as part of good practice offer feedback to all tenderers who submitted a bid about the characteristics and relative advantages of the successful bid. This shall usually include:

~~17.4.1~~16.4.1 how the award criteria were applied;

~~17.4.2~~16.4.2 the prices or ranges of prices submitted, but not in either case correlated to the tenderers; and

~~17.4.3~~16.4.3 the names of their competitors and whether there were three or more competitors taking part in the tendering exercise.

**Authorised Officers should refer to the guidance set out in the Procurement Toolkit and consult with Commercial Procurement prior to offering-issuing any **such** feedback to bidders.**

#### **18.17. Post Tender Negotiation**

~~18.1~~17.1 Post tender negotiations may not be undertaken where the value of the Contract exceeds the relevant EU Threshold.

~~18.2~~17.2 Post tender negotiations with selected ~~tenderers~~ bidders may be carried out where:

~~18.2.1~~17.2.1 permitted by law;

~~18.2.2~~17.2.2 the Director in consultation with Commercial Procurement and Legal Services considers that added value may be obtained;

~~18.2.3~~17.2.3 the post tender negotiations are conducted by a team of suitably experienced officers approved by the Director and who have

been trained in post tender negotiations. Commercial Procurement should be invited to attend any negotiation;

~~18.2.4~~17.2.4 a comprehensive, written record of the negotiations is kept by the Council; and

~~18.2.5~~17.2.5 a clear record of the added value to be obtained as a result of the post tender negotiations is incorporated into the Contract with the successful participant.

## **19. Ordering and Paying**

~~19.1 The general arrangements relating to ordering and paying for goods, services and the execution of works are detailed in Part D of the Financial Procedure Rules. In addition to the procedures set out there, the following rules must be observed:~~

~~19.1.1 payments to Providers in respect of all works must be authorised by a certificate signed by a duly authorised Officer. The certificate must show the total amount of the Contract, the value of the work executed to the certificate date, the amounts already paid and the amount now certified;~~

~~19.1.2 Authorised Officers authorising payments must supply Commercial Procurement with all necessary information for the maintenance of the Contract Register;~~

~~19.1.3 VAT authenticated receipts must be obtained by the Authorising Officer in support of the payment of VAT on the certificate. Receipts should be retained with the Authorised Officer's copy of the payment certificate and retained for a period of six years and must be made available for inspection by HM Revenue and Customs on request;~~

~~19.1.4 If it becomes necessary to vary the value of a Contract by more than 2% and this results in additional costs of more than £50,000 on the original value of the Contract this must be reported to the Chief Finance Officer and relevant Executive Member.~~

## **20.18. Contract Documents**

### 20.18.1 Form of Procurement Documents

The Council's standard procurement documents will be used wherever possible and appropriate. Where there is any deviation from these, the documents to be used must be reviewed by Legal Services before being issued. These documents are available from Commercial Procurement.

### 20.18.2 Form of Contract

~~20.2.1~~18.2.1 Contractual commitments can only be made by **individuals** **Officers** who are formally authorised to do so in the relevant directorate scheme of devolved powers.

~~20.2.2~~18.2.2 All Contracts made on behalf of the Council must be evidenced in writing in an appropriate format approved by Legal Services.

~~20.2.3~~18.2.3 Every Contract shall be made by either:

- (i) the issue of a purchase order and accompanying standard terms and conditions for the purchase or supply of goods, services and/or works with an aggregate contract value (including any extensions) of not more than up to a total value of £100,000.
- (ii) the preparation of formal written contracts for the purchase or supply of goods, services and/or works ~~over a total value of~~with an aggregate contract value (including any extensions) of £100,000 and above or lower where the nature of the Contract requires a formal written contract, unless the Monitoring Officer certifies that, owing to the nature of the proposed Contract, the interest of the Council will be adequately protected by the issue of a purchasing order and accompanying standard terms and conditions.

### 20.318.3 Deeds

All Contracts in excess of £150,000 must be executed as a deed under common seal by Legal Services, except where indicated in Appendix B.

### 20.418.4 Contract Signature/Sealing

Contracts must:

~~20.4.1~~18.4.1 where the Contract is in the form of a deed, be made under the Council's seal and attested as required by the Constitution; or

~~20.4.2~~18.4.2 where the Contract is in the form of an agreement it shall be signed by a Chief Officer authorised as required by the Constitution.

### 20.518.5 Legal Services Review of Tenders and Contracts

To ensure the integrity of the procurement process:

~~20.5.1~~18.5.1 all proposed Invitations to Tender, where they are not in compliance with the Council's standard documentation, shall be reviewed by Legal Services;

~~20.5.2~~18.5.2 any proposed Invitations to Tender which are subject to the Public Contracts Regulations, or which are deemed to be of high risk, must be reviewed by Legal Services;

~~20.5.3~~18.5.3 any proposed Contract where there is any deviation from the contract terms included in the Invitation to Tender must be reviewed by Legal Services.

Officers shall ensure that they consult with Legal Services as appropriate to ensure compliance with this Rule ~~20~~18.5.

### 20.618.6 Bonds and Liquidated and Asset Damages

~~20.6.1~~18.6.1 Chief Officers (in consultation with Commercial Procurement and Legal Services) shall consider whether to include provision for payment of liquidated damages by a Provider for breach of contract ~~in~~

~~all Contracts which exceed £100,000 in value where appropriate, taking into account the subject matter and risk associated with the Contract.~~  
Such consideration shall be recorded in writing.

~~20.6.2~~ 18.6.2 When considered appropriate by a Chief Officer the Provider will be required to provide a performance bond to secure the performance of the Contract. Such performance bonds should provide for a sum of not less than 10% of the total value of the Contract or such other sum as the Authorised Officer (in consultation with a Finance Manager) considers appropriate.

## **24.19. Contract Extension and Variation**

### 24.1.19.1 Extensions

~~24.1.1~~ 19.1.1 Contract extensions are only permitted if they are put in place before the Contract expiry date and where the proposed extension is in accordance with the contract terms. Prior to seeking approval from the relevant Chief Officer to take up a contract extension the Authorised Officer must establish whether the extension will deliver Best Value. Approval for the extension must be given by an Officer with the appropriate level of delegated authority. This process must be recorded in writing.

~~24.1.2~~ 19.1.2 ~~All contract extensions must be approved by and dealt with by the relevant Chief Officer. The Chief Procurement Officer and Legal Services should be consulted in relation to any proposed extension.~~

~~24.1.3~~ 19.1.3 Where an extension is not in accordance with the original contract terms it will be a new decision that is not a consequence of the initial decision to procure and it may be a Key Decision depending on its value (see Rule 7).

~~24.1.4~~ 19.1.4 An extension not in accordance with the original contract terms may be a material change under the Public Contract Regulations (see Rule 24.19.2.5). Further guidance should be sought from Legal Services.

~~24.1.5~~ 19.1.5 All extensions to any Council contracts must be in writing and reported to the Chief Procurement Officer in order that YORtender can be updated. Extensions of a Contract that ~~are categorised as “variations” in the Contract terms and conditions can only be enacted by varying the Contract~~ will be governed by Rules 21.2.1, 21.2.5 and Rules 21.1.1 and 21.1.2 will not apply 19.2.

~~24.1.6—Once a Contract has expired it cannot then be extended.~~

### 24.2.19.2 Variations

~~24.2.1~~ 19.2.1 Variations will be dealt with in accordance with these CPRs and where applicable the EU treaty principles and Public Contracts Regulations. Further guidance should be sought from Legal Services.

~~21.2.2~~19.2.2 All Contract variations must be carried out:

- (i) within the scope of the original Contract. Contract variations that materially effect or change the scope of the original Contract are not allowed; and
- (ii) following consideration as part of the Category planning process.

~~21.2.3~~19.2.3 All Contract variations must be in writing (in the form specified by the contract where applicable) and signed by both the Council and the Provider. ~~The value of each variation must be assessed by the Authorised Officer and a Delegated Decision taken by the relevant Chief Officer~~Approval for the Contract variation must be given by an Officer with the appropriate level of delegated authority. The Chief Procurement Officer and Legal Services should be consulted in relation to any proposed variation.

~~21.2.4~~19.2.4 Where appropriate (taking into account any change in contract value, contract term, range of services provided etc), contract variations must be reported to the Chief Procurement Officer in order that YORtender can be updated.

~~21.2.5~~19.2.5 A new procurement may be required in case of material change where one or more of the following conditions are met:

- (i) the variation introduces conditions which, had they been part of the initial procurement exercise, would have allowed for the admission of suppliers other than those initially selected or for the acceptance of an offer other than that originally accepted or would have attracted additional participants in the procurement procedure;
- (ii) the variation increases the value of the Contract or the Framework Agreement substantially in favour of the Provider in a manner which was not provided for in the initial Contract or Framework Agreement;
- (iii) the ~~modification-variation~~ extends the scope of the Contract or Framework Agreement considerably.

Further guidance should be sought from Legal Services where the Chief Officer considers there is any possibility that the proposed variation might fall under this Rule ~~21~~19.2.5.

## **22-20. Termination of Contract**

**Prior to terminating any Contract Officers should consult Legal Services.** It will only be possible for Contracts to be terminated early, where provided for within the Contract and, if this action is authorised by the relevant Chief Officer through a Delegated Decision. A copy of the report and decision for termination of any Contract exceeding £100,000 in ~~value aggregate for the whole of the contract period (including any extensions)~~ must be sent to the Chief Procurement Officer for monitoring purposes.

All termination letters under this Rule will be drafted and issued via Legal Services in conjunction with the Authorised Officer.

### **23-21. Prevention of Corruption**

Rules and regulations pertaining to the prevention of corruption are outlined in the Financial ~~Procedure Rules~~Regulations and must be adhered to at all times.

### **24-22. Declaration of Interests**

Any Officer who has a direct or indirect pecuniary interest in any Contract or proposed Contract (in accordance with the Local Government Act 1972 section 117) shall declare their interest in writing to their Director and will not be allowed any involvement in relation to the procurement or management of the relevant Contract.

### **25-23. Contract Management / Monitoring**

~~25-1~~23.1 All Contracts must have an appointed contract manager for the entirety of the Contract. The responsible Chief Officer must ensure a contract manager is designated prior to contract award.

~~25-2~~23.2 Contract management, monitoring, evaluation and review must be conducted in line with guidance detailed in the Procurement Toolkit.

### **26- Internal Providers**

~~26.1~~ Where an Internal Service Provider is bidding in competition for the provision of goods, works or services, care must be taken to ensure a fair process between the Internal Service Provider and external bidding organisations.

~~26.2~~ Where an Internal Service Provider is successful the appropriate Director shall enter into a service level agreement with the recipient department in a form approved by the Chief Finance Officer and Monitoring Officer.

~~26.3~~ Where an Internal Service Provider proposes to sub-let all or part of the services to an external provider, the sub-letting process shall be subject to the tendering procedures as laid down in these CPRs.

### **27-24. External Body Grant Funding**

~~27-1~~24.1 Where a procurement process is funded, in whole or part, by grant funding which has been awarded to the Council by an external funding body, the Authorised Officer must ensure that any rules or conditions imposed by the funding body are adhered to, in addition to the requirements of these CPRs. The Authorised Officer should consult with Commercial Procurement and/or Legal Services as necessary.

~~27-2~~24.2 Where there is any conflict between these CPRs and the rules or conditions imposed by the funding body, the stricter requirement should be followed.

### **28-25. Waiver and Exemptions**

Waivers

~~28.1~~25.1 Except where the Public Contracts Regulations apply, the Executive has the power to waive any requirements within these CPRs for specific projects upon request.

~~28.2~~25.2 Additionally, these CPRs may be waived or varied where the circumstances are certified by the Chief Finance Officer or their deputy advised as appropriate by the Monitoring Officer and Chief Procurement Officer as meeting any of the following criteria:

~~28.2.1~~25.2.1 for works, supplies or services which are of such special character that it is not possible to obtain competitive prices;

~~28.2.2~~25.2.2 for supplies purchased or sold in a public market or auction;

~~28.2.3~~25.2.3 for the execution of works or services or the purchase of supplies involving specialist or unique knowledge or skills;

~~28.2.4~~25.2.4 with an organisation which has won a Contract for an earlier phase of work via a competitive process and where the work forms part of a serial programme and has previously been identified as such;

~~28.2.5~~25.2.5 with an organisation already engaged by the Council for a similar and related procurement and where there is significant benefit to extending the Contract to cover this additional requirement, without exposing the Council to unacceptable risk;

~~28.2.6~~25.2.6 for works, supplies or services which are only available from one organisation (due to their specialised nature);

~~28.2.7~~25.2.7 involving such urgency that it is not possible to comply with the CPRs;

~~28.2.8~~25.2.8 for the purchase of a work of art or museum specimen, or to meet the specific requirements of an arts or cultural event which cannot be procured competitively due to the nature of the requirement;

~~28.2.9~~25.2.9 in relation to time limited grant funding from an external body, where the time limitations will not allow a competitive procurement process to be completed and where the grant conditions allow this; or

25.2.10 where relevant UK or EU legislation not otherwise referred to in these CPRs prevents the usual procurement process from being followed.

~~28.2.10~~25.2.11 In relation to the price quality ratio (Rule 11.1.1) where, after consultation with Commercial Procurement, the client team wishes to use a price percentage lower than 40%.

~~28.3~~25.3 If a request to waive these CPRs is required, the appropriate Officer will complete and submit a waiver form, using a template document obtained from Commercial Procurement. The waiver form must set out the financial, legal, risk and equality implications of the waiver sought.

~~28.4~~25.4 The process to be followed is set out in the Procurement Toolkit;

~~28.4.1~~ completed waiver document sent to relevant Chief Officer (and copy to Commercial Procurement) who is accountable for the decision. If approved;

~~28.4.2~~ completed waiver form sent by the Chief Officer to Chief Finance Officer or nominated officer to ensure compliance with these CPRs. If approved;

~~28.4.3~~ completed waiver form sent to Monitoring Officer or nominated officer to ensure legal compliance;

~~28.5~~25.5 ~~Once all three stages have been completed~~ if the waiver ~~has been~~ is approved the Authorised Officer can then proceed with the variation to these CPRs. The outcome of the waiver process shall be logged in the waiver register maintained by Commercial Procurement. Officers are only authorised to incur expenditure up to the amount included in the final agreed waiver. Should any additional expenditure or further service be required a new waiver must be requested.

~~28.6~~25.6 Every waiver form will be recorded on a master register to be maintained by Commercial Procurement.

~~28.7~~25.7 Authorised Officers are required to seek waivers at the outset of any procurement process or, where relevant, at such time during a procurement process that it becomes apparent that it is not possible to comply in full with the competition procedures outlined in Rules 910.3 and 910.4. No Contract shall be entered into without a waiver authorisation being in place.

~~28.8~~25.8 Authorised Officers are not required to seek waivers in the case of an Emergency or as a result of an Emergency where there is danger to the safety of persons or serious risk of loss or damage to the Council's assets or interests, or the interests of another party, the Authorised Officer may place such Contracts as necessary by means that are reasonable under the circumstances.

### Exemptions

~~28.9~~25.9 These CPRs do not apply to contracts:

~~28.9.1~~25.9.1 for the execution of mandatory works by statutory undertakers;

~~28.9.2~~25.9.2 with Ofsted for the inspection of a school;

~~28.9.3~~25.9.3 for legal services in respect of specific matters which are in contemplation of:

- (a) Arbitration conciliation;
- (b) Judicial proceedings before the courts;
- (c) In the procurement of legal advice given in preparation for any of the proceedings referred to above, or where there is tangible indication and high probability that the matter to which the advice relates will become the subject of such proceedings.

~~28.9.4~~25.9.4 which have been procured on the Council's behalf:



- (i) through collaboration with other local authorities or other public bodies, where a competitive process which complies with the CPRs of the leading organisation has been carried out; or
- (ii) by a national or regional contracting authority where the process followed is in line with the Public Contracts Regulations.

~~28.9.5~~25.9.5 to cover urgent special educational needs, urgent social care contracts or urgent operational needs, if in the opinion of the relevant Director (in consultation with the Chief Procurement Officer) the exemption is considered to be in the Council's interests or necessary to meet the authority's obligations under relevant legislation. Use of this exemption by the relevant Director must be preceded by a written report under Rule ~~28~~25.3 using the waiver form, setting out the reason for such urgency, how it complies with relevant legislation and represents Best Value.

~~28.10~~25.10 The use of e-procurement does not negate the requirement to comply with all elements of these CPRs.

#### **29.26. Breaches of CPRs**

Breaches of the CPRs are extremely serious matters and will be fully investigated and reported on following referral or discovery. All Directors are responsible for reporting all known or discovered breaches of these CPRs to the Chief Finance Officer and Monitoring Officer as soon as they become aware of it in practice. Any Director can be called to Audit & Governance Committee to explain any breach. Breaches identified are regularly reported to the Governance, Risk & Assurance Group to identify where improvements need to be made and to ensure training is provided where necessary.

## 1. APPENDIX A – DEFINITIONS

“Authorised Officer”	means a person authorised by the relevant Chief Officer to act on the Council’s behalf;
“Best Value”	means the optimum combination of whole life costs, quality and benefits to meet the customer’s requirement;
“Category”	means each category identified in the category overview table which is set out in the Council’s Procurement Strategy;
“Category Plan”	means strategic planning of the category, at a category or sub-category level, including review of the current position, constraints and opportunities, desired outcomes, options and actions. The template plan should be used in all cases except where an alternative approach (having the same effect) forms part of external funding or joint procurement requirements;
“Chief Finance Officer”	means the Council’s section 151 Officer currently the Director of Customer & <del>Business Support</del> <u>Corporate</u> Services <u>or their nominated deputy</u> ;
“Chief Officer”	means the head of the procuring directorate and includes the Chief Executive, Deputy Chief Executive, Directors, Assistant Directors and officers with appropriate delegations and sub-delegations;
“Chief Procurement Officer”	means the <del>Chief Officer of Commercial Procurement</del> who is responsible for the procurement function on behalf of the Council, <u>currently the Corporate Finance &amp; Commercial Procurement Manager</u> ;
<u>City of York Scheme for Financing Schools</u>	<u>means the scheme which sets out the financial relationship between the Council and Maintained Schools;</u>
<u>Concession Contract</u>	<u>has the meaning given in regulation 3 of the Concession Contracts Regulations;</u>
<u>Concession Contracts Regulations</u>	<u>means the Concession Contracts Regulations 2016 and any successor, amending or enabling legislation;</u>
“Constitution”	the Council’s constitution which is available on the internet and sets out the rules that the Council and all Council employees and Members must follow;
“Contract(s)”	means an agreement between the Council and a Provider made by formal agreement or by issue of a letter of acceptance or official order for goods, services and/or

	works;
“Contract Register”	means the register of all Contracts maintained by Commercial Procurement;
<u>Contracting Authorities</u>	<u>has the meaning given in regulation 2 of the Public Contracts Regulations;</u>
“Commercial Procurement”	means the Council’s central commercial procurement team;
“(The) Council”	means City of York Council;
“CPRs”	means these Contract Procedure Rules;
“Delegated Decision”	means a formal decision taken in accordance with the Council’s Constitution and sub-delegation schemes. It is for the Officer seeking the Delegated Decision to decide which type of decision is required in accordance with the Constitution;
“Director”	means all the Council’s directors including; the director of customer <del>business</del> and <del>support corporate</del> services, director of <del>health and well being</del> <u>health, housing &amp; adult social care</u> , director of <u>children, education and communities and neighbourhoods</u> , <del>director of adult, children and education services</del> and director of <u>city and environmental services</u> <u>economy &amp; place</u> ;
Dynamic Purchasing System	means a completely electronic process for making commonly used purchases that meet the requirements of a Contracting Authority, which is limited in duration and open throughout its validity to any economic operator which satisfies the selection criteria and has submitted an indicative tender that complies with the specification and requirements of the <u>relevant</u> Contracting Authority;
“Emergency”	means an urgent situation or crisis created as a result of a natural disaster (such as flooding or an earthquake) or tragedy (such as an explosion or plane crash);
“EU Threshold(s)”	means the current threshold above which the Public Contracts Regulations apply;
<u>Executive</u>	<u>has the meaning given in the Council’s Constitution;</u>
<u>Executive Member</u>	<u>has the meaning given in the Council’s Constitution;</u>
“Financial Appraisals”	means checking the financial status including the credit rating of a Provider;
“Finance Manager”	means a manager from the Council’s

	internal finance team;
<b>“Financial <del>Procedure Rules</del>Regulations”</b>	means the governance rules and regulations relating to the management of the Council’s financial affairs, set out in Part 4G of the Constitution;
<b>“Framework Agreement”</b>	means a framework agreement <u>with one or more Contracting Authorities and one or more economic operators which establishes an arrangement for:</u> <ol style="list-style-type: none"> <li><u>i. Multiple orders to be placed with once economic operator (a single supplier framework); or</u></li> <li><u>ii. A framework of multiple economic operators to engage in further competitions or direct awards (a multiple supplier framework);</u></li> </ol> that has been set up either by the Council or an organisation other than the Council and has been authorised by Commercial Procurement for use in Council procurements;
<b>“Forward Procurement Plan”</b>	means practical planning of the procurement, or group of similar procurements, including approach, resourcing and timetable. This involves identifying major projects within each category of spend to be maintained by the relevant Chief Officer. It also provides a basis for information for Commercial Procurement to meet the Council’s reporting obligations. The Forward Procurement Plan will be in such format as prescribed by the Chief Procurement Officer except where an alternative approach (having the same effect) forms part of external funding or joint procurement requirements;
<b><u>Governing Body</u></b>	<u>has the meaning given in the City of York Scheme for Financing Schools;</u>
<b>“Internal Service Provider”</b>	means any internal service area for example Building Services, Commercial Procurement, or Legal Services etc;
<b>“Invitation to Tender”</b>	means an invitation by the Council to a potential Provider to tender for the provision of goods, services and/or works;
<b>“Key Decision”</b>	has the meaning set out in Rule 7.6 <u>8</u> of the CPRs;
<b>“Leader”</b>	means the Leader of the Council;
<b>“Legal Services”</b>	means the Council’s internal legal team;
<b><u>Maintained Schools</u></b>	<u>Means the schools maintained by the</u>

	<u>Council as set out in the City of York Scheme for Financing Schools;</u>
“Member(s)”	means elected member(s) of the Council;
“Monitoring Officer”	means the Council’s principal solicitor currently the Assistant Director of Governance & ICT;
“Officer(s)”	means employee(s) of the Council;
<u>Officer Decision Log</u>	<u>means the section of the Council’s website where decisions made by senior officers are recorded;</u>
“Participants”	means a person or entity participating in a procurement process, who has expressed an interest in tendering for a Contract or who has tendered for a Contract;
“Procurement Strategy”	means the Council’s published procurement strategy setting out its ambition for procurement and confirming a category management and whole lifecycle approach to procurement;
“Procurement Toolkit”	means the manual that accompanies these CPRs which provides detailed guidance on procurement techniques, considerations and the effect of these CPRs;
“Provider(s)”	means the person or entity with whom the Council has a Contract;
“Public Contracts Regulations”	means the Public Contracts Regulations <del>2006 as amended by the Public Contracts (Amendment) Regulations 2009, the Public Procurement (Miscellaneous Amendments) Regulations 2011</del> and any successor, amending or enabling legislation;
“Relevant Contract”	has the meaning set out in Rule 3 of these CPRs;
“Request for Quotation”	means a request by the Council to a potential Provider for a quotation for the provision of goods, services and/or works;
“Routine”	has the meaning set out in Rule 7.79;
“Rule(s)”	means any rule contained in these CPRs;
“Standstill Period”	means a 10 day standstill period before a Contract can be awarded to the successful bidder to allow an unsuccessful bidding organisation an opportunity to challenge the proposed contract award;
“Strategic Partnership”	means a partnership with an organisation that the Council has a long term

	arrangement with for the provision of goods, works and / or services;
<b>“TUPE”</b>	means the Transfer of Undertakings (Protection of Employment) Regulations 2006 <u>and any successor, amending or enabling legislation</u> ;
<b>“YORtender”</b>	means the Council's provider and contract management system maintained by Commercial Procurement.

**2. APPENDIX B - ARRANGEMENTS FOR SCHOOLS**

Maintained Schools must use the following governance thresholds instead of those found in Rule **Error! Reference source not found.**

<u>Contract Value</u>	<u>Authorisation Required By</u>
<u>£500,000 and above</u>	<u>Council Executive (decision)</u>
<u>£250,000 up to £499,999</u>	<u>Governing Body (minute or decision)</u>
<u>£50,000 up to £249,999</u>	<u>Chair of Governing Body or relevant governing committee (written instruction)</u>
<u>£1 up to £49,999</u>	<u>Head-teacher</u>  <u>OR</u> <u>The Governing Body in conjunction with the Head-teacher may decide upon a scheme of delegation appropriate to each school and staffing arrangements.</u>

The following Rules do not apply to Maintained Schools:

- **Error! Reference source not found.** (Deeds): However, where the subject matter of the Contract is appropriate and/or protection is required for twelve years after the Contract has expired, a Contract that a Maintained School is a party to shall be executed as a deed.
- 25 (Waivers)
- 26 (Breaches)

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**Audit & Governance Committee****6 December 2017**

Report of the Deputy Chief Executive / Director of Customer &amp; Corporate Services

**Local Government Association Corporate Procurement Peer Review****Purpose of Report**

1. To update members on the progress made in delivering the recommendations of the Local Government Association (LGA) external peer review of corporate procurement within the Council.

**Recommendation**

2. Members are asked to note the contents of the report.

Reason: To update the Committee on the actions taken.

**Background**

3. In May 2017 the Chief Executive, with the agreement of the Leader & Deputy Leader, commissioned a peer review by the LGA. This was an opportunity to undertake a full root and branch external review of this area of the Council, and also gain independent advice as to progress of improvement made in this area and any further learning to be considered. The written feedback report was presented to the September committee meeting.
4. The feedback report identified many positives for the Council, along with some areas for further consideration. It concluded the Council has a good corporate procurement function and that the compliance issues are being addressed. Recognition was also given to the work underway to continually improve. The peer review team was impressed with the procurement team, recognising a willingness and desire to improve further and focus on high value, high risk strategic procurements. They also stated with a high degree of confidence that the team is valued across the Council with positive relationships at all levels, adding that the team is well led with knowledgeable and competent staff with a good understanding of business needs.
5. Recent developments introduced by the Chief Executive, such as the Corporate Cost Control Board, were also recognised as being positive steps forward in

ensuring the Council continues to focus on business efficiencies, spend management and procurement compliance across the Council along with a greater focus on organisational productivity and efficiency.

## **Analysis**

6. This report will focus on the areas identified for further improvement and the progress made in achieving those actions outlined in the September report.

### Roll out of the Yortender e-procurement system

7. Members may recall that, following a recent software upgrade, we were experiencing some stability and process issues and therefore the roll out had been temporarily suspended pending the resolution of these issues.
8. The regional strategic procurement group is currently in contract discussions with the software provider and we await the outcome of this. In the meantime, a timetable has been prepared to escalate the roll out of Yortender to key officers in anticipation of the contractual discussions being finalised. Key officers will be given access to the system in January 2018.

### Council wide commissioning and procurement network

9. This group is now operational, has cross directorate representation at a senior level and meets on a regular basis. The group is chaired by the Corporate Finance & Commercial Procurement Manager. Current activity is focussed on the development of a commissioning strategy.

### Process and Contract Procedure Rules

10. The Contract Procedure Rules have been reviewed and are elsewhere on this agenda for discussion and approval.

### Regional engagement

11. Officers continue to attend a wide range of regional groups including the Yorkshire & Humber Strategic Procurement Group and the YPO Strategic Officers Group.

## **Implications**

12. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

**Risk Management**

13. Areas of risk are identified and reported as part of the ongoing risk management process. There are no new risks identified specifically from this report.

**Author:**

Debbie Mitchell  
Finance & Procurement  
Manager  
Ext 4161

**Chief Officer responsible for the report:**

Ian Floyd  
Deputy Chief Executive / Director of  
Customer & Corporate Services

**Report  
Approved**

**Date** 27 Nov 2017

**Wards Affected:** All

**For further information please contact the author of the report**

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**Audit and Governance Committee****6<sup>th</sup> December 2017**

Report of the Director of the Deputy Chief Executive/Director of Customer & Corporate Services

**Mazars Annual Audit Letter 2016/17****Summary**

1. The paper attached at Annex A from Mazars – the Council's external auditors – summarises the outcome of their audit of the Council's 2016/17 annual accounts and their work on the value for money conclusion.

**Background & Analysis**

2. The report covers:
  - a) Audit of financial statements
  - b) VFM Conclusion
  - c) Other reporting responsibilities
  - d) Future challenges
  - e) Fees

**Options**

3. Not relevant for the purpose of the report.

**Corporate Priorities**

4. The report contributes to the overall effectiveness of the Council's governance and assurance arrangements.

**Implications**

5. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

**Risk Management**

- 6. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report.

**Recommendations**

- 7. Members are asked to:

- a) note the matters set out in the Annual Audit report presented by Mazar's;

Reason

To ensure Members are aware of Mazar's progress in delivering their responsibilities as external auditors.

**Contact Details**

**Author:**

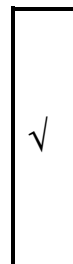
Emma Audrain  
Technical Accountant  
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Ext: 1170

Debbie Mitchell  
Finance & Procurement  
Manager  
Ext: 4161

**Chief Officer Responsible for the report:**

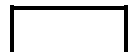
Ian Floyd  
Deputy Chief Executive/Director of  
Customer & Corporate Services

**Report  
Approved**



**Date** 27 Nov 2017

**Wards Affected:** Not applicable



**For further information please contact the author of the report**

**Background Papers:**

None

**Annexes**

Annex A - Mazars Annual Audit Report

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# Annual Audit Letter

City of York Council – for the year ended 31 March 2017



# Contents

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# Executive summary

## Purpose of this report

Our Annual Audit Letter summarises the work we have undertaken as the auditor for City of York Council ('the Council') for the year ended 31 March 2017. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 ('the 2014 Act') and the Code of Audit Practice issued by the National Audit Office ('the NAO'). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of work	Summary
Financial statements opinion	On 28 September 2017, we issued our opinion that the financial statements give a true and fair view of the Council's financial position as at 31 March 2017 and of its financial performance for the year then ended.
Opinions on other matters	On the same date we issued our opinion that the Narrative Report published with the financial statements, is consistent with those financial statements.
Value for Money conclusion	On 28 September 2017, we issued our conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
Whole of Government Accounts	In line with instructions issued by the NAO, on 28 September 2017, we issued our assurance certificate which reported that the Council's consolidation pack was consistent with the audited financial statements.
Matters that we report by exception	<p>We have not identified any matters to report in relation to:</p> <ul style="list-style-type: none"> <li>• whether the Annual Governance Statement is in line with our understanding of the Council and the requirements of the Delivering Good Governance in Local Government Framework 2016;</li> <li>• reports in the public interest or written recommendations made under s24 of the 2014 Act;</li> <li>• exercise of other powers under the 2014 Act.</li> </ul>

We have not yet formally concluded the audit for 2016/17 as we are considering an objection to two items of account raised by a local elector in accordance with our responsibilities under the 2014 Act. We carried out sufficient work on these two items of account to satisfy ourselves that there were no risks of material misstatement or implications for our value for money conclusion.

# Audit of the financial statements

## Financial statements opinion

Unqualified

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2017 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing for the UK and Ireland (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2017:

<b>Financial statement materiality</b>	£7.74m
<b>Specific materiality</b>	We have applied a lower level of materiality to the following items of account: <ul style="list-style-type: none"> <li>• Senior officer remuneration</li> <li>• Members' allowances</li> <li>• Exit packages</li> </ul>
<b>Trivial threshold</b>	£0.23m

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	How we addressed the risk	Audit conclusion
<p><b>Management override of control</b> In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We carried out a range of audit procedures that included the following:</p> <ul style="list-style-type: none"> <li>• Challenging the reasonableness and appropriateness of accounting estimates used by management in the process of preparing the financial statements;</li> <li>• Identifying and challenging any unusual or significant transactions outside the Council's normal course of business; and</li> <li>• Carrying out a risk-based review of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>Our audit procedures did not identify any material errors or uncertainties in the financial statements, or other matters that we needed to bring to members' attention, in relation to management override of control.</p>
<p><b>Valuation of the defined benefit pension liability</b> The financial statements contain material entries in a number of primary statements as well as material disclosure notes in relation to the Council's participation in the Local Government Pension Scheme.</p> <p>These entries arise from complex estimates used by the Council's actuary as well as information provided to the actuary from the Council and North Yorkshire Pension Fund.</p> <p>The valuation of pension liabilities involves significant judgement to be applied involving a number of</p>	<p>We considered the Council's arrangements for making estimates in relation to pension entries within the financial statements. This included considering and challenging the reasonableness of the actuary's valuation through the use of our own expert as commissioned on our behalf by the National Audit Office.</p> <p>As the actuary's work is dependent on the quality of data in respect of cash flows and membership, we considered the arrangements that the Council has in place to ensure that the Fund and actuary are</p>	<p>Our audit procedures did not identified any material errors or uncertainties in the financial statements in relation to the valuation of the defined benefit pension liability.</p>

<p>variables and as a result, there is high degree of estimation uncertainty. We have therefore identified this to be an area of risk.</p>	<p>kept informed of events that may impact on the valuation of pension liabilities.</p> <p>We also agreed a programme of work to be undertaken on our behalf by the Fund's auditor. This included testing a number of key information flows between the Council, Fund and actuary, as well as undertaking specific testing in relation to the Fund's triennial valuation as at 31 March 2016.</p>	
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### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

<p><b>Description of deficiency</b></p>	<p><b>Accounting for PFI liabilities</b></p> <p>The Council is party to a PFI scheme for the design, build and operation of three schools. The scheme commenced in the 2006/07 financial year and the accounting policies adopted at that time for the scheme, were those required by UK GAAP as adapted by CIPFA's Statement of Recommended Practice.</p> <p>On transition to the IFRS-based Code, the Council undertook work to revise the accounting treatment for the scheme which was considered and subsequently amended by the Council's auditor at the time, the Audit Commission. We have reviewed this accounting treatment in 2016/17 on the basis that it is a number of years since a detailed review has been carried out due to the scheme's liabilities being non-material. Our work identified that, in our view, the Council's accounting treatment in respect of elements of the scheme is not in line with the underlying requirements of the Code.</p> <p>Because of the passage of time since the scheme was brought onto the Council's Balance Sheet in 2008/09, there is nobody in the Council that has a detailed knowledge of the accounting treatment being applied, which is based on a model produced by an external advisor.</p>
	<p><b>Potential effects</b></p>

<b>Recommendation</b>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> <li>• Reviews its accounting treatment for the scheme as part of its preparation of the 2017/18 financial statements;</li> <li>• Puts in place arrangements to ensure that detailed knowledge of the accounting treatment does not rest with a single individual; and</li> </ul> <p>Discusses and agrees any required revision to its treatment with us as early as possible.</p>
<b>Management response</b>	<p>This is a highly specialised area of accounting and, as such, it is not possible to retain all the knowledge and expertise in house. As a result, the Council relied on external expertise to ensure compliance with the Code and have continued to maintain this detailed model having not been made aware of any inconsistencies with Code compliance by each subsequent Audit since 2010. The Council clearly recognises that the current accounting treatment needs to be amended and has committed to review this. We will continue to use external specialist advice where we consider it appropriate to do so. We also agree that the issue has not been examined by the external auditor since 2010 as the scheme's liabilities are non-material.</p>

<b>Description of deficiency</b>	<p><b>Related party disclosures</b></p> <p>As part of our audit procedures on related party disclosures, we noted a small number of omissions that management has corrected in the final financial statements. We noted:</p> <ul style="list-style-type: none"> <li>• One instance of a Councillor failing to declare an interest as a Director of City of York Trading Ltd; and</li> <li>• One instance of a Director failing to declare an interest as a Director of a company with which the Council traded in 2016/17, although the relationship with this company ended in August 2016</li> </ul> <p>The Council has made amendments to its financial statements to correct the related party disclosure note.</p> <p>We have not identified any indications that these omissions are indicative of fraud.</p>
<b>Potential effects</b>	<p>Failure to properly declare and disclose interests in related parties can give rise to an erosion of public trust in circumstances where failures are widespread or systemic.</p>
<b>Recommendation</b>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> <li>• Reminds relevant officers and members of the need to make appropriate declarations in line with its internal policies; and</li> <li>• Considers whether any checks can be carried out in the preparation of the financial statements to identify potential missing declarations (for example, checks of Companies House records).</li> </ul>

Management response	The Council recognises there were some minor omissions from the related parties note. We will review the process to ensure that some checks are carried out prior to the completion of the financial statements.
Description of deficiency	<p><b>Impact of converting academies on the valuation of the Council's pension liabilities</b></p> <p>As part of our audit procedures on the valuation of the Council's pension liabilities arising from its involvement in the local government pension scheme, we have noted that the arrangements in place to ensure that the actuary is informed of any schools that convert to academies did not result in the actuary removing these schools from the Council's valuation. In 2016/17, there were 6 maintained schools that moved to academy status that the actuary incorrectly included as part of the Council's IAS 19 valuation.</p>
Potential effects	Failure to ensure the actuary removes transferring academies may lead to a material overstatement of the Council's pension liabilities.
Recommendation	<p>We recommend that the Council puts in place procedures to:</p> <ul style="list-style-type: none"> <li>• Ensure the process whereby the actuary is notified of any schools transferring to academy status is adhered to ; and</li> <li>• Ensure that the actuary has correctly removed transferred schools for the Council's IAS 19 valuation.</li> </ul>
Management response	The Council has discussed this issue with NYPF. They have raised this issue with the actuary to ensure that, in future, the actuary removes from the Council's IAS19 valuation those schools converting to academy status during the year. The actuary has stated that it is not their standard practice to explicitly allow for any academy conversions occurring between 1 April 2016 and 31 March 2017 under the "roll forward" approach used. The impact of the academy conversions over the period from the 2013 actuarial valuation to the 2016 actuarial valuation is included in the actuarial gains/losses due to liability experience item on the balance sheet (along with other experience items allowed for as part of the 2016 actuarial valuation).



# Value for Money conclusion

## Value for Money conclusion

Unqualified

### Summary of our work

We are required to form a conclusion as to whether the Council made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

The following table provides commentary of our findings in respect of each of the sub-criteria and an indication as to whether proper arrangements are in place.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p><u>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</u></p> <p>The Council has put in place a significant management restructure over the last few years and has seen changes in a number of senior posts, including the Chief Executive, over that time. 2016/17 has been a period of relative stability in this respect.</p> <p>The Audit and Governance Committee is the body that we determine to be 'those charged with governance' as defined by International Auditing Standards. The committee is responsible for the oversight of the Council's governance framework which includes considering reports from internal and external audit providers, and approving the financial statements. The Committee had a busy agenda in 2016/17 and addressed some significant risk issues including internal and external audit reports on procurement.</p>	Yes

	<p>The Council's internal audit function is provided by Veritau, who carried out an annual review of the effectiveness of the system of internal control in place at the Council. For 2016/17, Veritau gave a substantial assurance opinion.</p> <p><u>Using appropriate and reliable financial and performance information to support informed decision making and performance management</u></p> <p>As part of our on-going work in assessing risk and updating our understanding of the Council, we review minutes for Executive, Council and committee meetings, as well as meeting regularly with senior officers such as the Chief Executive and s151 Officer. We have not identified any evidence of material decisions being taken that are not supported by reports that outline appropriate option appraisal, suitably supported recommendations and all other relevant considerations.</p> <p><u>Reliable and timely financial reporting that supports the delivery of strategic priorities</u></p> <p>The Council's financial performance appears well-controlled and is reported appropriately to members on a quarterly basis. Any significant financial consequences of options presented to members for decision appear to be supported by an appropriate level of financial commentary to allow proper decision making.</p> <p>The financial outturn for 2016/17 was positive resulting in an underspend of around £0.5m together with an unspent contingency of a similar amount.</p> <p><u>Managing risks effectively and maintaining a sound system of internal control</u></p> <p>As noted above, the Council's internal audit provider provided a substantial assurance opinion in relation to the system of internal control for 2016/17. The results of our work have not identified any matters that would cause us to challenge this opinion.</p> <p>Regular reporting of corporate risk is undertaken with periodic reports being presented to the Audit and Governance Committee for consideration and discussion. We have noted changes in the presentation of the reports in 2016/17 as a result of suggestions from members.</p>	
Sustainable resource deployment	<p><u>Planning finances to support the sustainable delivery of strategic priorities and maintain statutory functions</u></p> <p>The Council continues to make good progress in meeting the challenges that it faces as a result of reductions in central government funding. As noted above, the 2016/17 outturn position was positive which follows a number of years of relatively strong performance in terms of delivery to budget.</p> <p>We have carried out work in relation to the Council's arrangements to deliver its programme of savings for the period up to 2019/20, in response to the significant risk we identified in our Audit Strategy Memorandum, and have concluded that arrangements are in place for the 2016/17 financial year.</p>	Yes

	<p><u>Managing and utilising assets effectively to support the delivery of strategic priorities</u> A number of the individual savings programmes that form part of the Council's overall savings plans for the period to 2019/20, involve driving efficiencies and revenue maximisation from the use of both operational and commercial property holdings. Progress on these programmes has been good to date, and the Council will need to continue this positive start if it is to meet all of its targets in this area, particularly in the 2018/19 and 2019/20 financial years.</p> <p><u>Planning, organising and developing the workforce to deliver strategic priorities</u> The Executive approved a revised approach to workforce development, the People Plan, in Q1 of 2016/17. Since that time, we have noticed a range of initiatives that have been introduced under the Plan that have brought about potential increases in staff engagement. Progress on delivery of the Plan has been reported to the Executive as part of the quarterly finance and performance update reports.</p>	
Working with partners and other third parties	<p><u>Working with third parties effectively to deliver strategic priorities</u> As part of our Audit Completion Report in 2015/16, we reported that one of the Council's most important partnerships in terms of meeting strategic priorities, was that with the Vale of York Clinical Commissioning Group ('the CCG').</p> <p>The Council and the CCG work together in a range of areas but the most significant of these is the operation of the Better Care Fund, which seeks to reduce emergency admissions to hospital and provide as much support as possible in a social care setting.</p> <p>There has been a challenging relationship between the Council and CCG in recent years. The financial position of the CCG has led to difficulties in the operation of the Better Care Fund since its introduction. Arrangements to deliver the 2016/17 Better Care Fund from a budget standpoint appear to have been in place and we are not aware of a repeat of the potential issues that arose in 2015/16 where there was a concern that the CCG may withhold funding from the Fund, and thus the Council.</p> <p>Following the delayed receipt of detailed technical guidance from NHS England, a plan for the operation of the Better Care Fund for the period 2017-2019 has been developed. This sees the proposed future contributions from the CCG and Council increasing to an overall £15.3m in 2017/18. The Council's overall share of contributions will increase in 2017/18.</p> <p>Performance against the Fund's objectives is developing but arrangements to date have not been successful in delivering priorities. This is a picture that is seen in many parts of the England and is not necessarily isolated to York, and there are clear challenges that the partners need to address in order to meet both national and local priorities.</p>	Yes

Commissioning services effectively to support the delivery of strategic priorities

We have considered the information in VFM profiles published by PSAA, in relation to commissioning activity. These provide data that compares the Council's performance against a range of metrics with those of its statistical nearest neighbours or other comparative groups.

Although there are variations in the costs within and between services, overall, the Council's performance against relevant metrics indicates that arrangements are in place to efficiently commission services when compared to its comparator group.

Procuring supplies and services effectively to support the delivery of strategic priorities

We have considered the Council's arrangements for procuring supplies and services as part of work on a significant risk to our Value for Money conclusion as previously reported in our Audit Strategy Memorandum.

A number of concerns were raised about the Council's arrangements following an objection to the 2015/16 statement of accounts. This led to specific reports on the issue from us and the Council's internal auditors.

Since this time, the Council has responded to the recommendations made by internal audit which we have considered as part of our work on the significant risk.

**Significant Value for Money risks**

As part of our continuous planning processes, we carry out work to identify whether or not a risk to the VFM conclusion exists. In our Audit Strategy Memorandum, we reported that we had identified two significant VFM risks. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p><b>Responding to financial pressures</b></p> <p>The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. The Council also has some significant programmes and projects to deliver. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.</p>	<p><u>Overall arrangements for budget monitoring and reporting</u></p> <p>We have reviewed the Council's arrangements for monitoring progress against budget and reporting that progress to members. We have noted the strong outturn position for 2016/17 and the corrective actions taken in the second half of the year to turn around a forecast deficit of around £0.48m at Q2 to a forecast surplus of £0.16m in Q3 and the eventual outturn surplus of £0.54m.</p>	<p>We concluded that there were no indications that a modification to our Value for Money conclusion was required as a result of the Council failing to respond to financial pressures.</p>

Reporting to members appears robust, with sufficient detail to allow for proper oversight of the financial position and performance of the Council on a quarterly basis.

Review of arrangements for delivering savings programmes

As part of the 2016/17 budget setting process, the Council outlined an ambitious but realistic programme of savings in the region of £21m to the end of 2019/20. We have considered the arrangements in place to monitor achievement of these individual programmes by reviewing relevant document, reports to members and through meetings with key officers.

We have reviewed a number of individual savings programmes to assess whether the current RAG rating given to these appears appropriate both for 2016/17 and future years' delivery.

Consideration of the Council's financial position

As well as considering the financial performance of the Council and its delivery to budget, outlined above, we have also considered the Balance Sheet position to assess its financial position. We have done this through review of a number of key financial ratios and comparison to other local authorities.

Review performance reports

Managing the budget and delivering savings is just one aspect of responding to financial pressures. This needs to be balanced with continuing to meet the needs of service users and delivering sound statutory services. We have considered the quarterly performance reports presented to the Executive, as well as a number of other reports that provide an assessment of the Council's performance. We have also considered the work of inspectorates and regulators relevant to our conclusion (such as OFSTED and the Care Quality Commission), and information available to us from PSAA's value for money profiles.

<p><b>Responding to prior year procurement issues</b></p> <p>In response to an objection to the accounts in the 2015/16 audit, a number of breaches of financial regulations were identified by Veritau in relation to procurement of a local consultant.</p> <p>Although this related to a specific instance where a senior manager had apparently not followed procedures and was no longer an employee of the Council, the need to strengthen procedures was identified and management developed an action plan.</p> <p>If the action plan is not addressed, the Council might not be able to demonstrate that it achieves best value from its procurement.</p>	<p><u>Review of progress against the action plan</u></p> <p>We have considered management's response to the action plan agreed as part of the initial response to internal audit's findings. This has been considered through discussions with relevant officers and the gathering of information and evidence to support the current position.</p> <p>From our review of relevant documentation, we are not aware of any substantial elements of the action plan that remain outstanding and have been pleased to note that there has been a marked increase in attempts to raise awareness of procurement policies and procedures to relevant directorate groups.</p> <p><u>Peer review</u></p> <p>As part of management's response to the findings, an independent peer review of its procurement function was commissioned from the Local Government Association. The peer review team concluded that 'the Council has a good corporate procurement function and that the compliance issues are being addressed'.</p>	<p>We concluded that there were no indications that a modification to our Value for Money conclusion was required as a result of the Council failing to respond to previous year procurement issues.</p>
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# Other reporting responsibilities

<b>Exercise of statutory reporting powers</b>	<b>No matters to report</b>
<b>Annual Governance Statement</b>	<b>No matters to report</b>
<b>Whole of Government Accounts return consistency with the financial statements</b>	<b>Consistent</b>
<b>Other information published alongside the financial statements</b>	<b>Consistent</b>

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

## **Matters which we report by exception**

The 2014 Act provides us with specific reporting powers where matters come to our attention that require reporting to parties other than the Council. We have the power to:

- report in the public interest; and
- make statutory recommendations to the Council, which must be responded to publicly.

In addition we must respond to any objections or questions on items contained within the accounts raised by a local government elector. We received an objection relating to two items of account and we are considering our response to these.

We are also required to report if, in our opinion, the Annual Governance Statement does not comply with the guidance issued by CIPFA in 'Delivering Good Governance in Local Government; Framework 2016' or is inconsistent with our knowledge and understanding of the Council.

We did not exercise any of our reporting powers during our 2016/17 audit and had no matters to report to the Council in relation to the Annual Governance Statement.

## **Reporting to the NAO in respect of Whole of Government Accounts**

The NAO requires us to report to them whether consolidation data that the Council has submitted is consistent with the audited financial statements, and to undertake specified procedures on that data. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

**Other information published alongside the financial statements**

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the information in the Narrative Report is consistent with the audited financial statements.



# Our fees

## Fees for work as the Council's appointed auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit and Governance Committee in April 2017. Having almost completed our work for the 2016/17 financial year, we set out the fees for the year, as follows:

Area of work	2016/17 proposed fee	2016/17 final fee
Code audit work	101,607	101,607
Certification of Housing Benefit Subsidy claim	11,415	11,415

We confirm that the proposed fees set at the planning stage of the audit are in line with the scale fee set by Public Sector Audit Appointments Ltd. At the time of issuing this letter, we are yet to complete our work on the objection to the accounts and certification of the Council's Housing Benefit Subsidy claim. As such, the final fees quoted above are subject to change.

We also confirm that we have not undertaken any non-audit services for the Council for the 2016/17 audit year.

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**Audit & Governance Committee****6 December 2017**

Report of the Deputy Chief Executive/ Director of Customer and Corporate Services Directorate

**Monitor 3 2017/18 - Key Corporate Risks****Summary**

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) for City of York Council (CYC).
2. In recent Key Corporate Risk reports to A&G, a Major Project Update was included as an Annex. At the last A&G meeting on 20 September the committee agreed that they were satisfied there was sufficient assurance in relation to the governance of major projects, and the Major Project Update annex was no longer required.
3. Committee Members requested the major project information still be made publicly available on a regular basis since it provided useful information. This will now be available on the City of York Council website.
4. At the meeting on 20 September it was also agreed that in addition to the overview of the KCR's which are currently presented to the Committee in Annex A, it would be beneficial to provide a more in depth analysis of each KCR. It was agreed that one KCR would be presented to the Committee at a time and that the order of presentation would be chronological, i.e. KCR1 (Financial Pressures) would be presented at the next Committee's meeting, followed by KCR2.
5. A detailed analysis of KCR1 (Financial Pressures) is included at Annex B.

**Background**

6. The role of A&G in relation to risk management covers three major areas;
  - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk

- Keeping up to date with the risk profile and effectiveness of risk management actions; and
  - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
7. Risks are usually identified in three ways at the Council;
- A risk identification workshop to initiate and/or develop and refresh a risk register. A fundamental review takes place every 3 years with our insurance and risk partners. The risks are continually reviewed through quarterly directorate management teams (DMT) sessions.
  - Risks are raised or escalated on an ad-hoc basis by any employee
  - Risks are identified at quarterly DMT meetings
8. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
9. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All operational risk owners are required to inform the risk officer of any updates on at least a quarterly basis.
10. In addition to the current KCRs, in line with the policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported bi-annually to CMT.
11. The Risk and Insurance Officer attends DMTs bi-annually to update directorate risks and KCRs and has one to one sessions with Directors.

### **Key Corporate Risk (KCR) update**

12. There are currently 11 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks.
13. In summary the key risks to the Council are:
- KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing government funding cuts will continue to have an impact on Council services
  - KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.

- KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
- KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics
- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
- KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.

14. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex C for reference.

15. The following matrix categorises the KCRs according to their net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

<b>Impact</b>					
Critical			5 (5)		
Major			5 (5)		
Moderate		1 (1)			
Minor					
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

16. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows;

- New Risks- no new risks have been added since the last monitor
- Increased Risks – no KCRs have increased their net risk score since the last monitor

- Removed Risks – no KCRs have been removed since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

### **Updates to KCR actions or controls since the last monitor report**

17. KCR5 – Safeguarding. A completed action ‘to prepare a Community Safety Plan’ has moved into ‘Controls’.
18. KCR6 – Health and Wellbeing. A completed action ‘to develop a Performance Management Framework for monitoring of outcomes’ has moved into ‘Controls’.
19. Further details are included at Annex A.

### **Options**

20. Not applicable.

### **Council Plan 2015 - 2019**

21. The effective consideration and management of risk within all of the council’s business processes helps support achieving ‘evidence based decision making’ and aid the successful delivery of the three priorities.

### **Implications**

22. There are no further implications.

### **Risk Management**

23. In compliance with the council’s Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council’s internal control environment.

### **Recommendations**

24. Audit and Governance Committee are asked to:
  - (a) consider and comment on the key corporate risks included at Annex A;
  - (b) consider and comment on the information provided in relation to KCR1 Financial Pressures included at Annex B;

- (c) note that the 2017/18 monitor 4 report will include a detailed analysis of KCR2 Governance
- (d) provide feedback on any further information that they wish to see on future committee agendas

**Reason:**

To provide assurance that the authority is effectively understanding and managing its key risks

**Contact Details**

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**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive/ Director of Customer & Corporate Services

**Report**  
**Approved** ✓

**Date** 24 Nov 2017

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

**All**

**For further information please contact the authors of the report**

**Background Papers**

For interpretation of the risk scoring see the corporate risk management policy and guide

**Abbreviations**

ASC – Adult Social Care  
CCG – Clinical Commissioning Group  
CMT – Council Management Team  
DMT – Directorate Management Team  
DCLG – Department of Communities and Local Government  
KCR – Key Corporate Risk  
SFA – Settlement Funding Assessment  
BCF – Better Care Fund

**Annexes**

A – Key Corporate Risk Register

B – Analysis of KCR1 Financial Pressures

C - Risk Scoring Matrix



**ANNEX A  
KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts will continue to have an impact on council services.** Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The expectation is that £16m savings will be required over the years 17/18 to 19/20. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition other partner organisations are facing financial pressures that impact on the council.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in government grants leading to the necessity to make savings</p> <p>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the council</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p>	Probable	Major (20)	<p>Regular budget monitoring</p> <p>Effective medium term planning and forecasting</p> <p>Chief finance officer statutory assessment of balanced budget</p> <p>Regular communications on budget strategy and options with senior management and politicians</p> <p>Skilled and resourced finance and procurement service, supported by managers with financial awareness</p> <p>Efficiency Plan agreed by Executive June 2016</p> <p>Financial Strategy 2017/18 approved</p>	Possible	Moderate (14)	No change	Development of budget strategy for 2018-19 (Ian Floyd, 31/01/2018)

**ANNEX A  
KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 2 GOVERNANCE: Failure to ensure key governance frameworks are fit for purpose.** With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance, transparency and health and safety.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased interactions in relation to FOI and transparency</p> <p>Failure to comply with information security policy</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety.</p>	<p>Breach of Data Protection Act and other non compliance</p> <p>Fines levied by Information Commissioner</p> <p>Impact on the end user/customer</p> <p>Public and staff safety may be put at risk</p> <p>Further incidents occur</p> <p>Adverse media coverage</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Electronic Communication Policy</p> <p>IT security systems in place</p> <p>Governance and Assurance Group (GRAG)</p> <p>Secure paper storage and confidential waste disposal available in office accommodation</p> <p>Ongoing Internal Audit review of information security</p> <p>Health and Safety monitoring by CMT and DMTs</p> <p>Regular monitoring reports to Audit &amp; Governance committee and Executive Member decision sessions</p> <p>Open Data platform providing Freedom of Information (FOI) requested data</p> <p>Regular review of transparency code legislation and compliance</p> <p>Ongoing management of data architecture to provide de-</p>	Possible	Major (19)	New control added	<p>Ongoing Action - Health and Safety training programmes at all levels (Ian Floyd, 31/03/2018)</p> <p>Ongoing Action: regular review of internal audit reviews and recommendations (Ian Floyd 31/03/18)</p>

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KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				personalised data to open data platform  Revised media and social media protocols				

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KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.** In order to continue to deliver some services the council will have to enter into partnerships with a multitude of different organisations whether they are third sector or commercial entities. There needs to be robust, clear governance arrangements in place for these partnerships as well as performance monitoring arrangements to ensure delivery of the objectives.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively monitor and manage partnerships, and Council owned organisations</p> <p>Partner (especially NHS, Academies) financial pressures may effect outcomes</p> <p>Unilateral decisions made by key partners may effect CYC budgets or services</p>	<p>Key partnerships fail to deliver or break down</p> <p>Ability to deliver transformation priorities undermined</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>Account management approach to monitoring key partnerships</p> <p>Safeguarding Board revised governance in place</p> <p>Shareholder Committee to monitor Council owned companies</p> <p>York Central Partnership</p>	Possible	Moderate (14)	No change	Ongoing action - Monitoring of controls (CMT, 31/03/2018)

**ANNEX A  
KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory deadlines due to changes in demographics.** York has a rapidly changing demographic in relation to both residents and business. This brings with it significant challenges particularly in the delivery of adult social care and children's services. There has also been significant migration and as such the council needs to ensure that community impacts are planned for and resourced.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Baby boom impact on schools</p> <p>Inward migration to York</p> <p>Development and regeneration makes York more desirable and accessible to residents and business</p> <p>An aging population requiring services from the council placing significant financial and delivery challenges</p> <p>Increased ethnic diversity</p> <p>Growing SEN - in particular autism</p> <p>Popularity of universities</p> <p>Increase in complexity of needs as people get older</p> <p>Increase in people living with dementia</p> <p>Demographic of workforce unable to meet demand</p>	<p>Increased service demand from residents; school placements, SEN, emotional mental health, adult social care and environmental services (eg waste collection)</p> <p>Increased service demand in relation to business (eg Regulation, Planning)</p> <p>Impact on reducing budgets and resources</p> <p>Statutory school places have to be found</p> <p>Rise in delayed discharges</p> <p>Impact on service users</p> <p>Reputational impact</p> <p>Insufficient capacity for workload - need right people in the right place</p>	Probable	Major (20)	<p>Analysis of need and work around options</p> <p>Stakeholder and officer group</p> <p>DfE returns</p> <p>Inclusion review</p> <p>Caseload monitoring</p> <p>Local area working restructures in frontline services, including Early intervention initiatives and better self-care</p> <p>Place planning strategy in place</p> <p>School population reported every 6 months</p> <p>Direct access to support and services</p> <p>Investment in support brokerage work with NHS integrated commissioning</p> <p>Creating Resilient Communities Working Group (CRCWG)</p>	Possible	Major (19)	No change	<p>Ongoing Action - Ensure adequate supply of schools places (CYC Place Planning Strategy, Governance Structure) (Jon Stonehouse, 31/03/2018)</p> <p>Redesign and implement new arrangements for early intervention and prevention (Jon Stonehouse, 31/12/2017)</p> <p>Assessment and care management Review (Martin Farran, 31/12/2018)</p> <p>Advise and Information Strategy and Action Plan (Martin Farran, 31/12/2018)</p> <p>Undertake a review to link the Local Plan and Major</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to plan for the impact of a rapid change in demographics to front line service provision								development projects to demographic data to determine the impact on all CYC services (CMT, 31/03/18)

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**KCR 5 SAFEGUARDING: A vulnerable child or adult with care and support needs is not protected from harm.** Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organisational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)	<p>Vulnerable person not protected</p> <p>Children's serious case review or lessons learned exercise</p> <p>Safeguarding adults review</p> <p>Reputational damage</p> <p>Serious security risk</p>	Probable	Major (20)	<p>Safeguarding sub groups</p> <p>Multi agency policies and procedures</p> <p>Specialist safeguarding cross sector training</p> <p>Quantitative and qualitative performance management</p> <p>Reporting and governance to lead Member, Chief Executive and Scrutiny</p> <p>Annual self assessment, peer challenge and regulation</p> <p>Audit by Veritau of Safeguarding Adults processes</p> <p>Children's and Adults Safeguarding Boards (LSCB &amp; ASB)</p> <p>Ongoing inspection preparation &amp; peer challenge</p> <p>National Prevent process</p> <p>DBS checks and re-checks</p> <p>Effectively resourced and well managed service</p> <p>Safeguarding Board annual plan</p>	Possible	Major (19)	Action Complete	<p>Restructure Children's Social Care Services (Jon Stonehouse, 31/12/2017)</p> <p>New Children's Social Care records system (Jon Stonehouse, 30/09/2018)</p> <p>Safeguarding Board annual action plan 2018/19 (Martin Farran, 31/03/2018)</p> <p>Community Safety Plan (Martin Farran 30/09/2017) - <b>COMPLETED</b></p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>2017/18 and Strategic Plan to 2019/20 are approved</p> <p>Controls implemented from peer review action plan</p> <p>CORAG (Chief Officer Reference and Accountability Group) which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p> <p><b>COMPLETED ACTION</b> - Community Safety Plan 2017 to 2020 agreed by Executive 28 Sep 17</p>				



**ANNEX A  
KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 6 HEALTH AND WELLBEING: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.** The Council has the responsibility for the provision of public health services. The Health & Wellbeing Board, brings together local organisations to work in partnership to improve outcomes for the communities in which they work. Poor governance or financial pressures (partners or Council) may lead to failure to adequately perform these functions, resulting in the health and wellbeing of communities being adversely affected.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Outcomes may be difficult to evidence due to longevity</p> <p>Lack of resources: numbers and/or specialist skills</p> <p>Other Council priorities may result in less focus on Health and Wellbeing outcomes</p> <p>Failure to deliver Health and Wellbeing responsibilities</p> <p>Failure to integrate Public Health outcomes</p> <p>Reliance on partners outside of the council's control</p> <p>Partner (eg NHS) financial pressures may effect outcomes</p>	<p>Health and wellbeing of the community adversely affected</p> <p>Key objectives are not delivered</p> <p>Reputational damage</p>	Probable	Major (20)	<p>The Council have oversight of the Health and Wellbeing Board, which own the Health &amp; Wellbeing strategy and receives reports on progress, includes <b>(COMPLETED ACTION)</b> a performance management framework for monitoring of outcomes</p> <p>The Health &amp; Wellbeing Board has approved a new 5 year joint strategy for the period 2017-21, including a joint strategic needs assessment</p> <p>A governance structure is in place for delivery of the Health &amp; Wellbeing strategy.</p> <p>Development sessions delivered by the Local Government Association (LGA)</p> <p>Improved workforce awareness of Health &amp; Wellbeing Strategy</p> <p>One Planet York's better decision making tool to assist with the Integration of the Health &amp; Wellbeing Agenda in relation to all Council service areas and external organisations</p> <p>Restructured Healthy Child Service Public Health is a statutory requirement</p>	Possible	Moderate (14)	Action Complete	<p>Develop a Performance Management Framework for monitoring of outcomes. (Sharon Stoltz, Jon Stonehouse, Martin Farran 30/09/2017) - <b>COMPLETED</b></p>

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**KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects.** The capital programme currently has approximately 85 schemes with a budget of £215m from 2017/18 to 2021/22. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Complex projects with inherent risks  Large capital programme being managed with reduced resources across the Council	Additional costs and delays to delivery of projects  The benefits to the community are not realised  Reputational Damage	Probable	Major (20)	Project boards and project plans  Regular monitoring of schemes  Capital programme reporting to Executive and A&G  Financial, legal and procurement support included within the capital budget for specialist support skills  Revised Project Management Framework  Capital Strategy 2017/18 to 2021/22 approved in Feb 2017  Additional resource approved to support project management	Possible	Moderate (14)	No change	Development of capital strategy for 2018-19 (Ian Floyd, 31/01/2018)

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**KCR 8 LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding.** The council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20 years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Fail to adopt and agree a Local Plan</p> <p>Local Plan adoption process delayed</p> <p>Significant opposition to the plan that may impede its progression</p>	<p>Significant negative impact on the council's strategic economic goals</p> <p>Council continues to have no adopted development plan/framework</p> <p>Legal and probity issues</p> <p>Reputational damage</p> <p>Increased resources required to deal with likely significant increase in planning appeals</p> <p>Development processes and decision making is slowed down</p> <p>Widespread public concern and opposition</p> <p>Inability to maximise planning gain from investment</p> <p>Adverse impact on investment in the city</p> <p>Unplanned planning does not meet the authority's</p>	Probable	Major (20)	<p>Develop strategy for cross party working on long term strategic issues</p> <p>CMT and DMT to work closely with key Members on Local Plan issues</p> <p>Proactive communication strategy</p> <p>Effective programme and project management to ensure timescales and milestones are met</p> <p>Effective project resourcing</p> <p>Continued close liaison with neighbouring authorities</p> <p>Continued close liaison with DCLG, Planning Advisory Services and Planning Inspectorate</p>	Possible	Major (19)	No change	Ongoing action - Monitoring of controls (Mike Slater, 31/03/2018)

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
	aspirations of the city Ongoing costs of the preparation of the Local Plan Potential loss of funding if Plan is not approved							

**ANNEX A  
KEY CORPORATE RISK REGISTER AT DECEMBER 2017**

**KCR 9 COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.** The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively engage with the communities we serve</p> <p>Failure to contribute to the delivery of safe communities</p> <p>Failure to effectively engage stakeholders (including Members and CYC staff) in the decision making process</p> <p>Failure to manage expectations</p> <p>Communities are not willing/able to fill gaps following withdrawal of CYC services</p> <p>Lack of cohesion in the planning and use of CYC and partner community based assets in the city</p>	<p>Lack of buy in and understanding from stakeholders</p> <p>Alienation and disengagement of the community</p> <p>Relationships with strategic partners damaged</p> <p>Impact on community wellbeing</p> <p>Services brought back under council provision – reputational and financial implications</p> <p>Budget overspend</p> <p>Create inefficiencies</p> <p>Services not provided</p> <p>Poor quality provision not focused on need, potential duplication, ineffective use of resources, difficulty in commissioning community services e.g. Library services</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>New service delivery models</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Local area working restructures for Children’s, Adults and Housing Services</p> <p>Improved information and advice, Customer Strategy and ICT support to facilitate self service</p> <p>CYC Staff and Member training and development</p>	Possible	Major (19)	No change	Develop a Community Engagement Strategy (Jon Stonehouse, 31/12/2017)

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**KCR 10 WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery.** It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>The necessity to deliver savings has resulted in a reduced workforce requiring new and specialist skills</p> <p>Recruitment and retention difficulties as the council may be seen as a less attractive option than the private sector</p> <p>Lack of succession planning</p> <p>HR Policies may not be consistent with new ways of working (eg remuneration policy)</p>	<p>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage</p> <p>Single points of failure throughout the business</p>	Probable	Major (20)	<p>Workforce Strategy/ People Plan</p> <p>Stress Risk Assessments</p> <p>PDRs</p> <p>Comprehensive Occupational Health provision including counseling</p> <p>HR policies e.g. whistleblowing, dignity at work</p> <p>Development of coaching/ mentoring culture to improve engagement with staff</p> <p>Corporate Cost Control Group monitoring of absence and performance reporting</p> <p>Apprenticeship task group</p> <p>Agency and Interim Staffing Policies</p>	Possible	Moderate (14)	No change	<p>Develop a comprehensive health and wellbeing policy consolidating all current and planned actions. (Sharon Stoltz, 31/03/2018)</p> <p>Ongoing action: Review of HR policies to ensure they compliment the new ways of working in the future (Ian Floyd 31/03/18)</p>

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**NEW - KCR 11 EXTERNAL MARKET CONDITIONS: Failure to deliver commissioned services due to external market conditions.**  
 The financial pressures experienced by contracted services (in particular Adult Social Care providers) as a result of increases to the living wage could put the continued operation of some providers at risk. The Council has a duty to ensure that there is a stable/diverse market for social care services delivery to meet the assessed needs of vulnerable adults/children.  
 Some services provided by the Council cannot be provided internally (eg Park and Ride) and must be commissioned. External market conditions such as the number of providers willing to tender for services may affect the Council's ability to deliver the service within budget constraints.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Increases to the national living wage.  Recruitment and retention of staff  If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.	Vulnerable people do not get the services required or experience disruption in service provision  Safeguarding risks  Financial implications: Increased cost of alternative provider Increased cost if number of providers are limited  Reputational damage	Unlikely	Major (18)	Clear contract and procurement measures in place  Ongoing review of operating and business models of all key providers  CYC investment in extra care OPHs has reduced recruitment pressure  Revised SLA with independent care group and quarterly monitoring meetings with portfolio holder  Increase in homecare fees to reflect actual cost of care  Local policies in place for provider failure	Unlikely	Moderate (13)	No change	Ongoing action: Ongoing attendance at Independent Care Group Provider Conference (Martin Farran 31/03/18)

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## Annex B

### Analysis of Key Corporate Risk 1 – Financial Pressures

1. As requested at the last A&G meeting, this Annex provides a more detailed analysis of KCR1, Financial Pressures.
2. The description of this risk is as follows; The ongoing government funding cuts will continue to have an impact on council services. Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The expectation is that £16m savings will be required over the years 17/18 to 19/20. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition other partner organisations are facing financial pressures that impact on the council.

#### Risk Detail

##### Reduction in government grants leading to the necessity to make savings

3. In the last decade we've achieved efficiency savings of more than £100m through careful management of our resources.
4. The 4 year settlement over the period from 2016/17 to 2019/20 includes a reduction of £19m in the Settlement Funding Assessment (SFA). The expectation is that £16m of savings will be required over the years 2017/18 to 2019/20. 2017/18 savings were £5.9m and savings of approximately £10m will be required from 2018/19 to 2019/20.
5. The scale of savings that will be required in the future will be driven by the outcomes of the devolution agenda, alongside the extent to which spending pressures affect the council.

##### Increased service demand and costs

6. Adult Social Care services are facing significant challenges to make care and support sustainable for the future. A growing, ageing population with increasingly complex conditions are putting pressure on services. For example; demographics show that there are 2,700 older people in York with dementia, this is set to grow by 30% to around 3,500 in the next 10 years. Across York 14,000 older people live alone, this is set to grow to 16,000 by 2027 and there are an estimated 2,500 people over 65 providing 20 hours or more unpaid care each week. By 2025, it is estimated that that this level of care provided by older people will increase by 16%. These are just some of the challenges that the social care market faces in York.
7. In addition rising costs such as landfill tax and inflation are driving costs up.

**Annex B**  
**Analysis of Key Corporate Risk 1 – Financial Pressures**

Financial Pressures on other partners that impact on the council

8. This represents the most significant financial risk to the Council because of the increased use of the Better Care Fund (BCF) to encourage the integration between health and adult social care. The total BCF pooled budget for use across the health and social care sector in York is £15.3m in 2017/18, of which £7.8m is allocated to adult social care services. Clearly any future reduction in either the overall BCF or the proportion allocated to social care would have a material affect on the council's finances.
9. In addition, this needs considering in the wider context of the health and social care economy in York as both the health commissioner (Vale of York Clinical Commissioning Group) and main provider (York Teaching Hospital NHS Foundation Trust) are currently carrying significant deficits. With the CCG projecting a £44m deficit by the end of 2017/18 and the hospital already reporting an in year deficit for 2017/18 of £14m. Their challenging plans to address these deficits may well impact on the future level of funding available for social care services.

**Implications**

10. The implications for the Council include;
  - Potential major implications on service delivery
  - Impacts on vulnerable people
  - Spending exceeds available budget

**Controls**

11. The controls in place include;

Regular Budget monitoring

12. Monthly in year budget monitoring takes place within Directorates and is reported to Directorate Management Teams (DMTs) and Council Management Team (CMT). In year budget monitoring is reported to Executive quarterly. This provides assurance that budget pressures are being monitored and managed to ensure that the council expenditure is kept within approved budget limits.
13. To help mitigate the significant risks identified above in relation to other partners, council officers maintain a close working relationship and on-going dialogue with health colleagues, particularly the CCG where joint responsibility for the BCF lies. This operates for commissioning, service delivery and through joint lead finance officer meetings. Ultimately it is the responsibility of the Health & Wellbeing Board to approve the BCF

**Annex B**

**Analysis of Key Corporate Risk 1 – Financial Pressures**

expenditure plans each year, with the board comprised of members and officers of the council, CCG and other local health bodies.

Effective Medium Term Planning and Forecasting

14. A vision for the city in 2030 was approved at Executive in July 2016. The key elements of the vision describes how the city will be in terms of the place, its people and the council, with sustainable growth providing the means to ensure all residents can fulfil their potential. This was summarised as 'The Council will secure the future of York as a prosperous, progressive, and sustainable city, giving the highest priority to the wellbeing of its residents, whilst protecting the fabric and culture of this world-famous historic city'.
15. The medium term planning and forecasting reflects the council priorities with revenue and capital investment in a number of critical areas, or protection to existing spending, as set out in both capital and revenue budgets agreed by Council in February 2017.
16. The medium term strategy focuses on delivering efficiencies across all areas and a significant amount of savings will be delivered by restructuring services. Ensuring that there is the capacity to invest in key priority areas is a critical part of the budget deliberations.
17. The 2017/18 to 2021/22 Financial Strategy report also sets out the strategic direction towards achievement of savings proposals for each directorate over the 3 year period from 2017/18 to 2019/20. This includes the directorate approach to protecting priority areas, safeguarding key statutory services and further details of the type of savings or efficiencies under consideration for the medium term.
18. This strategic approach ensures that any cross cutting implications are taken into consideration and savings in one particular area do not impact on other budgets in an unintended way.

Chief finance officer statutory assessment of balanced budget

19. The Local Government Act 2003 places responsibilities upon the council's Chief Finance Officer to advise the council on the adequacy of its reserves and the robustness of the budget proposals including the estimates contained in the Financial Strategy document, agreed by Council annually in February. The Chief Finance Officer will also address the key risks facing the council in relation to current and future budget provision and the general robustness of the budget process.

Regular communications on budget strategy and options with senior management and politicians

**Annex B**

**Analysis of Key Corporate Risk 1 – Financial Pressures**

20. The budget strategy process includes several meetings over a number of months with senior management and politicians to address the following key issues;
- Consideration of the current year position.
  - Consideration of unavoidable cost increases, priority areas, how to create the capacity in priority areas and creating the capacity to allow for service improvement and innovation.
  - Consideration of reductions in grant funding.
  - Ensuring that the budget is robust and prudent and is based upon the strategic financial advice of the Deputy Chief Executive/Director of Customer and Corporate Services as s151 officer.
  - Ensuring there is a strong link between the capital and revenue budgets and that the delivery of priorities fully considers the two budgets hand in hand.

Skilled and resourced finance service, supported by managers with financial awareness

21. The finance service vision is 'to be a high performing service that adds value to the Council through robust financial planning and modelling in a time of reducing resources and increasing demand.' The service works in partnership with all Council services to achieve our objectives.
22. The main objective for the finance service is the stewardship of Council funds. The service has a lead role in the financial management of the Council's budgets and this is underpinned by robust budgetary control and the continuous review of our key processes to ensure improved efficiency and value added services.
23. The services the finance function support are continually changing and developing to meet the changing demands of residents, within an overall context of reducing resource and increasing demand. The reduction in resources available are driving change across the council and require the finance function to identify new ways of working, whilst maintaining the overarching requirement for the proper administration of the council's financial affairs and effective accountability of the use of public funds.
24. As set out in the Finance Service Plan, the key areas of focus over the current year include:
- Development and delivery of training programmes covering finance, procurement and risk management
  - Support a robust planning and monitoring process to deliver the savings required
  - Ongoing development of the Medium Term Financial Strategy
  - Supporting the council's programme of major projects
  - Working with Health partners, particularly the CCG on integration with social care and delivering Better Care Fund

**Annex B**  
**Analysis of Key Corporate Risk 1 – Financial Pressures**

Efficiency Plan agreed by Executive June 2016

25. In 2016 the government confirmed the replacement of the annual local government finance settlement with a multi-year settlement, and set out the principles for maximum council tax increases over a multi-year period.
26. On 30 June 2016 Council approved the recommendation to publish a 4 year Efficiency Plan to enable the council to take advantage of the 4 year settlement to improve stability and aid medium term planning. The government have confirmed that any council taking up the offer will not see a reduction in the settlement figures already announced.

Financial Strategy 2017/18 approved

27. Approval of the Financial Strategy 2017/18 to 2021/22 provides assurance that a legally balanced and prudent budget is set for the financial year 2017/18, ensuring continued investment in key frontline service delivery whilst supporting the councils key priorities. In addition, the Financial Strategy sets out the strategic direction towards the achievement of medium term savings.

**Outstanding Actions**

28. The development of the Financial Strategy 2018/19 to 2022/23 is due to be completed by January 2018. Work on this action has been underway for several months as part of the annual budget setting process. The Financial Strategy 2018/19 will be approved by Council on 22 February 2018.

**Risk Rating**

29. The gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 14 (likelihood possible, impact moderate).

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Annex C- Risk Matrix

		<b>Impact</b>					<b>Likelihood</b>																						
		<b>Catastrophic</b>	<b>Major</b>	<b>Moderate</b>	<b>Minor</b>	<b>Insignificant</b>																							
<b>17</b>	<b>12</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>Remote</b>	<b>22</b>	<b>18</b>	<b>13</b>	<b>8</b>	<b>3</b>	<b>Unlikely</b>	<b>23</b>	<b>19</b>	<b>14</b>	<b>9</b>	<b>4</b>	<b>Possible</b>	<b>24</b>	<b>20</b>	<b>15</b>	<b>10</b>	<b>5</b>	<b>Probable</b>	<b>25</b>	<b>21</b>	<b>16</b>	<b>11</b>	<b>7</b>	<b>Highly Probable</b>

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**Audit and Governance Committee****6 December 2017**

Report of the Head of Internal Audit

**Audit & Counter Fraud Monitoring Report****Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

**Background**

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

**Internal Audit**

- 3 To date (up to 21 November 2017), internal audit has completed 31% of the 2017/18 audit plan based on reports issued. The figures do not reflect audits in progress or recently completed<sup>1</sup>. It is anticipated that the 93% target for the year will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits). The current status of audits included in the audit plan is shown in annex 4.
- 4 Details of the audits completed and reports issued since the last report to this committee in September 2017 are given in annex 1.

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<sup>1</sup> The figure including work in progress and work completed but not yet reported is 80%.

### **Counter Fraud**

- 5 Counter fraud work has been undertaken in accordance with the approved plan. Annex 2 provides a summary of the work undertaken in the period.
- 6 Up to 31<sup>st</sup> October, the fraud team had achieved £160k in savings for the council as a result of investigation work (against a target for the year of £100k). Successful outcomes were recorded for 50% of the investigations undertaken (where cases have resulted in some form of action against the perpetrator, recovery of funds or other action by management). The team also identified £20k in notional savings principally derived from housing fraud investigations.

### **Breaches of Financial Regulations**

- 7 There have been two breaches of the council's financial regulations identified during the course of recent audit work. Details of these breaches are summarised in annex 3.

### **Consultation**

- 8 Not relevant for the purpose of the report.

### **Options**

- 9 Not relevant for the purpose of the report.

### **Analysis**

- 10 Not relevant for the purpose of the report.

### **Council Plan**

- 11 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

### **Implications**

- 12 There are no implications to this report in relation to:
  - **Finance**
  - **Human Resources (HR)**

- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management Assessment**

- 13 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

### **Recommendation**

- 14 Members are asked to:
- (a) Note the progress made in delivering the 2017/18 internal audit work programme, and current counter fraud activity.

#### Reason

To enable members to consider the implications of audit and fraud findings.

### **Contact Details**

#### **Author:**

Max Thomas  
Head of Internal Audit  
Veritau Limited  
01904 552940

#### **Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer & Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 27 Nov 2017

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

- 2017/18 Internal Audit and Counter Fraud Plan

**Annexes**

Annex 1 – 2017/18 Audits Completed and Reports Issued

Annex 2 - Counter Fraud Activity

Annex 3 - Breaches of Financial Regulations

Annex 4 - Current Status of Planned Audits

**Available on the council's website**

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- Development Management
- Fees and Charges

Information which might increase risk to the Council, its employees, partners or suppliers has been redacted.

**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

<b>Opinion</b>	<b>Level of Assurance</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<b><u>Priority</u></b>	<b><u>Long Definition</u></b>	<b><u>Short Definition – for use in Audit Reports</u></b>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

### Draft Reports Issued

Five internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee.

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in September 2017. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Development Management	Reasonable Assurance	0	1	2	This audit reviewed the processing of planning applications, monitoring of complaints and enforcement work and the Quality Assurance (QA) process. Whilst no significant issues were found with the initial application process, it was found that documentation of QA reviews and evidence of follow-up work carried out was not always available.
Fees and Charges	Reasonable Assurance	0	2	0	This audit reviewed fees and charges for six areas within the Economy and Place directorate.



Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
					The majority were correctly calculated, however elements were not known or understood for some of the fees and charges reviewed.

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**COUNTER FRAUD ACTIVITY 2017/18**

The table below shows the level of savings achieved through counter fraud work during the current financial year.

	<b>2017/18 (Actual: 31/10/17)</b>	<b>2017/18 (Target: Full Yr)</b>	<b>2016/17 (Actual: Full Yr)</b>
% of investigations completed which resulted in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	50%	30%	47%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£160,874	£100,000	£346,944
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£20,400	£250,000	£144,400

**Caseload figures for the period are:**

	<b>As at 31/10/17</b>	<b>As at 1/4/17</b>
Awaiting allocation	46	71
Under investigation	146	103

**Summary of counter fraud activity:**

<b>Activity</b>	<b>Work completed or in progress</b>
Data matching	<p>Investigation of 2016/17 National Fraud Initiative matches is nearing completion. The annual NFI single person discount data matching exercise is scheduled for January 2018. Data is currently being gathered ahead of being securely sent to the Cabinet Office.</p> <p>Veritau have an ongoing programme of internal and regional data matching. The current focus is council tax discounts. This year 12 potential fraud cases have been identified through this work.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Social Care fraud</b> – The fraud team continue to investigate adult social care fraud alongside council colleagues. This type of fraud is considered to be of one of the highest areas of fraud risk facing local authorities nationally. In 2017/18 £165k of loss to the council has been recorded due to adult social care fraud. There are currently 18 ongoing investigations.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – To date the team has received 42 referrals for potential fraud in this area. There are currently 44 ongoing investigations into Council Tax and Non Domestic Rates fraud. In September the council prosecuted the longest running</li> </ul>

Activity	Work completed or in progress
	<p>single person discount fraud ever detected at the authority – 17 years. In addition, one person has been cautioned for a council tax discount fraud offence and four people have received warnings.</p> <ul style="list-style-type: none"> <li>• <b>Housing fraud</b> – Working in conjunction with housing officers, one property was prevented from being let where the prospective tenants had provided false information in their housing application. There are currently 14 ongoing investigations in this area.</li> <li>• <b>Internal fraud</b> - The team has received 7 referrals for potential internal fraud since April and 12 cases are currently under investigation.</li> <li>• <b>York Financial Assistance Scheme fraud</b> – The fraud team has received 14 referrals since April. Working with the department new procedures have been implemented to help detect and deter fraud against this scheme. To date this financial year one person has been cautioned and five people have received warnings for misuse of this scheme. There are currently 6 ongoing investigations.</li> <li>• <b>Council Tax Support fraud</b> – The fraud team have received 89 referrals for potential CTS fraud to date. The team has produced £12,600 in savings thus far in 2017/18. There are currently 36 cases under investigation. To date one person has been cautioned and 5 people were issued formal warnings following investigations in this area.</li> <li>• <b>Parking fraud</b> – The fraud team working with the Parking Department has held two ‘days of</li> </ul>

Activity	Work completed or in progress
	<p>action' to help detect and deter blue badge misuse within the city. Six cases of badge misuse were detected over the two days. To date in 2017/18 the council has prosecuted one person, cautioned six people and issued twelve warnings for disabled badge or parking permit misuse. There are currently 19 cases under investigation.</p> <ul style="list-style-type: none"> <li>• <b>Education verification</b> – The fraud team works with the schools team to investigate and deter false applications for school placements. The team has blocked one false application in 2017/18.</li> </ul>
Fraud liaison	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team have dealt with 157 requests on behalf of the council to date during this financial year.</p>

## ANNEX 3

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED  
DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD**

<b>Description of Breach</b>	<b>Instances</b>
Failing to ensure that fees and charges are being set in an appropriate manner	2

<b>Directorate</b>	<b>Instances</b>
Economy and Place	2

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## CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS
<b>Corporate &amp; Cross-Cutting</b>	
Annual Governance Statement & Statement Support	Ongoing
Asset Management	Not started
Business Continuity and Emergency Planning	In progress
Data Quality	Not started
Document Management	Not started
Governance	Not started
Health & Safety	In progress
Health & Safety (follow-up)	In progress
Information Security	In progress
ICT Governance & Cyber Security	In progress
ICT Access Controls (follow-up)	In progress
Freedom of Information	In progress
Overtime	Not started
PCI DSS	In progress
Performance Management	In progress
Procurement - Waivers	In progress
Procurement – Breaches	In progress
Project Management – Miscellaneous Project Support	Ongoing

AUDIT	STATUS
Project Management – ASC Project Support	In progress
Register of Interests	In progress
Scrutiny	Not started
Use of Social Media	Not started
Whistleblowing (support)	Ongoing
<b>Main Financial Systems</b>	
Cashiers and Income Management	In progress
Council Tax & NNDR	In progress
Council Tax Support and Housing Benefits	Not started
Debtors	In progress
Housing Rents	Deferred (September)
Main Accounting System	<b>High Assurance</b>
Ordering and Creditor Payments	Not started
Payroll	In progress
Treasury Management	In progress
<b>Health, Housing and Adult Social Care</b>	
Better Care Fund	Not started
Community Safety Plan	Not started
Deprivation of Liberty Assessments	In progress
Direct Payments	In progress
Housing Performance	Not started

AUDIT	STATUS
Public Health	Not started
Savings Plans (HHASC)	In progress
Supporting Vulnerable People	In progress
<b>Economy and Place</b>	
Bus Pass Usage Claims	Draft report issued
Car Parking	Not started
Procurement of Sub-Contractors	Draft report issued
Property Income	In progress
Section 106 Agreements	Not started
Trading Standards	In progress
Taxi Licensing (addition to plan)	In progress
<b>Children, Education and Communities</b>	
Contributions to Care	In progress
High Needs SEN	In progress
Regional Adoption Agency	In progress
Schools: Stockton-on-Forest Primary School	Draft report issued

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## **Audit and Governance Committee**

**6 December 2017**

Report of the Head of Internal Audit

### **Review of Effectiveness – Audit and Governance Committee**

#### **Summary**

- 1 This report asks members to consider options for undertaking a review of the effectiveness of the committee.

#### **Background**

- 2 The Audit and Governance Committee forms an integral part of the council's overall governance framework and is an important source of assurance in respect of the council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that audit committees should periodically undertake a review of their own effectiveness to ensure that they are continuing to properly fulfil their responsibilities.
- 3 The last full review of the committee's effectiveness was conducted in 2012 with the findings of the review presented to the committee in December 2012. The review resulted in a number of changes being made to the committee's terms of reference, the appointment of independent co-opted members and the introduction of an annual report to Full Council. Whilst there have not been any significant changes in the scope of the committee's work since then the membership of the committee has changed so it is considered a further review would be timely. Members expressed their support for this approach at the last meeting of the committee in September 2017.

## Effectiveness Review – Next Steps

- 4 Members will want to consider the scope of the review, the timing and how it will be progressed. Members may also wish to highlight specific areas they would like to be considered as part of the review. Assuming there is agreement to proceed then a number of options exist for completing the review, as follows. The committee could:
- undertake the review itself (with support from officers) (option A)
  - set up a separate working group to gather evidence (perhaps with representation from elsewhere in the council) (option B)
  - arrange for a peer review by an audit committee chair from a neighbouring authority (option C)
  - commission a review by the council's internal or external auditors (option D)
  - commission an external review by a suitable expert (for example CIPFA) (option E)
- 5 Options A and B could be progressed without delay and there would be no budget implications. However, the review would lack an external perspective and therefore the committee may not learn from good practice elsewhere. Option C would allow the committee to compare its practice against a similar local authority audit committee. The costs would be minimal<sup>1</sup> but there is a risk that the comparator information would be limited. Option D would involve a cost but both the internal and external auditors have experience of audit committees operating elsewhere and will have observed good and bad practice. Whilst the external auditors are independent of the council, members may wish the review to be conducted by someone who is not involved with the working of the committee on an ongoing basis. There would be a cost associated with option E<sup>2</sup> but this would offer an external perspective.

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<sup>1</sup> The council would need to reimburse travel and other expenses – say £200.

<sup>2</sup> An external review by an experienced assessor would cost about £4k.

- 6 Budget provision would need to be made available for options C – E. The council would also need to undertake a procurement exercise before engaging an external organisation to undertake the review. There would therefore be a delay in the review being commissioned.
- 7 Members may also wish to highlight the specific areas to be considered within the scope of the review. These could include;
- The committee's terms of reference
  - The quality and suitability of information made available to the committee
  - The length and frequency of meetings
  - Training and induction for members of the committee
  - Whether members have an appropriate understanding of the council's systems and processes
  - Whether the committee's members act in an objective, independent and unbiased manner
  - Whether the committee's members provide the appropriate level of challenge to the council's executive and officers
  - Whether the work of the committee and its current operating practices are seen to add value to the council's overall governance arrangements
  - Relationships between the committee and the internal / external auditors
  - Relationships between the committee and the council's executive and scrutiny functions

### **Consultation**

- 8 Not relevant for the purpose of the report.

### **Options**

- 9 See paragraph 4 above.

### **Analysis**

- 10 Not relevant for the purpose of the report.

### **Council Plan**

- 11 The Audit and Governance Committee forms an important component of the council's corporate governance framework. As such it helps to support the overall aims and priorities of the council by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

### **Implications**

- 12 There would be budget implications if the committee wished to commission an external review. The cost could be up to £4k.
- 13 There are no implications to this report in relation to:
- **Human Resources (HR)**
  - **Equalities**
  - **Legal**
  - **Crime and Disorder**
  - **Information Technology (IT)**
  - **Property**

### **Risk Management Assessment**

- 14 The Audit and Governance Committee may not discharge its responsibilities effectively if it fails to operate properly or in accordance with best practice.

### **Recommendation**

- 15 Members are asked to consider whether to proceed with a review of the committee's effectiveness, and the form and scope of any such review.

### Reason

To enable members to determine their preferred approach to any future review of the committee's effectiveness.



**Contact Details**

**Author:**

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Veritau Limited  
01904 552940

**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief executive and Director of  
Customer & Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date**

6/11/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:**

**All**



**For further information please contact the author of the report**

**Background Papers**

None

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**Audit and Governance Committee****6 December 2017****Report of the Deputy Chief Executive and Director of Customer and Corporate Services****Information Governance****1. Summary**

1.1 This report provides Members with updates in respect of:

- Information governance performance
- General Data Protection Regulation (GDPR)
- the NHS Digital audit

**2. Information Governance Performance**

2.1 The council publishes performance data on timeliness for responding to requests made under Freedom of Information Act (FOI), Environmental Information Regulations (EIR) and Data Protection Act subject access to records requests (SARs), via the York Open Data platform:

<https://data.yorkopendata.org/group/freedom-of-information>

Current performance information is provided in full at Annex 1.

2.2 The Council's performance for responding in time to both FOI and EIR enquiries continues to exceed the 90% target, which the ICO sets as an indicator for those authorities which may require attention.

- 2.3 This continues to be particularly impressive given the volumes of FOI/EIR enquiries shown below:

Year	Volume
2013/14	1384
2014/15	1864
2015/16	1670
2016/17	1719
2017/18 – April to Sept only*	849*

- 2.4 If someone is unhappy with the response they receive in relation to an FOI or EIR request there is an opportunity to seek an internal review and then to complain to the ICO. The ICO has published in total 36 decisions notices for City Of York Council dating back to May 2007. These are all available at <http://search.ico.org.uk/ico/search/decisionnotice>
- 2.5 Since October 2016, there have been 7 published decision notices, 6 were not upheld by the ICO on behalf of the complainant against the council and 1 was upheld. The ICO's published details on these 7 cases are shown at Annex 2.
- 2.6 In the upheld case, the ICO agreed with the Council that disclosure of this information would prejudice the conduct of public affairs and that the Council were correct to engage the section 36 exemption. However, their view was that the public interest arguments for disclosure outweighed those for maintaining the exemption in this case.
- 2.7 The Council continues to maintain its significant performance improvements for in-time compliance with Data Protection Act subject Access to Records requests (SARs). This was a specific area that ICO auditors recommended we improve upon. Again, using the same methodology for in-time compliance as previous years, we have achieved an in time compliance of 85.71% for April to September 2017.

### **3. General Data Protection Regulation (GDPR)**

3.1 GDPR becomes enforceable from 25<sup>th</sup> May 2018. We continue our work for readiness and preparedness to meet its requirements by the enforcement date of 25 May 2018. Having undertaken a relatively recent data protection audit and implemented an action plan the Council was better placed than many organisations to start to meet this new challenge. However, there is still considerable work to be done.

3.2 Our project action plan to ensure we are ready for next May covers the 3 phases below

**Phase 1:** Familiarisation and key building blocks

**Phase 2:** Guidance structure and mapping, process review and initial development of associated tools

**Phase 3:** Bulk guidance refresh/production and review

3.3 The ICO has made a readiness assessment tool available: <https://ico.org.uk/for-organisations/data-protection-reform/getting-ready-for-the-gdpr/>

Our current self assessment is that our overall rating is “*amber: partially implemented or planned*”.

### **4. NHS Digital – routine data sharing audit**

4.1 Under the Health and Social Care Act 2012, the Health and Social Care Information Centre (HSCIC) also known as NHS Digital, has a legal duty to maintain the confidentiality, safety, security and integrity of all personal and patient data it holds and disseminates. Each dissemination of data is subject to a data sharing framework contract and data sharing agreement. Given its health and social care responsibilities the Council is a recipient of such information.

4.2 NHS Digital expects to audit recipients of NHS data, at least once in a three year period and the council was subject to a routine audit on Wednesday 22<sup>nd</sup> and Thursday 23<sup>rd</sup> November.

4.3 The scope areas of the data sharing audit were

- Information transfer

- Access control
- Use and benefits of data
- Data destruction
- Risk management
- Operational management and control.

4.4 NHS Digital publishes their audit report and recommendations and this is likely to be by the end of January 2018.

## **5. Consultation**

Not relevant for the purpose of this report.

## **6. Options**

Not relevant for the purpose of this report.

## **7. Analysis**

Not relevant for the purpose of this report.

## **8. Council Plan**

8.1 The council's information governance framework offers assurance to its customers, employees, contractors, partners and other stakeholders that all information, including confidential and personal information, is dealt with in accordance with legislation and regulations and its confidentiality, integrity and availability is appropriately protected.

## **9. Implications**

Relevant implications are set out in the body of the report

## **10. Risk Management**

The council may face financial and reputational risks if the information it holds is not managed and protected effectively. For example, the ICO can currently impose civil monetary penalties up to £500k for serious data security breaches. The failure to identify and manage information risks may diminish the council's overall effectiveness. Individual(s) may be at risk of committing criminal offences.

## 11. Recommendations

Members are asked:

- To note the sustained performance levels
- To note the ongoing work required to ensure the Council meets its information governance responsibilities.

### Contact Details

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Report  Date 22 November  
Approved 2017

**Wards Affected:** List wards or tick box to indicate all All

For further information please contact the author of the report

### Annexes

Annex 1 – Performance scorecard  
Annex 2 – ICO decision notices

### Background Information

Not applicable

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No of Indicators = 4 | Direction of Travel (DoT) shows the trend of how an indicator is performing against its Polarity over time.  
Produced by the Strategic Business Intelligence Hub November 2017



			Previous Years			2017/2018							
		Collection Frequency	2014/2015	2015/2016	2016/2017	Q1	Q2	Q3	Q4	Target	Polarity	DOT	
Information Governance	FOI01	FOI & EIR - Total Received - (YTD)	Quarterly	1,864	1,670	1,719	401	849	-	-	-	Neutral	↔ Neutral
		FOI (Freedom of Information) - Total Received - (YTD)	Quarterly	1,501	1,360	1,336	273	578	-	-	-	Neutral	↔ Neutral
		EIR (Environmental Information Regulations) - Total Received - (YTD)	Quarterly	363	310	383	128	271	-	-	-	Neutral	↔ Neutral
	FOI02	FOI & EIR - In time - (YTD)	Quarterly	1,752	1,597	1,601	371	778	-	-	-	Neutral	↔ Neutral
		FOI & EIR - % In time - (YTD)	Quarterly	94.00%	95.60%	93.14%	92.50%	91.64%	-	-	-	Up is Good	↔ Neutral
		FOI (Freedom of Information) - In time - (YTD)	Quarterly	1,399	1,291	1,229	248	515	-	-	-	Neutral	↔ Neutral
		FOI (Freedom of Information) - % In time - (YTD)	Quarterly	93.20%	94.90%	91.99%	90.80%	89.10%	-	-	-	Up is Good	▼ Red
		EIR (Environmental Information Regulations) - In time - (YTD)	Quarterly	353	306	372	123	263	-	-	-	Neutral	↔ Neutral
		EIR (Environmental Information Regulations) - % In time - (YTD)	Quarterly	97.20%	98.70%	97.13%	96.10%	97.05%	-	-	-	Up is Good	↔ Neutral
		FOI03	FOI & EIR - Out of time - (YTD)	Quarterly	112	73	118	30	71	-	-	-	Neutral
	FOI & EIR - % Out of time - (YTD)		Quarterly	6.00%	4.40%	6.86%	7.50%	8.36%	-	-	-	Up is Bad	↔ Neutral
	FOI (Freedom of Information) - Out of time - (YTD)		Quarterly	102	69	107	25	63	-	-	-	Neutral	↔ Neutral
	FOI (Freedom of Information) - % Out of time - (YTD)		Quarterly	6.80%	5.10%	8.01%	9.20%	10.90%	-	-	-	Up is Bad	▲ Red
	EIR (Environmental Information Regulations) - Out of time - (YTD)		Quarterly	10	4	11	5	8	-	-	-	Neutral	↔ Neutral
	EIR (Environmental Information Regulations) - % Out of time - (YTD)		Quarterly	2.80%	1.30%	2.87%	3.90%	2.95%	-	-	-	Up is Bad	↔ Neutral
	FOI05	DP (Data Protection Act) / SAR (Subject Access Request) - Total Received - (YTD)	Quarterly	131	83	106	13	28	-	-	-	Neutral	↔ Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - In time - (YTD)	Quarterly	92	64	89	11	24	-	-	-	Neutral	↔ Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - % In time - (YTD)	Quarterly	70.23%	77.11%	83.96%	84.60%	85.71%	-	-	-	Up is Good	▲ Green
		DP (Data Protection Act) / SAR (Subject Access Request) - Out of time - (YTD)	Quarterly	39	19	17	2	4	-	-	-	Neutral	↔ Neutral
		DP (Data Protection Act) / SAR (Subject Access Request) - % Out of time - (YTD)	Quarterly	29.77%	22.89%	16.04%	15.40%	14.28%	-	-	-	Up is Bad	▼ Green

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**Audit and Governance****Information Governance Report – 6<sup>th</sup> December 2017****Information Commissioner's Office – published decision notices for City of York Council****17 October 2017, Local government (City council)**

The complainant has requested a report done on behalf of the council by PriceWaterhouseCoopers. The council said that it does not hold a copy of the final copy of the report, but said that it had found a draft copy of a presentation linked to the report. Its initial argument was that this information had not been requested by the complainant, but in the event that the Commissioner disagreed with this it argued that section 36(2) would be applicable. The Commissioner's decision is that council was correct to apply section 36 to the information however the public interest in the exemption being maintained does not outweigh that in the information being disclosed. The Commissioner requires the public authority to take the following steps to ensure compliance with the legislation: To disclose the withheld information to the complainant.

FOI 36: Upheld

[Decision notice FS50654131](#)

[PDF](#)

**27 April 2017, Local government (City council)**

The complainant made a request to the Council for all correspondence from officers and councillors relating to the Groves chapel planning applications. The Council refused to comply with the request under regulation 12(4)(b) EIR. The Commissioner's decision is that the Council has dealt with this request under the correct access regime and that it correctly applied regulation 12(4)(b) EIR to the request. It also complied with regulation 9 in the handling of this request. The Commissioner requires no steps to be taken.

EIR 2(1): Not upheld EIR 9: Not upheld EIR 12(4)(b): Not upheld

[Decision notice FS50660599](#)

[PDF](#)

**28 March 2017, Local government (City council)**

The complainant has requested a transport appraisal relating to the development of a site in the centre of York. The Council refused the request under regulation 12(4)(d) – material in the course of completion. The Commissioner’s decision is that the exception is engaged and can be maintained in the public interest. The Council is therefore entitled to rely on regulation 12(4)(d) to refuse the request. The Commissioner does not require the public authority to take any further action in this matter.

**EIR 12(4)(d): Not upheld**

[Decision notice FER0637691](#)

[PDF](#)

**27 March 2017, Local government (City council)**

The complainant has requested information relating to the processing of FOIA requests. The City of York Council (the Council) says that this information is already publicly available on their website and is therefore exempt from disclosure under the FOIA, under section 21. The Commissioner’s decision is that the Council has correctly applied section 21 of the FOIA and does not require the Council to take any further steps.

**FOI 21: Not upheld**

[Decision notice FS50639992](#)

[PDF](#)

**12 January 2017, Local government (City council)**

The complainant has requested time sheets for particular individuals recording time spent on specified work. The Council provided the complainant with some information but confirmed that further information was not held under section 1(1)(a) FOIA. The Commissioner considers that the Council was correct to confirm that it does not hold any further information, other than that which was provided, under section 1(1)(a) of the FOIA. The Commissioner requires no steps to be taken.

**FOI 1: Not upheld**

[Decision notice FS50632941](#)

[PDF](#)

### **20 December 2016, Local government (City council)**

The complainant made a freedom of information request to York City Council (“the Council”) for information about posters and advertising hoardings which she believed had been illegally posted in York City Centre. The Council refused the first part of the request under section 14(1) on the grounds that it was vexatious and for the second part of the request it said that the requested information was not held. The Commissioner’s decision is that the Council correctly applied section 14(1) to the first part of the request. The Commissioner requires no steps to be taken.

**FOI 14: Not upheld**

[Decision notice FS50626507](#)

[PDF](#)

### **24 October 2016, Local government (City council)**

The complainant has requested emails between an individual councillor and Labour Group members of City of York Council (‘the Council’), sent of a specific day. The Council says that it does not hold this information for the purposes of the FOIA. The Commissioner’s decision is that the Council is correct and that it does not hold the requested information, under section 1(1)(a) of the FOIA. The Commissioner does not require the Council to take any steps.

**FOI 1: Not upheld**

[Decision notice FS50629586](#)

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**Audit and Governance Committee****6<sup>th</sup> December 2017**

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

**Audit & Governance Committee Forward Plan to September 2018****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2018.

**Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an annex is the indicative rolling forward plan for meetings to September 2018. This may be subject to change depending on key internal control and governance developments at the time. A rolling forward plan of the Committee will be reported at every meeting reflecting any known changes.
3. There have been no amendments made since the last version was presented to the Committee in September.

**Consultation**

4. The forward plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

**Options**

5. Not relevant for the purpose of the report.

**Analysis**

6. Not relevant for the purpose of the report.

## **Council Plan**

7. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

## **Implications**

8.
  - (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

## **Risk Management**

9. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

## **Recommendations**

10.
  - (a) The Committee's forward plan for the period up to July 2018 be noted.

### *Reason*

*To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.*



- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

*To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.*

**Contact Details**

**Author:**

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**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive/Director of  
Customer & Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 27 Nov 2017

**Specialist Implications Officers**

None

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex 1**

Audit & Governance Committee Forward Plan to September 2018

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## Audit & Governance Committee Draft Forward Plan to September 2018

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

Item	Lead officers	Other contributing Organisations	Scope
<b>Committee Wednesday 7<sup>th</sup> Feb 2018</b>			
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Scrutiny of the Treasury Management strategy statement and Prudential indicators	<u>CYC</u> Debbie Mitchell		To present to members the: <ul style="list-style-type: none"> <li>• Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;</li> <li>• Prudential indicators</li> <li>• Revised treasury management policy statement</li> <li>• Specified and non-specified investments schedule</li> <li>• Treasury management scheme of delegation and role of the section 151 officer</li> </ul>
Counter Fraud: Risk Assessment and review of policies	<u>Veritau</u> – Max Thomas/ Richard Smith		To inform members about potential fraud risks that the council is exposed to, and proposed activity to address those risks. The report will also include a review of the counter fraud strategy and details of any updates required to counter fraud policies.
Audit & Counter Fraud Plan & Consultation	<u>Veritau</u> – Max Thomas/ Richard Smith		To seek members views on the priorities for internal audit in 2018/19 and identify any specific areas which should be a priority for review in 2018/19.
Health & Safety follow up report	<u>CYC</u> Pauline Stuchfield/		To present to members a further follow up report with key activities provided in tabular form, including the key issues, measurable actions and progress, with specific completion deadlines.

<i>Changes to the Constitution (If any)</i>			
<b>Committee Wednesday 11<sup>th</sup> April 2018</b>			
Approval of Internal Audit Plan	<u>Veritau</u> – Max Thomas/ Richard Smith		To seek the committees approval for the planned programme of internal audit, and counter fraud to be undertaken in 2018/19.
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Mazars Audit Strategy Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out their audit plan in respect of the Councils Audit for the year ending 2018.
Key Corporate Risk Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs)
<i>Changes to the Constitution (If any)</i>			
<b>Committee June 2018</b>			
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Key Corporate Risk Monitor	<u>CYC</u> Sarah Kirb		Update on Key Corporate Risks (KCRs)
Treasury Management Outturn Report	<u>CYC</u> Debbie Mitchell		To provide Members with an update on the Treasury Management Outturn position for 2017/18.
Annual Report of the Head of Internal Audit	<u>Veritau</u> – Max Thomas/ Richard Smith		This report will summarise the outcome of audit and counter fraud work undertaken in 2017/18 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
Draft Annual Governance Statement	<u>CYC</u> Emma Audrain		To present the draft Annual Governance Statement (AGS) for approval
Annual Report of the Audit	<u>CYC</u>		To seeks Members' views on the draft annual report of the Audit

& Governance Committee	Emma Audrain		and Governance Committee for the year ended 5th April 2018, prior to its submission to Full Council.
<i>Changes to the Constitution (If any)</i>			
<b>Committee July 2018</b>			
Draft Statement of Accounts	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the draft Statement of Accounts to the Committee prior to the 2017/18 Audit.
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs)
Information Governance & Freedom of Information Report (including information security)	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.
<i>Changes to the Constitution (If any)</i>			
<b>Committee September 2018</b>			
Mazars Audit Completion Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out the findings of the 2017/18 Audit.
Final Statement of Accounts 2017/18	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the final audited Statement of Accounts following the 2017/18 Audit.
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity
Key Corporate Risks Monitor	<u>CYC</u> Sarah Kirby		Update on Key Corporate Risks (KCRs)
<i>Changes to the Constitution (If any)</i>			

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