

Agenda



Audit Committee

Date: Thursday, 26 May 2016

Time: 5.00 pm

Venue: Committee Room 1 - Civic Centre

To: Councillors Baker (Chair), H Thomas, R Bright, J Guy, E Garland, R White, R Mogford, D Davies and M Spencer

Item

- 1 Agenda yn Gymraeg / Agenda in Welsh (Pages 3 - 4)
- 2 Appointment of Chairperson
- 3 Apologies for Absence
- 4 Declarations of Interest
- 5 Minutes of the Last Meeting (Pages 5 - 8)
- 6 Internal Audit Annual Report 2015/16 (Pages 9 - 24)
- 7 Internal Audit Annual Plan 2016/17 (Pages 25 - 46)
- 8 Standing Order 24 / Waiving of Contract Standing Orders: Quarterly report reviewing Cabinet / Cabinet Member urgent decisions or waiving of Contract SOs (Q4: January - March 2016) (Pages 47 - 62)
- 9 Treasury Management Report (Pages 63 - 76)
- 10 Revised Financial Regulations and Contract Procedure Rules (Pages 77 - 118)
- 11 Work Programme (Pages 119 - 124)
- 12 Date of Next Meeting - 23 June 2016

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Agenda



Pwyllgor Archwilio

Dyddiad: 26 Mai 2016

Amser: 5 y.p.

Lleoliad: Ystafell Bwyllgora 1

At: Mr J Baker (Cadeirydd), Y Cyngorwyr: Bright, Davies, Garland, Guy, Mogford, Spencer, H Thomas a White.

Eitem

Rhan 1

1. Agenda yn Gymraeg
2. Penodi Cadeirydd
3. Ymddiheuriadau am absenoldeb
4. Datganiadau o fuddiant
5. Cofnodion y cyfarfod a gynhaliwyd ar 24 Mawrth 2016
6. Archwilio Mewnol – Adroddiad Blynyddol 2015/16
7. Cynllun Archwilio Mewnol 2016/17
8. Rheol Sefydlog 24 / Hepgor Rheolau Sefydlog Contractau: Adroddiad Chwarterol sy'n adolygu penderfyniadau brys y Cabinet / Aelod Cabinet neu achosion o hepgor Rheolau Sefydlog Contractau (Ionawr – Mawrth 2016)
9. Adroddiad Rheoli Trysorlys
10. Newidiadau i'r Rheoliadau Ariannol a Rheolau Gweithdrefn Contractau
11. Rhaglen waith
12. Dyddiad y cyfarfod nesaf – 23 Mehefin 2016

Person cyswllt: Eleanor Mulligan
Ffôn: 01633 656656
E-bost: scrutiny@newport.gov.uk
Dyddiad cyhoeddi: 19 Mai 2016

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Minutes



Audit Committee

Date: 24 March 2016

Time: 5.00 pm

Present: Mr J Baker (Chair), J Guy, R White, R Mogford, D Davies, M Spencer, E Garland and R Jeavons

In Attendance: A Wathan (Chief Internal Auditor) O James (Assistant Head of Finance Accountancy), M Dickie (Business Service Development Manager) A Veale (WAO) and J Ellams (Scrutiny Support and Research Officer).

Apologies: Councillors E Townsend

1 Thanks

The Chairman thanked J Ellams, Scrutiny Support and Research Officer, for the support she had given Audit Committee over the last four years and wished her all the best for the future.

2 Minutes of the Last Meeting - 28 January 2016

The Minutes of the meeting held on 28 January 2016 were submitted.

Agreed

That the Minutes of the meeting held on 28 January 2016 be confirmed

3 Audit Plan 2016

Members considered the Audit Plan 2016, a document which set out proposed WAO work, when it would be undertaken, how much it would cost and who would undertake the work.

Members requested more information regarding one of the financial audit risks identified, relating to the anticipated receipt from the sale of Friars Walk shopping centre. A Veale, Engagement Director WAO, explained that an accurate valuation was necessary to ensure that adequate provision had been made. This was a substantial figure so assurances were required.

Members asked what steps had been taken to incorporate the financial transactions of Newport Transport. They were advised that work had been undertaken to clarify the process and further work was planned later in the year.

Over the last year, Audit Committee had been given regular assurances that there had been improvements in the working papers and as a result there was an expectation that the fee would come down. Members were advised that this was a fee estimate and if all elements

were not used, then a refund would be made. Also if unexpected problems arose, there could be a need for additional work and this would result in an increase to the fee.

Members were reminded of the table discussed at the November meeting and the proposed treatment of Norse and Newport Live. Anthony Veale confirmed he was comfortable with the way companies were being dealt with at the current time.

Agreed

That the report be noted.

4 WAO Certification of Grants and Returns

Members considered a WAO report on the Certification of Grants and Returns 2014 -15. The Auditor General had completed the audit work and concluded that the Council had adequate arrangements in place for the production and submission of its 2014-15 grant claims.

Members asked why 3 out of 18 claims were submitted late? Submission dates rarely changed and deadlines were clearly set out well in advance. Owen James, Assistant Head of Finance explained that the reasons were listed in the report and included one case where the delay was jointly agreed and another where the claim was lost in the post. A post had been assigned responsibility of carrying out a Central Grants Co-ordinator duty and she was responsible for coordinating the grants collection and ensuring deadlines were met. Work would continue with the Coordinator to continue to make improvements to the process. Members asked how our performance compared to other authorities and were advised that WAO were in the process of preparing comparative performance data.

Agreed

That the report be noted.

5 Corporate Risk Register

Members considered the latest update on the Corporate Risk Register. There were seven risks identified in the register, one high risk, five medium risks and one low risk. Since the last update all risks remained unchanged.

Members were advised that changes to the risk tolerance matrix were proposed to ensure that any risks with a score of 4 were assessed as low. The proposed new matrix would be used in future reports. None of the seven risks in the report were scored as 4 so there was no effect of the change on the current risks included in the register.

Agreed

That the contents of the Corporate Risk Register be noted.

6 Regulatory Reports

Members considered an update on the regulatory reports that had been received by the Authority from the main regulators, Wales Audit Office, Care and Social Services Inspectorate Wales (CSSIW) and Estyn and the arrangements to follow up on any recommendations made.

New information contained within the report consisted of:

- WAO Certificate of Compliance, Annual Review of Performance 14/15. A certificate was issued to confirm that the authority had complied with the requirements of the

Local Government Measure 2009 with regards to its Assessment of Performance 14/15.

- WAO Data Quality Review, An assessment of the accuracy of the performance data produced by the authority.
- CSSIW Performance Evaluation Report 14/15 and action plan considered by a joint committee of Community Planning and Development Scrutiny and Learning, Caring and Leisure Scrutiny on 2 December 2015.

The report also listed the WAO Work Programme 15/16, both Local Studies and National studies.

The Chairman asked if there was anything in the report that Audit Committee should be concerned about and was advised by the Project Manager that he was not aware of anything.

Agreed

1. That the contents of the report be noted.
2. That a further update be submitted in September 2016.

7 Annual Governance Statement

Members considered the first draft of the Annual Governance Statement 2015/16. This gave them the opportunity to comment early in the process and to contribute to the final Statement. Members were advised that this was a very early draft and it contained a number of errors still to be corrected.

Members raised a number of points:

- Why was the financial summary in the report incomplete? The Chief Internal Auditor explained that there were no financial issues contained within the report.
- Members were given an example of where money-laundering could be an issue and the implications. The anti-fraud and corruption arrangements were already in place.
- Members agreed that this was a good “first draft” and that it would be useful to look at a similar document produced by central government where there were more requirements for certain information eg whistle blowing.
- How did WAO staff rate the Newport Statement in comparison to other authorities? Members were advised that it stood well but it was important that it did not become too long a document.

Agreed

That progress on delivery of the Annual Governance Statement be noted.

8 SO24 / Waiving of Contract SO's: Quarterly report reviewing Cabinet / CM urgent decisions or waiving Contract SO's (Quarter 3, October to December 2015)

Members were advised that no decisions were taken using Standing Order 24/Waiving of Contract Standing Orders during the period 1 October 2015 to 31 December 2015.

9 **Member Development Self Evaluation Exercise**

The Chief Internal Auditor circulated a paper in response to the self evaluation exercise and questionnaire responses from June 2015. The paper would also be circulated to Members electronically so that hyperlinks contained within the document could be viewed. The original questionnaire contained 46 questions and 15 of these required further information.

The paper provided links to the Constitution and the Committee's Terms of Reference, the report establishing Audit Committee, the Anti-Fraud and Corruption Policy and the contact details for the Chief Internal Auditor and Wales Audit Office. Some issues were still outstanding and an update on these would be provided to a future meeting.

Members requested ongoing training in addition to the induction training given at the start of their term. This was an area where it took time to gain the necessary knowledge and required long term commitment from Members.

Members were interested in regular training sessions for short periods during the meeting rather than training days. Also a "crib sheet" of acronyms would be useful when reading reports.

Agreed

That the information circulated be noted.

10 **Work Programme**

Re Member Development and the Self Evaluation Exercise, an update would be given on the outstanding issues to a future meeting.

Agreed

That subject to the above, the Work Programme be noted.

11 **Referrals to Audit Committee**

No referrals were made.

12 **Date of Next Meeting - 26 May 2016**

The date of the next meeting was confirmed as 26 May 2016



Report

Audit Committee

Part 1

Date: 26 May 2016

Subject Internal Audit Annual Report 2015/16

Purpose To inform the Members of the Council's Audit Committee of:

- i) the overall opinion on the internal controls of the City Council for 2015/16;
- ii) Internal Audit's progress against the agreed audit plan;
- iii) Internal Audit's performance against local performance indicators.

Author Chief Internal Auditor

Ward General

Summary Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report has been prepared in accordance with the Public Sector Internal Audit Standards. It gives an overall opinion on the adequacy and effectiveness of the City Council's internal controls during 2015/16, which was **Reasonable** - Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.

The second part of the report relates to the performance of the Internal Audit Section and how well its key targets in the year were met. 77% of the approved audit plan was completed in the year against a target of 75%.

Proposal That the Annual Audit Report 2015/16 and overall Audit Opinion be noted and endorsed by the Council's Audit Committee

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Background

1. Newport City Council, a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act 1972.
2. The Regulations state that the Responsible Finance Officer of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
3. In line with the Public Sector Internal Audit Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
 - a. disclose any qualifications to that opinion, together with reasons for the qualification
 - b. present a summary of the audit work undertaken to formulate the opinion
 - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control
 - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria
 - e. comment on compliance with these standards and communicate the results of the internal quality assurance programme.
4. This report is the Annual Internal Audit Report which incorporates the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the City Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.
5. The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations caused by whatever factors.

Overall Audit Opinion

- | |
|---|
| 6. The level of assurance that can be placed on the internal controls operating effectively for 2015/16 is " Reasonable " (Appendix A). |
|---|

7. The opinion for the internal financial controls operating within the Council in 2015/16 is:

We have undertaken our internal audit work for the year ending 31/3/2016 in accordance with the plan agreed by the Head of Finance and endorsed by the Council's Audit Committee on 28 th May 2015. The plan was designed to ensure adequate coverage over the year of the

Council's accounting and operational systems.

Our audit work included reviews, on a sample basis, of each of these systems / establishments sufficient to discharge the Head of Finance's responsibilities under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned and performed our work to obtain the information necessary to provide us with sufficient evidence to give us reasonable assurance of the internal control systems tested.

Based on this work, the work on fraud and special investigations and other work, in my view the internal controls in operation are **Reasonable**. The opinion expressed relates only to the systems and areas reviewed during the year.

Andrew Wathan
Chief Internal Auditor
May 2016

Audit Opinions Issued

8. On undertaking audit reviews in accordance with the annual audit plan, an opinion is given on how well the internal controls of the system or establishment are operating (**Appendix B**). Internal audit reports provide a balanced view of the controls in place and record strengths and weaknesses. The opinion is determined by the number of issues identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA Control Matrices.
9. The opinions given to individual audit reviews are shown at **Appendix A**. In summary the following opinions were issued following audit reviews:

	2012/13	%	2013/14	%	2014/15	%	2015/16	%
Very Good	2	4	2	5	0	0	N/A	
Good	9	20	21	51	8	24	9	26
Reasonable	29	64	18	44	21	62	17	50
Unsatisfactory	5	11	0	0	5	14	8	24
Unsound	0	0	0	0	0	0	0	0
Total	45	100	41	100	34	100	34	100
Overall Opinion	Reasonable		Good		Reasonable		Reasonable	

10. In the past external audit have relied upon the work undertaken by internal audit, in particular on the audit of the fundamental financial systems. The audit opinions issued on these during 2015/16 were Good / Reasonable. None were classified as unsatisfactory or unsound.
11. In addition to planned work the team also undertook “special investigation” reviews. 10 (9) special investigations were undertaken during 2015/16. These arose for a number of different reasons, including information passed straight to the Section regarding allegations against members of Council staff, potential fraud, theft or non-compliance with Council policy / procedures for example. These reviews are typically time intensive and on occasions difficult to prove.
12. Work was also undertaken during the year which did not warrant an audit opinion on the control environment. This is shown at **Appendix C** as Non Opinion Work.

Key Issues

13. The opinion is derived from the audit opinions given to individual reviews undertaken during the year, as shown at **Appendix A**, and these range from Good to Unsatisfactory. A Good opinion - Well controlled with some risks identified which require addressing; substantial level of assurance.
14. Where unacceptable levels of risk have been identified Heads of Services and their service managers have the responsibility for addressing the situation.
15. It is pleasing to note that 9 “Good” audit opinions were issued during the year:
 - Income Management
 - Council Tax
 - Housing Benefits
 - St Woolos Primary
 - Lliswerry Primary
 - Monnow Primary
 - Malpas Court Primary Follow Up
 - Insurances
 - Community Safety Warden Service
16. 17 “Reasonable” audit opinions were issued
17. However, 8 “Unsatisfactory” audit opinions were issued:
 - Grants to Voluntary Sector Organisations
 - Looked After Children Team (16+) Imprest Account
 - Kimberley Nursery
 - Ysgol Gymraeg Casnewydd
 - Malpas Court Special
 - Client Relationship Management - Joint Venture Newport Norse
 - Highways Improvement Contracts 2014/15
 - CCTV / Security - Telford Depot Follow up
18. Reassuringly, there were no Unsound audit opinions issued during 2015/16.
19. The main reasons for giving an unsatisfactory opinion would generally be where there was a failure to comply with the Council’s Financial Regulations or Contract Standing Orders, failure to comply with financial procedures, lack of financial procedures, poor administration, failure to adhere to recognised best practice, non-compliance with the services own procedures,

insufficient controls in place to properly account for income or an inability to demonstrate value for money. A summary of the issues identified in the above Unsatisfactory audit reports will be reported to Audit Committee separately later in the year.

20. 6 Community Centre accounts were audited, 3 were unqualified, 3 were qualified.

The Way Forward

21. Managers of the service areas need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of Service have a responsibility to ensure that the Council's Financial Regulations are complied with at an operational level. Staff should be made aware of the Financial Regulations and the requirements therein and the consequences of non-compliance.
22. Internal Audit currently run seminars on what Financial Regulations and Contract Standing Orders mean, why they are in place, what they are about and to whom they relate. 9 (9 in 2014/15) sessions were delivered to 109 (103 in 2014/15) delegates during 2015/16.
23. Adequate financial procedures need to be put in place and disseminated to all concerned to make sure that they are complied with to ensure systems and processes are run as intended by management. Agreed management actions stated in audit reports should be implemented to eliminate or reduce the weakness and minimise the risk.
24. During 2015/16 we got feedback from operational managers on the level of agreed management actions that had been implemented in relation to 2014/15 audit work; overall 92% of agreed management actions had been implemented.

Performance of the Internal Audit Section 2015/16 (Appendix D)

25. Despite not having a full complement of staff for the whole year, 77% of the approved audit plan was completed against a target of 75%; (66% completed in 2014/15). A total of 88 (97) audit reviews were planned during the year with 62 (64) being completed to at least draft stage by the end of the year. (The total number of jobs in the plan was adjusted from 88 to 81 to reflect the fact that managers were not able to accommodate the audit during the year). Comparisons against periods 2012/13 to 2015/16 are shown at **Appendix D**. As a result of the commitment and dedication of the remaining Internal Audit staff in post during the year, the team did really well against pre-set targets.
26. Jobs were included in the plan to following up the implementation of previous agreed management actions relating to audit work in 2014/15.
27. Although 240 days were planned for special investigations during the year, 140 productive days were actually spent auditing specials, 100 days less than allocated within the plan which meant more planned audit work could be undertaken.
28. There continued to be audit coverage throughout the service areas of the Council which again, was met with positive feedback from management. The team continually provides advice on financial matters to ensure managers are better placed to ensure sound financial management in their service areas. This may impact on the audit plan but this is where internal audit adds value to the Authority.
29. The efficiency of turning final reports around and getting them out to operational managers is generally within the targets set (average of Welsh local authority internal audit teams). Having agreed identified issues with management we are now giving management the responsibility for

coming up with their own actions of how controls can be improved; the use of laptops at draft report discussions has speeded up this process and has been welcomed by management.

30. Getting draft reports out this year took 12 days against a target of 10. Final reports were sent out within 3 days of receiving agreed management comments.
31. In 2015/16 the Audit Section continued to send out evaluation questionnaires to managers after an audit review had been undertaken in their area, which gave them an opportunity to feedback on the performance, professionalism and the audit process in general. Following the finalisation of reviews, only 35% of questionnaires were returned (47% in 2014/15) with the 100% of managers stating they were satisfied with the audit process and that it added value to service provision, which is reassuring.
32. The Audit Team had an establishment of 10 staff (including the Chief Internal Auditor) which reduced to 9 during the year. The section is split into two teams which cover the whole of the Council's systems, establishments and staff, each managed by an Audit Manager. During the year the team was supported by a secondment from Grant Thornton to help achieve the plan.
33. The majority of the fundamental financial systems audited were completed to at least draft report stage by the year end.
34. The Audit Section's management realistically plans for externalities like special investigations, financial advice and financial training although ad-hoc reviews requested by management are not always taken into consideration but will have an immediate impact on the achievement of the audit plan. In 2015/16, 10 special investigations were undertaken across all service areas which ranged from non-compliance with Council policy to misappropriation of Council income.
35. Many of the managers within the Council also call upon the Audit Section for financial advice which is generally reactive. Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this can also have an impact on planned audit reviews.
36. The number of planned audits completed within the estimated time allocation amounted to 52% in 2015/16 compared with 50% in 2014/15. Generally overruns are due to issues being identified during the course of the audit. The reasoning behind any significant overruns will be explored by management.
37. Newport's Internal Audit Section's performance is benchmarked annually with the other 21 authorities in Wales via the Welsh Chief Auditors' Group. This will be reported to the Audit Committee at a later date as the data has not yet been collated for 2015/16.
38. Where targets have not been achieved, Internal Audit management will continue to address this in the 2016/17 audit plan which should lead to future improvements in performance. Inevitably, delays caused by means beyond the control of the audit section can only be minimised by on-going discussions with management.
39. The Policy Finance Committee (1998) requested that on-going consideration be given to the sufficiency of internal audit resources. With a full complement of staff the audit resource is sufficient to provide assurance on the Council's internal control environment, but given the experiences of staff changes in the last couple of years, the Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. The Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council although prioritisation is required, provided the resource is maintained to at least the current level.
40. The current level of resources is just about adequate to meet the continuing needs of service led demands. However, the level of resources needs to be assessed in line with Internal Audit's on-

going involvement with The Measure, performance indicators, the changing risk profile of the Council and auditing grant claims not reviewed by the external auditor.

Developments

41. In the spirit of Making the Connections and shared services the Chief Internal Auditor has continued in his dual role acting in that capacity for Newport City Council and Monmouthshire County Council. This is a permanent arrangement.
42. Where unfavourable audit opinions are issued it is the Head of Service's responsibility to inform their respective Cabinet Member of the situation and ensure that appropriate action is taken to address the issues identified.

Financial Summary

43. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

44. If members are not involved in the endorsing the Audit Report it would weaken the overall governance arrangements of the Council and be non-compliant with the Public Sector Internal Audit Standards, which therefore, could be subject to adverse criticism from the external auditor, currently WAO.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

45. The work of Internal Audit supports all of the Council's priorities and plans.

Options Available

46. (1) That the Annual Audit Report 2015/16 and overall Audit Opinion be noted and endorsed by the Council's Audit Committee

Preferred Option and Why

47. Option (1) as it is requirement of the Public Sector Internal Audit Standards and ensures good governance.

Comments of Chief Financial Officer

48. I can confirm that I have been consulted on the Annual Audit Report 2015/16 and have no additional comments.

Comments of Monitoring Officer

49. The Annual Report is in accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The report confirms that adequate and effective internal financial controls are in place to ensure that the Council complies with its financial duties. The second part of the report puts the work of the Audit Section into context within the Council's Performance Management Framework and again highlights the effectiveness of the work undertaken by this service area.

Staffing Implications: Comments of Head of People and Business Change

50. There are no direct Human Resources issues arising from this report. In terms of Corporate Policy & Performance, the report presents a thorough review of audit activity during the period concerned and is set out in the context of the Annual Governance Statement and the wider performance framework. The ongoing development of the interface between internal audit functions and the performance management systems within the Council is welcomed.

Comments of Cabinet Member

51. Not applicable.

Local issues

52. No local issues.

Scrutiny Committees

53. Not appropriate

Equalities Impact Assessment

54. Not required.

Children and Families (Wales) Measure

55. Not appropriate.

Consultation

56. Not appropriate:

Background Papers

57. 2015/16 Audit Plan.

APPENDIX A

Overall Council Opinion for 2015/16 is **Reasonable**

	12/13	13/14	14/15	15/16
Very Good	2	2	0	N/A
Good	9	21	8	9
Reasonable	29	18	21	17
Unsatisfactory	5	0	5	8
Unsound	0	0	0	0
	45	41	34	34

Internal Audit Services - Management Information for 2015/16


Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1516-P4	CE	Finance	Income Collection	Income Management	Medium	Draft	Good
P1516-P6	CE	Finance	Local Taxation	Council Tax	Medium	Finalised	Good
P1516-P31	Place	CS & DI	Customer Service	Housing Benefits	High	Finalised	Good
P1516-P41	People	Res & Plan	Primary Schools	St Woolos Primary	Medium	Finalised	Good
P1516-P45	People	Res & Plan	Primary Schools	Lliswerry Primary	Medium	Draft	Good
P1516-P46	People	Res & Plan	Primary Schools	Monnow Primary	Medium	Draft	Good
P1516-P47	People	Res & Plan	Primary Schools	Malpas Court Primary Follow Up	High	Draft	Good
P1516-P57	CE	Law & Reg	Legal	Insurances	High	Draft	Good
P1516-P58	CE	Law & Reg	Public Protection Service	Community Safety Warden Service	Medium	Finalised	Good
P1516-P2	CE	Finance	Strategic Procurement	Corporate Procurement	High	Finalised	Reasonable
P1516-P3	CE	Finance	Strategic Procurement	Purchasing Cards (Transactional Testing)	High	Draft	Reasonable
P1516-P5	CE	Finance	Income Collection	Debtors	High	Finalised	Reasonable

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1516-P13	CE	People & Bus Change	Business Svc Development	Performance Indicators	Medium	Finalised	Reasonable
P1516-P19	People	Children & Young People Serv	Resources	Forest Lodge	Medium	Draft	Reasonable
P1516-P24	People	Adult & Comm Serv	Quality Assurance	Non-Residential Social Care Provider Payments	High	Draft	Reasonable
P1516-P30	Place	CS & DI	Customer Service	Contact Centre	Medium	Draft	Reasonable
P1516-P38	People	Res & Plan	Nursery Schools	Fairoak Nursery	Medium	Finalised	Reasonable
P1516-P39	People	Res & Plan	Primary Schools	Ysgol Gymraeg Bro Teyrnion	Medium	Finalised	Reasonable
P1516-P40	People	Res & Plan	Primary Schools	Maesglas Primary	Medium	Finalised	Reasonable
P1516-P43	People	Res & Plan	Primary Schools	Milton Infants & Nursery	Medium	Draft	Reasonable
P1516-P44	People	Res & Plan	Primary Schools	Glan Usk Primary	Medium	Draft	Reasonable
P1516-P59	CE	Law & Reg	Environmental Health	Discretionary Charging Follow Up	High	Draft	Reasonable
P1516-P65	Place	RI&H	Community Development	Skills & Work Contract Provision	Medium	Draft	Reasonable
P1516-P67	Place	RI&H	CL&L	Library Service 2014/15	Medium	Finalised	Reasonable
P1516-P68	Place	RI&H	CL&L	Community Learning	Medium	Finalised	Reasonable
P1516-P79	Place	Streetscene & City Svcs	Environmental Services	Refuse Collection 2014/15	High	Finalised	Reasonable
P1516-P14	CE	People & Bus Change	Partnership & Policy	Grants to Voluntary Sector Organisations	Medium	Draft	Unsatisfactory
P1516-P20	People	Children & Young People Serv	Children's Teams	Looked After Children Team (16+) Imprest Account	High	Finalised	Unsatisfactory
P1516-P37	People	Res & Plan	Nursery Schools	Kimberley Nursery	Medium	Finalised	Unsatisfactory
P1516-P42	People	Res & Plan	Primary Schools	Ysgol Gymraeg Casnewydd	Medium	Draft	Unsatisfactory

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1516-P48	People	Res & Plan	Primary Schools	Malpas Court Primary Special	High	Finalised	Unsatisfactory
P1516-P70	Place	RI&H	General	Client Relationship Management - Joint Venture Newport Norse	High	Draft	Unsatisfactory
P1516-P73	Place	Streetscene & City Svcs	Strategic Area	Highways Improvement Contracts 2014/15	High	Draft	Unsatisfactory
P1516-P77	Place	Streetscene & City Svcs	Operational Areas	CCTV / Security - Telford Depot Follow up	High	Draft	Unsatisfactory
P1516-P23	People	Adult & Comm Serv	Quality Assurance	Supporting People Grant Certification	Medium	Finalised	Unqualified
P1516-P60	CE	Law & Reg	Trading Standards	Scambusters Grant Claim 2014/15	Medium	Finalised	Unqualified
P1516-P78	Place	Streetscene & City Svcs	Transport Management	Bus Services Support Grant 2014/15	Medium	Finalised	Unqualified

Community Centres	
Beaufort 2013/14	Qualified
Duffryn	Unqualified
Eveswell	Qualified
Hatherleigh	Qualified
Malpas	Unqualified
St Julian's	Unqualified

Appendix B - Audit Opinions used in 2015/16

	GOOD (Green)	Well controlled with no critical risks identified which require addressing; substantial level of assurance.
	REASONABLE (Yellow)	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.
	UNSATISFACTORY (Amber)	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.
	UNSOUND (Red)	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.

Appendix C – Non opinion audit work 2015/16

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1516-P8	CE	Finance	General	National Fraud Initiative (NFI)	Not applicable	Finalised	Not applicable
P1516-P9	CE	Finance	General	Annual Governance Statement	Not applicable	Finalised	Not applicable
P1516-P10	CE	Finance	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P11	CE	Finance	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P15	CE	People & Bus Change	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P16	CE	People & Bus Change	General	Financial Regulations Training	Not applicable	Finalised	Not applicable
P1516-P17	CE	People & Bus Change	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P21	People	Children & Young People Serv	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P22	People	Children & Young People Serv	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P28	People	Adult & Comm Serv	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P29	People	Adult & Comm Serv	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P33	Place	CS & DI	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P34	Place	CS & DI	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P51	People	Education	Other School Related	CRSA's / Healthcheck - Primary/Secondary/Nursery	Medium	Finalised	Not applicable
P1516-P55	People	Education	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P56	People	Education	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P61	CE	Law & Reg	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P62	CE	Law & Reg	General	Follow up of Agreed Management Actions	Not applicable	Finalised	Not applicable
P1516-P66	Place	RI&H	Community Centres	CC Accounts	Low	Finalised	Not applicable
P1516-P71	Place	RI&H	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P83	Place	Streetscene & City Svcs	General	Financial Advice	Not applicable	Finalised	Not applicable
P1516-P84	Place	Streetscene & City Svcs	General	Follow Up of Agreed Management Actions	Not applicable	Finalised	Not applicable

Job number	Group	Service Area	Section or Team	Job Title	Risk Rating / Priority	Complete when FINALISED	Opinion given
P1516-P86	External	Ext Audits	Caldicot & Wentlooge Levels Internal Drainage Board	Caldicot & Wentlooge Levels IDB (Annual Report / Return)	Not applicable	Finalised	Not applicable
P1516-P87	External	Ext Audits	Caldicot & Wentlooge Levels Internal Drainage Board	Lower Wye IDB (Annual Report / Return)	Not applicable	Finalised	Not applicable
P1516-P88	External	Ext Audits	WCAG	WCAG Training Programme	Not applicable	Finalised	Not applicable

Appendix D - Performance Indicators 2015/16 - Newport City Council - Internal Audit Section

	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual
Proportion of planned audits complete	78%	73%	66%	75%	77%
Number of planned audits completed within estimated days	61%	75%	50%	65%	52%
Directly chargeable time against total time available	58%	54%	54%	61%	55%
Directly chargeable time against planned	87%	75%	88%	84%	71%
Proportion of Special Reviews responded to within 5 days	100%	100%	100%	100%	100%
Continue to train staff in all Service Groups/Areas on best financial practice	13	10	9	14	9
Staff turnover rate [4 members of staff left]	N/A	N/A	2	1	4
Promptness of draft report issue: end of fieldwork to draft report issue date	16 days	9 days	12 days	10days	12 days
Promptness of report finalisation: client response to final report issue date	3 days	3 days	2 days	5days	3 days

Report

Audit Committee

Part 1

Date: 26 May 2016

Subject **Internal Audit Annual Plan 2016/17**

Purpose To inform Members of the Council's Audit Committee of the Internal Audit Section's Operational Audit Plan for 2016/17 and 5 year Strategic Plan.

For the Audit Committee to endorse the Draft 2016/17 Operational Internal Audit Plan and 5 year Strategic Plan and provide comments as appropriate.

Author Chief Internal Auditor

Ward General

Summary Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, effective and efficient use of the Council's resources.

The attached report identifies a draft operational internal audit plan for 2016/17. It outlines where internal audit resources will be focused over the next year, covering systems and establishments in all service areas of the Council. 1187 productive audit days have been planned for 2016/17 [1343 days15/16].

The Council's Section 151 Officer has the legal responsibility for the provision of Internal Audit.

Proposal **That the report be noted and endorsed by the Council's Audit Committee**

Action by The Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Chief Financial Officer
- Monitoring Officer
- Head of People and Business Change

Background

1. This report aims to inform Members of the Audit Committee of the work to be undertaken by the Internal Audit Section at an operational level for 2016/17. It identifies why the Council operates an Internal Audit function, the resources currently available and how they will be applied across the services of Newport City Council to give management assurance that systems are working as intended.
2. The plan has been compiled from cumulative audit knowledge and experience, with reference to the Corporate Plan, Prospectus for Change, Improvement Plan, Service Improvement Plans, Newport's whole authority risk analysis and external audit reports along with previous history of known problems or issues. The views and concerns of service area management teams have also been incorporated into prioritising workloads for the audit planning process. Heads of Service have been afforded the opportunity to contribute to the drafting of the plan.
3. The report refers to options considered, preferred choice and consultation undertaken. The report lists all background papers relevant to scrutiny of this issue.
4. The Head of Finance is, for the purposes of Section 151 of the 1972 Local Government Act, responsible for the proper administration of the Council's financial affairs. More specifically, The Accounts and Audit (Wales) Regulations 2014 require that the relevant body maintains an adequate and effective internal audit function. Under the direction of the Chief Internal Auditor, the Internal Audit Section at Newport City Council undertakes this provision on behalf of the Head of Finance.
5. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It provides assurance or otherwise to management.
6. An organisation as diverse as the City Council has many internal systems which require appropriate controls. Each of these systems can be considered appropriate for internal audit review along with the Council's establishments. However, it is not considered appropriate to review all systems every year so they are undertaken on a cyclical basis, prioritised by way of a risk assessment approach (high, medium or low priority). The attached audit plan (Appendix 1) shows how the systems operated and services provided within all service areas will be covered; the figures shown are in days.
7. The operational plan (2016/17) is as realistic as possible taking account of available audit resources and an allowance for financial training and advice; special investigations have also been included. Allowances for post entry training, general training, holidays, sickness and professional studies have been made in arriving at the number of available audit days for 2016/17.
8. The timing of each review in the 5 year cycle depends on an assessment of the risk that each system poses for the Council, Service Area and Section. A number of factors are taken into account when assessing risk, but it should be stressed that management are responsible for managing that risk, and are best placed to identify the risk in the first place. Accordingly the views of the management teams within each service area have been sought when compiling this plan and incorporated where appropriate.
9. Although Internal Audit have limited resources (currently 9 staff including the Chief Internal Auditor), the aim is to provide as much coverage of the Council's systems and establishments as possible. The initial draft audit plan has been discussed with service group management teams to ensure the risk profile determined by the audit management team is right. Comments from

some management teams suggest that greater coverage should be given to their specific service areas to provide even more assurance, which would be achievable given greater resources. Heads of Service have welcomed the opportunity to contribute to the audit planning process and view it as a positive move forward. Some are seeking audit advice in system implementation stages more so, moving away from the traditional audit opinion work, which is encouraging from the audit perspective.

10. The initial plan for the year always starts off as a “long-list” of what work we should be covering in that particular year. We then have to balance that with the resources we have available and the risk profile of the individual audit job. The 2016/17 operational plan aims to cover the areas stated within the given time allocations but professionally I feel that it will provide assurance to managers on the effectiveness of their internal controls and safeguard the assets of the Authority whilst covering the key risks. Time allocations per review are also tight but have been set to provide as much coverage as possible within service areas.
11. Agreed management actions of previous audit reports will be followed up during 2016/17; this will identify the progress managers have made on addressing weaknesses in internal control; i.e. have the agreed management actions been implemented? This could impact on the coverage planned for other systems within service areas. This will be reported back to the Audit Committee.
12. From time to time the risk profile or priority of audit workload or service area may change so the planning process needs to be flexible enough to accommodate this. Where significant changes to the operational plan are required, the matter will be reported to the Head of Finance for approval; this will subsequently be reported to the Audit Committee. Internal Audit’s performance against this plan will continue to be reported to the Audit Committee on a regular basis.
13. Ultimately, the audit team has to undertake sufficient work across the whole Authority to enable the Chief Internal Auditor to give an overall annual audit opinion, and hence assurance, on the adequacy of the internal control environment of the systems operated within the Council.
14. With collaboration, change and efficiency reviews on the horizon, across the whole Council, the audit team will need to be flexible enough and adaptable to respond to changing priorities within the Council in order to provide the assurances required. The Chief Internal Auditor will continue to provide the same service to Monmouthshire CC, in collaboration.

Risk Analysis

15. The risks that the Council face are many and varied. A number of factors have been taken into consideration in compiling both the operational one year plan and the strategic plan; financial budgets, previous audit work, The Measure, history of fraud, theft, misappropriation or non-compliance, changes in systems, changes in key personnel, along with concerns of management. A risk assessment exercise is undertaken in compiling the audit plan. An assessment is made of the likelihood and impact of an event happening, taking into account any mitigation.
16. The audit workload needs to be prioritised to ensure appropriate coverage is given in all service areas and that assurance can be given that Council and service area objectives are being achieved. This is helped with Heads of Service and their senior managers being involved with the process and contributing to the risk profile assessment as a collaborative exercise with Internal Audit.
17. Grant income and external funding is becoming more prominent within the finances of the Council; generally these will be audited externally by the external auditor who provides assurances to the grant paying body. Internal Audit may be requested to audit some grants, therefore, a limited number of days have been included in the Internal Audit planning process.

18. In the Audit Section's continual efforts to ensure that Council assets are safeguarded and to provide assurance to management that their internal controls are robust, further training specifically on Financial Regulations and Contract Standing Orders has been incorporated in the audit plan. Heads of Service have noted that this is a positive step and encourage their staff to attend. Some of these sessions will be targeted to managers who have previously received unfavourable audit opinions.
19. A requirement of the Accounts and Audit (Wales) Regulations 2014 is that an Annual Governance Statement needs to be included with the Statement of Accounts; this covers corporate governance, performance measurement and risk management as well as internal financial control. The Chief Internal Auditor will continue to be involved with collating and co-ordinating the relevant information to support this statement, although the preparation of the statement should be a corporate responsibility.
20. The audit team will continue to be more involved with the verification of the Council's performance indicators in 2016/17 before they are externally scrutinised, to ensure accuracy and completeness.
21. 1187 productive audit days have been incorporated into the 2016/17 audit plan. The total resource available for the beginning of the year was 2385 days; annual leave, public holidays, sickness, training, known vacancies, management and administration time is then deducted to determine the available audit days to undertake audit reviews, deal with special investigations, provide advice and deliver training. On average an auditor has 180 available days to undertake audit work during the year.
22. An allocation of time has been included in the plan for special investigations which members of the team may get involved with during the year. These could range from allegations of fraud or theft to non-compliance with Contract Standing Orders. The allocation has been fairly consistent over the last few years; for 2016/17 the allocation will be 200 days:

	Allocation of days	Actual days
2012/2013	300	260
2013/2014	300	158
2014/2015	240	279
2015/2016	240	140
2016/2017	200	

Risks to the Provision of Internal Audit

23. There is a potential change to the way audit services are delivered across South Wales with shared services on the agenda following the Williams Report. This could be seen as an opportunity for Newport Internal Audit team especially as the Chief Internal Auditor currently provides the same service to a neighbouring local authority. This will continue into 2016/17.

Independence

24. Independence is achieved through the organisational status of internal audit and the objectivity of internal auditors. In order to ensure the objective nature of audit reviews is not compromised, Internal Audit must be seen to be demonstrably independent of all managerial influence. Within Newport City Council this is achieved as follows:

- the Head of Finance is responsible for the control and direction of Internal Audit;
- the Chief Internal Auditor has a duty to report direct to the Chief Executive and the Leader of the Council on any matter which he feels appropriate, in particular where the Head of Finance appears to be personally involved;
- individual audit reports are sent to service managers and heads of service as appropriate in the name of the Chief Internal Auditor; and
- the Chief Internal Auditor submits an annual report to the Audit Committee giving an overall opinion on the adequacy of internal controls operated within the Council.

Audit Opinion

25. At the end of each audit review an audit opinion is given on the adequacy of the internal controls operated within that system or establishment. Taking into account strengths and weaknesses, the current suite of opinions range from good through to unsound:

GOOD	Well controlled with no critical risks identified which require addressing; substantial level of assurance.
REASONABLE	Adequately controlled although risks identified which may compromise the overall control environment; improvements required; reasonable level of assurance.
UNSATISFACTORY	Not well controlled; unacceptable level of risk; changes required urgently; poor level of assurance.
UNSOUND	Poorly controlled; major risks exists; fundamental improvements required with immediate effect.

Structure

26. The Internal Audit Section comprises of two teams led by an Audit Manager both reporting directly to the Chief Internal Auditor. The section has an establishment of 9 and is responsible for auditing all of the Council's systems and establishments including the payroll functions for 6,000+ staff.

Resources

27. Consideration has been given to the appropriate level of resources for Internal Audit at Newport City Council. The current establishment of 9 staff remains adequate for the current level of assessed risk as outlined above; a greater resource could provide a greater assurance to management and allow the section to be even more responsive to changing priorities and risk profiles throughout the year. Any unplanned absences such as long term sickness, secondments or prolonged special investigations could significantly affect the audit plan as cover is limited.

28. If the risk profile of the Council significantly changes or if more investigations into allegations of Council staff are required than were planned for, then consideration will need to be given to increasing the resources of the Internal Audit team in order to maintain the current level of service provided.

29. It has been difficult to prioritise workload for 2016/17; after discussions with senior management teams in the service areas, in particular Social Services and Education Services, it was evident that a lot more audit coverage was required than the team is resourced up to deal with.

Staffing & Training

30. The Section is supported by staff on a range of grades with appropriate professional qualifications including part qualified and fully qualified accountants and auditors. The staff have considerable experience of working within the local authority and audit environment. The Chief Internal Auditor, Andrew Wathan, is a qualified CIPFA accountant (Chartered Institute of Public Finance and Accountancy) and has extensive working knowledge of external and internal audit practices within the public sector. Andrew's management team consists of two professionally qualified Audit Managers, one CIPFA qualified and one ACCA qualified. One member of staff is PIIA qualified (Institute of Internal Auditors) and others in the team are part qualified, either ACCA or AAT.
31. Audit management will continue to support professional and work related training in order to enhance the Section's effectiveness in service delivery in line with the Council's management expectations and the Public Sector Internal Audit Standards. This will ensure that all staff are kept up to date with developments in auditing techniques and changes within local government which may impact on the provision of the service.
32. There are a number of active audit benchmarking clubs operating within South Wales under the auspices of the Welsh Chief Auditors' Group, which are attended by members of the Audit Section. These are a useful way for staff to network with colleagues and share good practice.
33. The team will continue to arrange technical audit training on behalf of the South Wales Chief Auditors' Group throughout the year which Newport's Internal Audit staff have the opportunity of attending. These sessions are run on a breakeven basis although Newport's Internal Audit team benefit from one free place for managing the administration.

External Auditor / Relations

34. The Council's external auditor is the Wales Audit Office. The Internal Audit team has developed a good working relationship with the team and will continue to do so to work jointly, share good practice and avoid duplication. The external auditor places reliance on work undertaken by Internal Audit on what they consider to be the Council's fundamental systems. They will also continue to assess Internal Audit against the standards to ensure that a professional and effective service is being provided.
35. The Chief Internal Auditor will continue to ensure compliance with the Public Sector Internal Audit Standards.

Service Areas

36. Many of the managers within the Council call upon the Audit Section for financial advice which is incorporated within the plan. Audit staff are more than willing to offer any help and assistance they can to ensure that operations are undertaken properly but this also has an impact on planned audit reviews where time allocations are exceeded.
37. As a service to all levels of management, it is important that internal audit is seen as contributing positively to managers undertaking their responsibilities. These are wide ranging but include the prevention of fraud and corruption and securing the efficient and effective delivery of services; part of management obligations under the Council's Financial Regulations.

Financial Summary

38. There are no financial issues related to this report.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)					
Net Costs (Savings)					
Net Impact on Budget					

Risks

39. If members are not involved in the process of endorsing the draft annual audit plan then this weakens the governance arrangements and would be non-compliant with the Public Sector Internal Audit Standards, which could then be subject to adverse criticism from the external auditor, currently WAO.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

40. The work of Internal Audit supports all of the Council's priorities and plans.

Options Available

41. (1) That the Annual Audit Plan for 2016/17 be endorsed, subject to any amendments suggested by the Audit Committee.

Preferred Option and Why

42. Option (1) as it is requirement of the Public Sector Internal Audit Standards.

Comments of Chief Financial Officer

43. I can confirm that I have been consulted on Annual Audit Plan 2016/17 and have no additional comments.

Comments of Monitoring Officer

44. I can confirm that I have been consulted on this strategic and operational internal audit plan and I agree that this reflects the current risk profile of the service.

Staffing Implications: Comments of Head of People and Business Change

45. No Human resources or policy implications for this report but agree with the planned audit coverage within my service area.

Comments of Cabinet Member

46. Not applicable.

Local issues

47. No local issues.

Scrutiny Committees

48. Not appropriate

Equalities Impact Assessment

49. Not required.

Children and Families (Wales) Measure

50. Not appropriate.

Consultation

51. Not appropriate:

Background Papers

52. 2015/16 Internal Audit Annual Report, Corporate Plan, Prospectus for Change, Improvement Plan, Corporate Risk Register, Service Improvement Plans.

APPENDIX 1

Internal Audit Services

Operational Audit Plan for 2016/17

Service Area	Number of days	Percentage of plan
Finance	199	16.8%
People & Business Change	139	11.7%
Law & Regulation	50	4.2%
Children & Family Services	83	7.0%
Adult Services	97	8.2%
Streetscene & City Services	107	9.0%
Regeneration, Investment & Housing	104	8.8%
Education Services	198	16.7%
External Audits	10	0.8%
Special Investigations	200	16.8%
Total Days for Operational Plan	1187	100.0%

Service Grouping	Number of days	Percentage of plan
Corporate Services	388	32.7%
Social Services	180	15.2%
Streetscene / Regeneration	211	17.8%
Education Services	198	16.7%
Other	210	17.7%
Total Days for Operational Plan	1187	100.0%

INTERNAL AUDIT SERVICES - STRATEGIC PLAN 2016/17 to 2020/21

*Review planned to be undertaken in financial year indicated

CORPORATE SERVICES							
Finance		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Accountancy							
	Main Accounting System						
	~ Bank Reconciliation	M	15				
	~ Budgetary Control						*
	~ Capital Accounting			*			
	~ Coding Structure / Journals / Holding & Suspense Accounts				*		
	~ System Security					*	
	~ Feeder Systems					*	
	Social Services Income Assessment & Charging			*			
	Taxation (VAT)	M	12				
	Treasury Management						
	~ Financial Vetting						*
	~ AXIS Income Management (AIM)					*	
	~ Income Returns			*			
	~ Paye.net				*		
	~ Treasury Management (incl Internet Banking)	M	18				
Income Collection							
	Council Tax			*		*	
	National Non Domestic Rates (NDR)	M	18		*		*
	Sundry Debtors			*		*	
Strategic Procurement							
	Corporate Procurement			*		*	
	Creditors CAATs	M	15	*	*	*	*
	Petty Cash / Imprest Accounts			*			
	Procure to Pay (eProcurement)	H	23		*		*
	Purchasing Cards (System)			*			
	Purchasing Cards (Transactions)	H	10	*	*	*	*
General							
	Annual Governance Statement		10	*	*	*	*
	Capital Monitoring			*			
	Highways Network Assets Valuation	H	23				
	National Fraud Initiative (NFI)	M	30	*	*	*	*
	Financial Advice		13	*	*	*	*
	Follow up of Agreed Management Actions		4	*	*	*	*

	Finalisation of 2015/16 Audits		8				
Total Planned Days for Finance			199				

People & Business Change		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Business Service Development							
	Change & Efficiency Programme				*		
	Performance Indicators	M	23				
Corporate Human Resources							
	Employment Services						
	~ Agency Staff				*		
	~ Car Loans						*
	~ Management of Attendance				*		
	~ Maternity Absence Payments			*			
	~ Members' Allowances			*			
	~ Organisational Structure			*			
	~ Payroll CAATs	M	15	*	*	*	*
	~ Payroll System	H	23	*	*	*	*
	~ Recruitment & Selection			*			
	~ Redundancy			*			
	~ Sickness Absence Payments			*			
	~ Travel & Subsistence	H	23				
	Total Reward	H	12				
	Strategic Human Resources						
	~ Social Services Training Unit			*			
	Corporate Training (Organisational Development)						
	~ Organisational Development				*		
	Health & Safety				*		
Digital & Information							
	Information Development						
	~ Electronic Document Management Services (EDMS)				*		
	~ Freedom of Information			*			
	~ Mail Services						*
	~ Payment Card Industry Data Security Standards (PCI DSS)	H	3				
	~ Printing / Reprographic Services					*	
	Spatial Data				*		
IT Infrastructure							
	IT Governance						

	Change Management						
	Network Security						
	Operating Systems Security						
	Physical Security						
	IT Service Desk						
	IT Back Up, Contingency & Disaster Recovery						
	Cloud Computing						
	Data Storage & Capacity Management						
	IT Procurement						
	Software Asset Management						
	Hardware Asset Management						
	Telephony (Fixed and Mobile)						
	Schools Support						
	Payment Card Industry Data Security Standards (PCI DSS)						
	Web Development						
Partnership Support							
	Partnerships			*			
	Corporate Policy				*		
	Grants to Voluntary Sector Organisations (F/Up)	M	5				
General							
	SRS Transfer			*			
	Welsh Language Standards			*			
	Financial Advice		9	*	*	*	*
	Financial Regulations Training		23	*	*	*	*
	Follow Up of Agreed Management Actions		2	*	*	*	*
	Finalisation of 2015/16 Audits		1				
Total Planned Days for People & Business Change		-	139				

Law & Regulation		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Chief Democratic Services							
	Democratic Administration			*			
	Scrutiny			*			
Electoral Registration							
	Electoral Registration			*			
Legal							
	Insurances						*
	Land Charges					*	
	Litigation			*			
Registration Services							
	Registration Service (Financial Systems)	M	15				

Marketing & Communications							
	M & C Team			*			
	City Events			*			
Public Protection Service							
	Community Safety Warden Service						*
	CCTV (Corn Street)			*			
Environmental Health							
	Food Safety			*			
	Health & Safety						
	Review of Port Health - Inspection Arrangements						
	Private Sector Housing			*			
	Licensing			*			
	Hackney Carriages				*		
	Pollution			*			
	Discretionary Charging						*
Trading Standards		M	15				
	Animal Health						
	Enforcement						
	Fair Trading			*			
	Pest Control / Dog Control & Kennels						
	Scambusters Project				*		
	Scambusters Grant Claim 2015/16	M	8	*	*	*	*
General							
	Financial Advice		3	*	*	*	*
	Follow up of Agreed Management Actions		2	*	*	*	*
	Finalisation of 2015/16 Audits		7				
Total Planned Days for Law & Regulation			<u>50</u>				

SOCIAL SERVICES							
Children & Family Services		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Children's Teams							
	Looked After Children Team (#1, #2)			*			
	Looked After Children Team (16+) F/Up	H	10				
	Out of Authority Placements	H	23				
Integrated Family Support							

Service							
	Family Support				*		
	Family Assessment & Support Services (FASS)				*		
	Integrated Family Support Team (IFST)			*			
	Preventions					*	
	Youth Offending Service			*			
Operations							
	Child Protection & Family Support			*			
	Duty and Assessment			*			
	Mentoring, Assessment & Planning				*		
Resources							
	Children With Disabilities			*			
	Fostering					*	
	Placement Matching & Support						
	~ LAC Education Support					*	
	Residential						
	~ Brynglas Bungalow						
	~ Cambridge House					*	
	~ Forest Lodge						*
	~ Oaklands Respite Care	M	15				
Safeguarding, Quality Assurance & Child Protection							
	Appointeeships	M	20				
	Child Protection			*			
	Independent Reviewing / Quality Assurance				*		
	POVA			*			
	Domestic Abuse				*		
	Safeguarding			*			
General							
	Children's Case Management System (CCM)				*		
	Financial & Administrative Procedures						
	Financial Advice		13	*	*	*	*
	Follow up of Agreed Management Actions		1	*	*	*	*
	Finalisation of 2015/16 Audits		1				
Total Planned Days for Children & Family Services			83				

Adult & Community Services	Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
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Quality Assurance							
	Quality Assurance				*		
	Commissioning & Contracts	H	23				
	~ Brokerage				*		
	~ Non-Residential Care Provider Payments						*
	~ Residential Care Provider Payments			*			
	Supporting People						
	~ Direct Payments			*			
	~ Supporting People Grant Certification	M	7				
Occupational Therapy							
	Occupational Therapy					*	
CRT / Frailty							
	Hospital Frailty Team				*		
	Community Reablement Team (CRT)			*			
End to End Service							
	Duty & Assessment			*			
	Review Team			*			
Learning Disability							
	Adult Learning Disability				*		
Mental Health							
	Adults					*	
	Older People						*
Provider Services							
	Residential Services						
	~ Blaen-y-Pant	M	15				
	~ Spring Gardens			*			
	~ Parklands			*			
	Day Services						
	~ Brynglas	M	15				
	Reablement & Homecare			*			
	Supported Living Agency				*		
General							
	Amenity Funds (F/Up)	M	12				
	T&S / Flexi (F/Up)	M	12				
	Client Monies					*	
	Adult Information System (AIS)				*		
	Financial Advice		8	*	*	*	*
	Follow up of Agreed Management Actions		2	*	*	*	*
	Finalisation of 2015/16 Audits		3				
Total Planned Days for Adult			97				

Services							
Streetscene & City Services		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Strategic Area							
	IT Systems						
	Framework Agreement-Consultants						
	Highways Improvement Contracts						
	HIC Follow Up - Project Management	H	15				
	Traffic Management / Road Safety						
	Traffic Management Act						
	Access to Countryside						
	Allotments						
	Business Support Team / Administration			*			
	Final Accounts						
	Current Contracts						
	Filming Policy						
	Streetworks	M	15				
Operational Areas							
	Highways & Drainage			*			
	Grounds Maintenance			*			
	Street Cleansing				*		
	Parking Services			*			
	Street Lighting					*	
	CCTV / Security - Telford Depot Follow up	H	5				
Transport Management							
	ITU - S/S Taxi Framework					*	
	Fleet / Vehicle Management				*		
	Public Transport Support			*			
	Bus Services Support Grant 2015/16	M	5	*	*	*	*
Environmental Services							
	Waste Disposal Site			*			
	Refuse Collection						*
	Recycling & Sustainability			*			
	Recycling - Wastesavers Review						
	Household Waste Recycling Centre				*		
	Re-use Shop (set up Jun 14)			*			
	Green Services			*			
	Cemeteries			*			
	Crematorium	M	15				
Civil Contingencies							

	Civil Contingencies			*			
Customer Services							
	Contact Centre						*
	E-Access (Transactional Web Services)						
	Information Station			*			
	Housing Benefits	H	17	*	*	*	*
General							
	Agency / Overtime - WDS (inc Follow up)	M	6				
	Agency / Overtime - Highways	M	7				
	Agency / Overtime - Refuse (inc Follow Up)	M	7				
	Financial Advice		8	*	*	*	*
	Follow Up of Agreed Management Actions		2	*	*	*	*
	Transformation Projects						
	Finalisation of 2015/16 Audits		5				
Total Planned Days for Streetscene & City Services				107			

Regeneration, Investment & Housing		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Development Services							
	Building Control				*		
	Development Management			*			
	Developers Contributions			*			
Economic Regeneration & Policy							
	Regeneration Initiatives - Vibrant & Viable Places	H	20				
	Financial Support Initiatives			*			
	European Affairs Unit / Initiatives			*			
	Business Support Unit			*			
Housing & Community Regeneration (Retained Services)							
Housing Enabling & Projects							
	Homelessness - B&B			*			
	Private Sector Leasing			*			
	Rehousing Services	M	15				
	Empty Homes / Houses to Homes Grant				*		
Community Development							
	Skills & Work Contract Provision					*	

	Financial & Administrative Systems						
Community Centres		L	15				
	Beaufort			*	*	*	*
	Duffryn			*	*	*	*
	Blaen y Pant (Prev Evergreen)			*	*	*	*
	Eveswell			*	*	*	*
	Hatherleigh			*	*	*	*
	Maesglas			*	*	*	*
	Malpas			*	*	*	*
	Shaftesbury			*	*	*	*
	St Julian's (Orchard Lane)			*	*	*	*
Housing Improvements							
	Renovation Grants	H	15				
Community Learning & Libraries							
	Library Service						*
	Libraries Management System			*			
	Adult Education Income & Enrolments						
	St Julian's Community Learning & Library			*			
	Sickness						
	Time Off In Lieu						
	Flying Start	M	15				
Museums & Heritage							
	Tredegar House (National Trust Agreement)			*			
	Museum & Art Gallery			*			
	Central Tourist Information Centre						
	Newport Medieval Ship			*			
	Transporter Bridge				*		
	14 Locks						
Youth & Community							
	Youth Service			*			
	Youth Service - Trips & visits			*			
	NERYSS			*			
	Play Development			*			
General							
	Newport Norse - Joint Venture Follow Up	H	8				
	CLL Sickness Reporting/Procedures						
	Financial Advice		5	*	*	*	*
	Follow Up of Agreed Management Actions		2	*	*	*	*
	Finalisation of 2015/16 Audits		9				
Total Planned Days for RI&H			104				

EDUCATION SERVICES							
Education		Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21
Resourcing & Planning							
School Organisation							
	Business Support Team						
	Free Schools Meals						
	School Admissions			*			
	Catering Contract Management (Chartwells)						
	Trips & Visits (Evolve System)			*			
	Early Years	M	15				
Finance Support & School Resources							
	Schools Finance Team						
	Foundation Phase Grant						
	Education Improvement Grant 2015/16	M	5	*	*	*	*
E-Learning & Information Support							
	e-LIS Team						
	SIMS / EMS Systems - Security/User Support						
	Pupil Statistics						
Nursery Schools							
	Kimberley Nursery Follow Up	H	5				
Primary Schools							
	Ysgol Gymraeg Casnewydd Follow Up	H	8				
	Mount Pleasant Primary	M	10				
	Llanmartin Primary	M	10				
	Clytha Primary	M	10				
	Crindau Primary	M	10				
	Alway Primary	M	10				
	Charles Williams CiW Primary	M	10				
Secondary Schools							
	Newport High	M	12				
	Llanwern High	M	12				
	WM2 - Ysgol Gyfun Gwent Is Coed	H	10				
	Secondary Learning Resource Units			*			
Special Schools							
	Maes Ebbw					*	
Other - School Related							
	CRSA's / Healthcheck -	M	14	*	*	*	*

	Primary/Secondary/Nursery						
	Duffryn High Sports Hall			*			
	Current Contract - New School Builds						
	Exclusions (Pupil)			*			
Improvement & Inclusion							
Education Psychology Service							
	Education Psychology			*			
Education Welfare Service							
	Education Welfare Service			*			
Pupil Referral Unit							
	Bridge Achievement Centre			*			
Gwent Education Multi Ethnic Service							
	Gwent Education Multi-Ethnic Service			*			
Gwent Music Support Service							
	Gwent Music Support Service			*			
	Review of Procedures for Trips & Events						
Special Educational Needs							
	SEN Assessments Follow Up	H	8				
	SEN Funding - Schools						
	SEN Recoupment			*			
Inclusion Services							
	Safeguarding / Child Protection 2015/16	H	6				
General							
	Financial Regulations Training		3	*	*	*	*
	Financial Advice		20	*	*	*	*
	Follow up of Agreed Management Actions		5.5	*	*	*	*
	Finalisation of 2015/16 Audits		14.5				
Total Planned Days for Education Services			198				

EXTERNAL AUDITS							
External Audits	Risk	2016/17 Days	2017/18	2018/19	2019/20	2020/21	
WCAG Training Co-ordinator		10					
Total Planned		10					

Days for External Audits							

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Report

Audit Committee

Part 1

Date: 26 May 2016

Subject **Standing Order 24 (Urgent Decisions) and Waiving of Contract Standing Orders: January to March 2016**

Purpose To inform Members of the use of Standing Order 24 and the Waiving of Contract Standing Orders in recent decisions taken by Cabinet and Cabinet Members.

Author Senior Overview and Scrutiny Officer

Ward General

Summary This report provides details of decisions on the use of Standing Order 24 (decisions taken urgently) and the Waiving of Contract Standing Orders for the above period.

In consideration of this report, Members are reminded that they are not questioning the merits of the decisions taken but are focussing on why decisions were taken as urgent or why contract standing orders needed to be waived.

Proposal The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

Action by Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Head of Law & Regulation
- Head of Finance
- Chief Internal Auditor

Background

Details of the decisions taken by Cabinet/Cabinet Members during the above period are set out in the table below, together with a commentary from the Chief Internal Auditor. Copies of the report giving rise to the decision are attached.

Financial Summary

The cost implications of the decisions were set out in the original reports to the Cabinet Members. There are no cost implications of the Committee's consideration of this report.

Risks

Scrutiny of these matters by the Committee is an important means of ensuring that the reasons for the urgency or waiving of Contract Standing Orders were properly addressed in the decision making process and that decisions are transparent.

Options Available/Preferred Option and Why

The Committee is asked to consider whether the reasons for the urgency/waiving of contract standing orders are properly reflected in the documentation supporting each decision. Members may wish to invite Cabinet Members to attend a meeting of the Committee should they consider this not to be the case.

Comments of Chief Financial Officer

See attached reports.

Comments of Monitoring Officer

See attached reports

Staffing Implications: Comments of Head of People and Business Change

See attached reports.

Subject	Decision & Date	Reason for Urgency/Reason to waive Contract Standing Orders	Comments of Chief Internal Auditor
Ysgol Gyfun Gwent Is Coed, Newport	Cabinet Member for Education and Young People 24 February 2016	The reason for urgency is the short turnaround required to establish a new school in time for September 2016. The Council's agreed consultation process would create delays in the process of decision making before the final decision can be considered on whether to establish the school.	The justification for the urgent decision revolves around statutory requirements for legally establishing a school at a specific location. Further clarification was provided specifying specific timescales for a statutory consultation period plus a statutory notice period for the school to open in September 2016, both of which would have been missed if the normal consultation process had been followed. The reason for urgency is therefore justified.

Decision Schedule

Cabinet Member for Education & Young People

TO ALL MEMBERS OF NEWPORT CITY COUNCIL

Decision Schedule published on 24 February 2016

The Cabinet Member took the following decision on 24 February 2016. It will take immediate effect, the reason for this decision being the short turnaround required to establish a new school in time for September 2016. The Council's agreed consultation process would create delays in the process of decision making before the final decision could be considered on whether to establish the school.

The decision is not subject to the "Call in" Process.

In accordance with Standing Order 24 – Urgent Matters, this matter will be forwarded to the Audit Committee.

Reports relating to staffing issues/Confidential reports are not circulated to all members of the Council as part of the consultation/call-in processes.

EYP 03/16

Ysgol Gyfun Gwent Is Coed, Newport

Options considered/Reasons for Decision

In July 2015 Cabinet took the decision to establish the new Welsh-medium secondary school on Duffryn Way intended to open in September 2016. The build programme included enabling and remodelling works for Duffryn High School and the new Welsh-medium secondary school. There was a need for detailed site and build design before completing a Flood Consequence Analysis and then applying for planning permission.

As a result of the failure to gain planning permission to build the relevant school blocks on the Duffryn Way site, it was necessary to cease any and all development of that site and to immediately move to formal consultation to establish a new Welsh-medium Secondary School at another location in order to accommodate the 80 pupils who have applied for admission. The school already had a Temporary Governing Body, a Headteacher and the name of Ysgol Gyfun Gwent Is Coed had been approved by the Chief Education Officer for Newport City Council.

The proposal for consultation would describe a temporary location as Ysgol Gymraeg Bro Teyrnnon for up to two academic years and then to transfer to the Duffryn Way site if planning permission was gained following a re-submission of the application. If planning permission was not gained then all consultation stakeholders would be formally consulted on a permanent location at another site.

Decision

To move to Formal Consultation on the proposal to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and a temporary transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be determined, at the earliest available opportunity.

This decision is not subject to the consultation process or the call in period for the reasons described above.

Consultation

Monitoring Officer, Head of Finance, Head of People and Business Change.

Implemented by: Chief Education Officer

Implementation Timetable: Immediate

Councillor Wilcox, Cabinet Member for Education & Young People

Signed:

Date: 24 February 2016

Report

Cabinet Member for Education & Young People

Part 1

Date: 24 February 2016

Item No: 1

Subject **Ysgol Gyfun Gwent Is Coed, Newport**

Purpose To seek approval to move to Formal Consultation on the proposal “to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and subsequent transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be determined, at the earliest available opportunity”.

Reason For Urgency

The reason for the urgency is the short turnaround required to establish a new school in time for September 2016. The Council’s agreed consultation process would create delays in the process of decision making before the final decision can be considered on whether to establish the school.

Author Amanda B Davies, Assistant Head of Education (Resources & Planning)

Ward All

Summary In July 2015 Cabinet took the decision to establish the new Welsh-medium secondary school on Duffryn Way intended to open in September 2016. The build programme included enabling and remodelling works for Duffryn High School and the new Welsh-medium secondary school. There was a need for detailed site and build design before completing a Flood Consequence Analysis and then applying for planning permission.

As a result of the failure to gain planning permission to build the relevant school blocks on the Duffryn Way site, it is necessary to cease any and all development of that site and to immediately move to formal consultation to establish a new Welsh-medium Secondary School at another location in order to accommodate the 80 pupils who have applied for admission. The children’s school already has a Temporary Governing Body, a Headteacher and the name of Ysgol Gyfun Gwent Is Coed has been approved by the Chief Education Officer for Newport City Council.

The proposal for consultation will describe a temporary location as Ysgol Gymraeg Bro Teyrnnon for up to two academic years and then to transfer to the Duffryn Way site if planning permission can be gained following a re-submission of the application. If planning permission is not gained then all consultation stakeholders will be formally consulted on a permanent location at another site.

Proposal To move to formal consultation on the proposal “to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and subsequent transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be

determined, at the earliest available opportunity". To also transfer the Temporary Governing Body from the current school to the proposed school to provide continuity of school organisation arrangements.

To take this decision urgently as it is so urgent that it cannot go through the Council's agreed consultation process and/or must be implemented immediately and therefore not subject to the Council's call in procedures for the reasons set out under 'Reasons for Urgency' above."

Contact Amanda B Davies, Assistant Head of Education (Resources & Planning) 01633 656656
amandab.davies@newport.gov.uk

Action by Chief Education Officer

Timetable Immediate

Signed

Background

In July 2015 Cabinet took the decision to establish the new Welsh-medium secondary school on Duffryn Way to open in September 2016. This followed a protracted statutory consultation process, alongside the HM Treasury Green Book model of 5 case submissions to the Welsh Government 21Cs Capital Panel lasting almost two years.

The regional capital funding was allocated by the WG 21CS capital panel for the agreed preferred option of Duffryn Way and was on track to deliver increased demand for Welsh-medium secondary education. That WG funding matched the investment by Monmouthshire County Council and Newport City Council.

The build project to deliver the established Welsh-medium secondary school at that address included enabling and remodelling works for Duffryn High School with separate financing by the WG 21CS demountable replacement programme and additional separate financing by Newport City Council. The work required was so extensive that unfortunately there were inevitable delays in the build programme. This necessitated some planning for the temporary delivery of key components of the Welsh-medium secondary curriculum to take place at Ysgol Gymraeg Bro Teyrnion (YGBT) for one academic year. This would have allowed the established Welsh-medium secondary school at Duffryn Way to open and function from that site supported by curriculum delivery at YGBT.

The steps to deliver the build project included:

- A requirement for detailed site and build design
- Before completing a Flood Consequence Analysis based upon the specifics of that site and build design
- As a result of almost one year of consultation with flood experts the build design was amended to include flood proofing of school buildings,
- Before finally the Council were able to apply for planning permission

The application for planning permission was recently refused. As a result of the failure to gain planning permission to build the relevant Welsh-medium secondary school block on the Duffryn Way site, it has been necessary to cease any and all development of that school and to immediately move to formal consult on the establishment of the new Welsh-medium Secondary School at another location for September 2016.

There has been a recent announcement by the Council that the planning application for the development at Duffryn Way is to be re-submitted to Full Council who would act together as a Planning Committee. It is thought that this will take place in April or May 2016. The media will be kept fully briefed on the events in advance of that date.

New school reorganisation proposal

It is appropriate however, to formally and legally establish the school, at a location other than Duffryn Way for September 2016 to provide some certainty for all stakeholders, in particular the children. The legal decisions and arrangements for education cannot wait until a planning decision emerges from the re-submission process.

There is a need to prepare for the September 2016 planned opening, the school already has a temporary Governing Body, which has appointed a Headteacher elect. The authority has received 80 admission applications and plans are in progress for all school day arrangements including curriculum setting and recruitment of staffing. More recently, the school received approval by the Chief Education Officer, for the name of Ysgol Gyfun Gwent Is Coed.

With this in mind, it is recommended to take forward a new school reorganisation proposal **“to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and subsequent transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be determined, at the earliest available opportunity”**.

The planning behind this temporary location is to ensure that all the families who have applied for a place at the school are reassured that the delivery of the curriculum could still take place as they have been advised on the site of YGBT for September 2016.

If planning permission is awarded by Full Council the rest of the reorganisation proposal could take place as soon as the build scheme allows by a natural transfer to the original intended setting – that is to say, a separate school site on Duffryn Way. Duffryn High School would also have a separate school site on Lighthouse Road. It has always been intended for both schools to operate independently with full curriculum arrangements in place for their respective cohorts.

If planning permission is refused by Full Council, the education of the children will continue at YGBT, whilst a formal consultation will emerge for all stakeholders on a statutory reorganisation proposal to transfer to a new permanent location. That location will be in the catchment area currently set for the school that is to say the city of Newport and the Ysgol Gymraeg Y Ffin area of Monmouthshire. It will also be in the south Gwent area and along the M4 corridor.

Timeline and process for the statutory consultation

In the event that the Cabinet Member for Education & Young People takes the urgent decision today to move to formal consultation on the said proposal, the arrangements are as follows:

- **St David’s Day, 1st March 2016 to 12th April 2016** – Formal Consultation
- Urgent Decision by the Cabinet Member for Education & Young People on whether to move to the next stage of the statutory reorganisation proposal, which is to publish a Statutory Notice
- **18th April 2016 to 15th May 2016** – Publication of the Statutory Notice
- Week commencing the 16th May 2016 final decision could be taken

The decision process must take place to first move to formal consultation and then through each stage of the statutory consultation process, before a final determination is taken on whether to establish the new school or not at the temporary location. The following actions will take place during this formal consultation period, but they are not a pre-determination of the decision and the actions do not preordain either the planning permission or the final decision on the establishment of the school:

- **Governance Arrangements**
The current established school already has a Temporary Governing Body. **This report also proposes to transfer over the Temporary Governing Body to the proposed school, to carry on with the school organisational arrangements which are partially completed for September 2016.**
- **School Admission Offer Letters**
Newport City Council act as the admission authority for the new school - Ysgol Gyfun Gwent Is Coed and there is the intention to issue the school admission offer letters in line with the rest of Wales on St David’s Day the 1st March 2016. The offer letters will be awarding a place at the new school for September 2016 – subject to the establishment of that school by the Council.
- **School Day Arrangements & Transition for New Pupils**
During the formal consultation period the Chair of the Temporary Governing Body and the Headteacher elect will continue to develop all of the arrangements to operate the school from September 2016 at YGBT. This will include hosting meetings for parents and families and arranging transition events so that all of the children are supported through this process. A

website has been set up to keep families and all interested parties up to date on details as they emerge <http://www.gwentiscoed.cymru>

Urgent Decision Report

This decision is being taken forward in the form of an urgent decision report as the Council's agreed consultation process would cause further delays in the process and great haste must be taken to reconcile the position for the stakeholders in Welsh-medium secondary education that require a school to open in September 2016.

Options Considered/Available

Option 1: To move to formal consultation on the proposal **“to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and subsequent transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be determined, at the earliest available opportunity”**. To also transfer the Temporary Governing Body of the current established school to the proposed school for continuity of school organisation arrangements.

Option 2: Not to move to formal consultation on the proposal for the south Gwent area, but to seek alternative arrangements for the provision of Welsh-medium secondary education across the wider Gwent region working with partners and neighbouring authorities.

Preferred choice and reasons

Option 1 is the preferred option, to allow the public and the Welsh-medium education stakeholders to have their say in the reorganisation proposal. To also support the transfer of the current Temporary Governing Body to that of the proposed school.

Sustainability and Environmental Issues

There are no issues in respect of the subject for decision of this report

Crime Prevention Impact

There are no issues in respect of the subject for decision of this report

Comments of Monitoring Officer

The proposed action is in accordance with the statutory school reorganisation procedures set out in the School Standards and Organisation (Wales) Act 2013 and the School Organisation Code. In order to discharge its statutory duty regarding the provision of Welsh medium secondary education in Newport, it is necessary for the Council, as education authority, to establish a temporary school and Governing Body at Ysgol Gymraeg Bro Teyrnnon as from September 2016, for a period of two years, pending a permanent location at Duffryn or another alternative site. If the resubmitted planning application for the redevelopment of the Duffryn school site is agreed by Council, then the school will be established permanently at this site under the management of the shadow governing body. Therefore, the shadow governing body established for Ysgol Gyfun Gwent Is Coed will continue for the time being, pending a decision on the permanent site. In the event that the Duffryn planning application is again rejected, then further statutory consultation will be required in due course to establish a new site and a new shadow Governing Body and the existing governing body will be disestablished. In order to set up the temporary arrangements, the proposal will need to be formally published and subjected to formal consultation in accordance with the statutory procedure. The consultation responses will be reported back to the Cabinet Member in due course to consider whether or not to proceed with the necessary statutory notices. If there are any unresolved objections at this stage, then full Cabinet will take the final decision acting a local resolution panel. Because of the need to complete the statutory consultation processes in readiness for September 2016, this decision is considered to be too urgent to await the outcome of pre-decision consultation and post-decision call-in, but the reasons for urgency will be reported to Scrutiny in due course.

Comments of Chief Financial Officer

There are no financial implications arising from the move to formal consultation. Further cost analysis will need to be provided when a proposal to proceed is taken.

Comments of Head of People and Business Change

No staffing implications as a result of this report.

Scrutiny Committees

As an urgent decision this report will be taken by the author to Scrutiny in due course.

Equalities Impact Assessment

A Fairness & Equality Impact Assessment will be attached to this report for the urgent decision to be taken noting that content and impact.

Children and Families (Wales) Measure

Children and Young People will be consulted as a stakeholder group throughout the formal consultation process.

Other Relevant Consultation

Background Papers

Dated: 24 February 2016

Newport City Council Fairness and Equality Impact Assessment Form (F&EIA)

This form provides an assessment of policy or proposed change to see whether it promotes fairness and equality, and that outcomes for the people of Newport have been fully considered. The result of this Impact Assessment should influence future policy and service planning decisions.

In Newport we focus on fairness through the following themes: Health Inequalities, Child Poverty, Skills and Work, Tackling Domestic Violence, Alcohol and Substance misuse, Homelessness, former armed forces personnel
Our Equalities focus is taken from the Equalities Act 2010: we consider the 9 protected equalities characteristics- age, gender, disability and carers and the Welsh Language and assess whether the policy or change promotes the General Equality Duty to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity
- Foster good relations

Service Area Education Service	Head of Service: Chief Education Officer	Person responsible for the assessment: Assistant Head of Education (Resources & Planning)	Date of Assessment: February 2016	
Name of the proposal to be assessed: Formal Consultation on the proposal “to establish a seedling Welsh-medium secondary school, sharing the site of Ysgol Gymraeg Bro Teyrnnon on a temporary basis from September 2016 and subsequent transfer to the original site on Duffryn Way, Newport as soon as possible, or to a permanent location yet to be determined, at the earliest available opportunity”.			Is this an existing policy/ practice or is it a proposed change?	This is a proposal for formal consultation of a change under the School Standards & Organisation (Wales) Act 2013.
1. Briefly describe the outcomes wanted from policy / practice / proposal. If the policy / practice/ proposal is under review, please list any options being considered		The formal consultation is part of the statutory consultation process on the proposal to establish a new Welsh-medium secondary school for pupils across the region to manage increased demand.		

<p>2. Name any associated policy, legislation, corporate objective etc.</p>	<ul style="list-style-type: none"> • Welsh Government School Organisation Statutory Code, July 2013 • Welsh Education Strategic Plan – updated as at May 2015 • NCC Improvement Plan • Education Service Plan
<p>3. Who are the main stakeholders in relation to the policy / practice?</p>	<ul style="list-style-type: none"> • SEWC Directors • Cabinet Member for Education and Young People, Newport City Council • Elected Members of the Ward • Welsh-medium Primary Schools staff / pupils / parents / governors • Welsh-medium Secondary Schools staff / pupils / parents / governors • Regional Headteachers / School staff / pupils / parents / governors • Coleg Gwent • Community in the vicinity of the proposed school location • WM Regional Planning Group • Careers Wales
<p>4. Who delivers the service?</p>	<ul style="list-style-type: none"> • Relevant Local Authority (in terms of decision making, planning, admissions, transport and consultation and engagement hosting the proposal) • Temporary Governing Body for the new WM School • Head teacher / Staff / pupils / parents at proposed new Secondary School site • Welsh-medium primary schools staff / pupils / staff / parents for transition
<p>5. What factors could contribute / detract from the outcomes (risks / opportunities)?</p> <p>Please list the factors for each separate policy / process options under consideration</p>	<p>Objections to proposals – formal consultation allows for adverse comments to be received, if the proposal moves to the next stage of the publication of the statutory notice then legal objections can be set during that time.</p> <p>Recruitment of staff – to be continued subject to the establishment of the school</p> <p>Location of proposed new Welsh-medium secondary school</p> <p>In the event that the Welsh-medium Secondary School is not delivered, each of the South East Wales local authorities would not meet their priority to ensure that all children seeking Welsh-medium secondary provision across the region are able to continue to do so and that it is of a high standard. Contingency planning is therefore in place across the region.</p>

<p>6. Describe the steps you have taken to carry out this assessment e.g. consultation and engagement</p>	<p>Previously a full option appraisal and scoping has been undertaken in conjunction with advisors in the specialist field of Welsh-medium education.</p> <p>Previously, NCC gained approval for:</p> <ul style="list-style-type: none"> • a 21CS Strategic Outline Programme Extension to support the capital financing of a preferred option in Newport • a regional Strategic Outline Case to support the capital financing of a Newport solution which would also support Ysgol Y Ffin in south Monmouthshire • a regional Outline Business Case • a regional Full Business Case. <p>Previously, the full statutory consultation process was carried out under the requirements of the WG School Organisation Code: Statutory Code, July 2013 to establish the school at Duffryn Way. Then Planning Permission was refused but is to be re-submitted.</p> <p>This proposal is to formally consult on the establishment of the school at a temporary location and subject to planning permission transfer to the Duffryn Way location as a permanent location.</p> <p>If planning permission is not secured then there will be a separate formal consultation for the permanent location for the school to transfer within two academic years.</p>
<p>7. Give a summary of the information the council has taken into account for this assessment</p>	<p>Primary to Secondary Planning of School Places data – Identifies projected numbers until 2016 using data on pupils currently within Welsh-medium education together with any planned expansion.</p> <p>Community Impact / Welsh Language impact assessments.</p> <p>Welsh Government Statutory School Organisation Code, July 2013</p> <p>ALN / Inclusion & GEMS services to be provided through the preferred option</p>

<p>8. Does the proposal promote Equality by:</p> <p>1. promoting good community relations (community cohesion)</p> <p>2. promoting equality</p> <p>3. eliminating discrimination</p> <ul style="list-style-type: none"> • Age • Gender • Gender reassignment • Disability • Marriage / civil partnership • Pregnancy and Maternity • Race • Religion / belief • Welsh language • Sexual orientation 	<p>NCC is committed to ensuring equality of access to its schools and services for all its stakeholders. It is critical that any new school is accessible to everyone regardless of gender, disability, race, religion, martial / civil partnership status, pregnancy & maternity, sexual orientation or ability.</p> <p>The proposed development of a Welsh-medium secondary school will be accessible to all pupils of secondary school age across the South Gwent region, regardless of gender, disability, race, religion, pregnancy, sexual orientation or ability.</p> <p>It will initially however, be a seedling or growing school and in the first year of establishment take pupils of Year 7 age group circa 90 in total. The school will grow each year up to a full school population of circa 900.</p> <p>This proposal will not have any significant impact or adversely affect any other stakeholder regardless of gender, disability, race, religion, martial / civil partnership status, pregnancy & maternity, sexual orientation or ability.</p> <p>This proposal promotes community cohesion, equality, and eliminates discrimination specifically with regard to Welsh Language provision.</p>
<p>9. Does the proposal affect fairness in relation to:</p> <ul style="list-style-type: none"> • Health Inequalities • Child Poverty • Skills and Work • Tackling Domestic Violence • Alcohol and Substance misuse • Homelessness • Armed Forces • Other fairness concerns 	<p>The proposed development of a Welsh-medium secondary school in Newport will assist in improving outcomes and life opportunities for people in Newport and south Monmouthshire specifically with regards to Health Inequalities, Child Poverty and Skills & Works.</p>

<p>10. Does proposal affect local areas differently? If so, does it have a positive or negative impact in terms of fairness and addressing local area deprivation?</p>	<p>The proposed new Welsh-medium Secondary School will be accessible to all pupils within Newport and south Monmouthshire regardless of deprivation levels so will not affect local areas differently.</p>
<p>12. Summary Provide a summary of the last 3 answers (8,9 and10) Does the proposal have a positive outcomes for all people and communities on the groups on the ground of Equalities and Fairness If not why, and what are the mitigating actions?</p>	<p>The proposed new Welsh-medium Secondary School will have positive outcomes for the people and communities, not only of Newport and south Monmouthshire but across the South East Wales region.</p>
<p>13. Reporting, monitoring and evaluating outcome. Where is the Fairness Impact Assessment reported? How will resulting actions be monitored? When will the outcomes be evaluated?</p>	<p>This Fairness and Equality impact assessment has been developed and reported to the Cabinet Member for Education and Young People at the first stage of decision making – that is to move to formal consultation on the proposal. It will continue to be developed to support each stage of decision making.</p> <p>This FEIA will be published following each update on the Council web site and be in the public domain. This is the first FEIA for this specific proposal.</p>

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AB Daniel

Signed (lead officer) _____

24th February 2016

dated _____

James Harris

24th February 2016

Signed (Chief Education Officer) _____

dated _____

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Report

Audit Committee

Part 1

Date: 26 May 2016

Subject Report on Treasury Management covering the Financial Year 2015/16

Purpose To inform Cabinet of treasury activities undertaken during the financial year 2015/16.

Author Assistant Head of Finance

Ward General

Summary During the year to 31 March 2016, the Council continued to invest surplus funds with its own bankers (Santander), and institutions with long-term credit ratings in at least the 'A-' Category.

As at 31 March 2016, the Council has short-term investments of £3.10m, and over the financial year, the Council has been both a short term investor and borrower across most months, as expected.

All longer term borrowing undertaken was as expected, and within the Council's agreed limits.

Proposal Cabinet is asked to:

1. note the Annual Report on Treasury Management for the Financial Year 2015/16.
2. note that 2015/16 Prudential Indicators for Treasury Management were in line with those initially set.

Action by Head of Finance

Timetable For the periods indicated.

This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Background

1. The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.
2. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Welsh Government's Investment Guidance.
3. The Authority has a large loan portfolio and also invests surplus cash in the short – term and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
4. The 2015/16 Treasury Management Strategy was approved by the Council as part of the overall Medium Term Financial Plan and 2015/16 budget in February 2015.
5. This report presents the following information.
 - details of capital financing, borrowing, debt rescheduling and investment transactions
 - reports on the risk implications of treasury decisions and transactions
 - details the outturn position on treasury management transactions in 2015/16
 - confirms compliance with treasury limits and Prudential code

Annual Review Report 2015/16

Short and Long Term Borrowing

6. In recent years the Council's strategy has been to fund capital expenditure from reducing investments rather than undertaking more expensive new long term borrowing. This is because the rates achievable on the Council's investments are lower than the rates that would be payable on long term borrowing. By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains high. The Council's short term cash requirements are dealt with by short term loans when required. In any month, the Council is both a short-term investor and short-term borrower as it maintains low cash holdings, whilst holding off the need for long-term borrowing.
7. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.
8. As anticipated, the Council has had to undertake short-term borrowing in order to cover normal day to day cash flow activity. Total temporary borrowing of £151.1million was raised during the year, of which with the exception of borrowing related to the Friar's Walk development, nil remained outstanding at the 31 March 2016.
9. In April 2015 the Council undertook a re-scheduling of a number of debts relating to PWLB. A total of £16.3million debt with an average interest rate of 9.4% was re-paid early. As is normal in these circumstances in the current lower interest rate environment, a premium was payable on redemption, and new long-term loans at a much improved average interest rate of 2.19% were taken out. This allowed the authority to make significant annual savings on the interest payable on these loans, even with the premium, and was part of the approved 2015/16 budget savings.
10. As anticipated during 2015/16 the Council has also been required to undertake additional borrowing of £33million associated with the Friar's Walk development funding and the approved loan to Queensberry Real Estates (Newport) Ltd (QRE) for this. The

borrowing associated with this loan is kept separate from the Council's other borrowing requirements as shown in Table 1. The loan is anticipated to be paid off via capital receipts in 2016/17, and therefore the Council is not required to make MRP charges to the revenue budget in relation to the Friars Walk Development loan as the borrowing will be paid off in full at the end of the scheme within agreed timescales.

11. In addition to re-scheduling of debts and the Queensberry loans discussed above, one further long term loan for £1.4million was taken out from the PWLB during 2015-16 in relation to 21C school's programme where the Council took advantage of attractive preferential loans for this purpose. A total of £187.4 million of long-term loans were outstanding as at 31 March 2016.
12. Total borrowing has remained within the approved limits for external debt as shown in Appendix C and Table 1 to this report compares borrowings and investments as at 31 March 2015 and 2016, showing an increase to net borrowing of £27.96million.
13. Appendix A summarises the loan debt activity for 2015/16. The key points to note are:
 - the average rate of interest on debt was 4.41% compared with 6.03% for the previous year.
 - Long-term loan repayments in 2015/16 totalled £2.910 million.
14. The value of the Council's LOBO money market loans remains the same. No loans were called during the period. Of the £35m outstanding, £25m is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans) prior to the end of this financial year. Should a change of interest rate be requested, then it will be considered in detail and a decision on how we proceed will be made in conjunction with our treasury advisors.

Investments

15. As per the agreed strategy, the Council is a short-term investor and by 31 March 2016 these valued £3.10million due to funds received by the Council which were invested on overnight terms.
16. Interest rates remained at a historically low level of 0.5% throughout the year. Within this economic environment, the Councils approved Treasury Strategy was to reduce investments held, rather than increase borrowing. This strategy was driven by the gap between investment rates of below 0.50% and borrowing rates of around 2%-4%.
17. The average interest rate achieved on the Council's short-term investments was 0.47%, Whilst this return is below base rate of 0.50%, the following issues account for this:
 - the restricted number of institutions that the Council could lend to; the prime focus being security of funds
 - there are no call accounts with institutions on the approved lending list which pay base rate or above.
 - Investments are too short term to use financial instruments that attract higher rates of return.
18. The Council held no long-term (more than 364 days) investments at 31st March 2016.
19. Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16. Investments during the year included:
 - Deposits with the Debt Management Office
 - Deposits with other public institutions such as local authorities, police and fire authorities

- Call accounts and deposits with banks and a single building society all considered systemically important to the UK banking system

Credit Risk

20. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is [A-] across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
21. All of these factors were continually assessed and changes were made as needed to the Council's approved lending list by either suspending any institutions affected temporarily or permanently and/or by varying the amount and time limits for lending.

Future Council borrowing requirements

22. Local Authorities measure their underlying need for long-term borrowing through their 'Capital Financing Requirement' (CFR). This takes into account the amount of planned capital expenditure that needs to be funded through borrowing, (as opposed to external funding - from cash grants, capital receipts or S106 contributions for example) irrespective of whether the borrowing itself is undertaken externally or through dis-investing. Due to the expected repayment of the Queensberry loan in 2016/17, it is likely that the Council will have relatively significant funds to invest over the short - term during 2016/17.
23. Table 2 shows the current and projected CFR for the Council which is reviewed and updated on an on-going basis. As the Council and Cabinet are advised, there is a 'need to borrow' as shown by the CFR over the long-term, but this inherent 'need to borrow' has reduced significantly since previous years. This is due to the fact that we have undertaken borrowing which was anticipated in previous borrowing requirement projections, and the projected CFR has stayed relatively steady due to slippage and additional capital expenditure being offset by a prudent Minimum Revenue Provision Policy, or use of other funding. The Capital Financing Requirement is predicted to be £239.5million by the end of 2016/17, whereas existing long term borrowing is £246.6million. After taking account of cash backed reserves the Authority is unlikely to require additional long-term borrowing during 2016/17 and is likely to be an investor during this period. In saying that, we continue to review the market and our position, with our advisers, to identify if and when it might be useful to take out further longer term loans in the current low interest environment.

Table 1- Treasury Portfolio 2015-2016

31/03/2015		31/03/2016
£m		£m
	External Borrowing:	
(70.13)	Public Work Loan Board	(72.44)
(35.00)	Market Loans (Loans held with various Financial Organisations. Maturity dates range from 2042 – 2078)	(35.00)
(40.00)	Newport City Stock Issue (Bonds paying interest at 8.8% with a maturity date of 2019)	(40.00)
(10.00)	Temporary Borrowing	(0)
(34.97)	Queensberry Borrowing	(72.97)
(0.30)	Other Loans (IFRS)	(0.14)
(190.40)	Total Loan Debt	(220.55)
(51.16)	Other Long Term Liabilities (including PFI schemes)	(49.51)
(241.56)	Total External Debt	(270.06)
2.56	Investments Managed in house	3.10
(239.00)	(Net Borrowing) Net Investment Position	(266.96)

Table 2 -Capital Financing Requirement

Newport City Council				
Gross to Net Borrowing Requirement (Projections)				
	31-Mar-16 (actual)	31-Mar-17	31-Mar-18	31-Mar-19
Gross CFR	362,300	286,300	286,600	283,800
Less: Deferred Liabilities (nominal value)	-49,000	-46,800	-44,600	-42,600
Borrowing CFR	313,300	239,500	242,000	241,200
Less: External Borrowing (nominal value)	-247,700	-246,600	-205,600	-204,500
Gross Borrowing Requirement/Internal Borrowing	65,600	-7,100	36,500	36,700
Less: Usable Reserves	-101,400	-89,700	-85,900	-82,300
Plus: Working Capital Required	8,000	8,000	8,000	8,000
(Investments)/New Borrowing	-27,800	-88,700	-41,400	-37,600

999

Gross CFR – This is calculated based on the Capital Assets held by the Council plus any planned additional capital expenditure during the year.

- Deferred Liabilities – This is calculated based on actual PFI Schemes and Finance lease liabilities, plus any planned new leases or schemes for each year.
- External Borrowing – This is calculated based on actual borrowing, adjusted for external loans maturing.
- Useable Reverses – This is calculated based on actual reserve balances, plus any projected movements for each financial year.

Advisors

24. Arlingclose were the Council's treasury management advisors during 2015/16. In that period, the service provided by Arlingclose continued to meet the requirements of the tender and our expectations.

Prudential Code Indicators

25. Appendix C to this report summarises the prudential code indicators relevant to Treasury Management for 2015/16 as previously set and compares them to the actual position. The figures indicate that the Council was in compliance with all of the indicators in 2015/16.

Financial Summary

There are no cost implications arising from this report

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor moneymarket movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk.	Head of Finance, Treasury staff, treasury advisors
Interest Rates moving adversely against expectations	Low	Low	Base and short term Interest rates are expected to remain at current levels until Q3 2016. The Treasury strategy approved allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	Head of Finance, Treasury staff, treasury advisors

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Assembly Government that any investment decisions take account of security, liquidity and yield in that order.

Options Available

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to members for consideration. Thus the only option available is to consider this report.

Preferred Option and Why

The preferred choice is to receive and note the contents of the report.

Comments of Chief Financial Officer

Comments of the Chief Financial Officer are those as detailed in the report.

Comments of Monitoring Officer

There are no legal implications. This annual Treasury Management Report is in accordance with the requirement of the Local Government Act 2003 and is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's Investment Strategy. The Annual report confirms that the Council's capital financing and investment activity in 2014/15 was in line with the pre-set Prudential Indicators and Treasury Management Strategy.

Staffing Implications: Comments of Head of People and Business Change

There are no human resources implications within the report.

Comments of Cabinet Member

N/A.

Local issues

There are no local issues from this report.

Scrutiny Committees

N/A

Equalities Impact Assessment

These proposals do not require Equalities Impact Assessment.

Children and Families (Wales) Measure

N/A

Consultation

As per report

Background Papers

Credit Rating Data received via Arlingclose

Report to Cabinet February 2015: Medium Term Financial Plan and 2015/16 budget

Report on Treasury Management for the period to 30 September 2015

List of Appendices

Appendix A – Loan Debt Activity 2015/2016

Appendix B – Economic Summary 2015/2016

Appendix C – Prudential Code – Review of 2015/2016 Treasury Management Indicators

Dated: 12 May 2016

APPENDIX A

LOAN DEBT AND INVESTMENT ACTIVITY 2015/16 FINANCIAL YEAR

Newport City Council Debt	Outstanding as at 01/04/15	Raised	Repaid	Outstanding as at 31/03/2016
	£000s	£000s	£000s	£000s
Public Works Loans Board	70,131	22,922	(20,616)	72,437
Market Loans	35,000	-	-	35,000
Stock Issue	40,000	-	-	40,000
Queensberry Borrowing	34,975	58,000	(20,000)	72,975
Other Loans (IFRS)	304	-	(166)	138
Total Long Term Loans	180,410	80,922	(40,782)	220,550
Temporary Debt	10,000	62,960	(72,960)	-
Total Long Term and Temporary Debt	190,410	143,882	(113,742)	220,550

Total Investments Administered Newport City Council	Outstanding as at 01/04/15	Raised	Repaid	Outstanding as at 31/03/2016
	£000s	£000s	£000s	£000s
ST Investments	2,560	596,870	(596,330)	3,100

ECONOMIC ACTIVITY REVIEW – 2015/16

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in

March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Appendix C

PRUDENTIAL CODE – REVIEW OF 2015/2016 TREASURY MANAGEMENT INDICATORS

The CIPFA Prudential Code covers the control of capital expenditure and Treasury Management issues. This report deals with the Treasury Management aspects of the Code. The Code requires actual outturn against the Indicators set under the Code to be reported to Council.

The Authority confirms compliance with its prudential indicators for 2015/16, which were agreed by Cabinet/Council in February 2015. The following lists each of the indicators and provides the actual position against each, with comments to explain any significant variation.

Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

	Estimate £million
Set in February 2015	376.6
Actual at 31 March 2016	362.3

Fixed and Variable Rate Limits

These indicators set upper limits that apply to the amounts outstanding on both fixed and variable interest rates. The indicators set and actual at 31 March 2016 were:

	Fixed %	Variable %
Set in February 2015	100	50
Actual at 31 March 2016	100	0

The indicators set upper and lower limits (expressed as a percentage) to the amount of borrowing the Council was prepared to have outstanding in various set periods. The following table shows firstly the levels set in February 2015 and applicable throughout 2015/16 and then the actual position based on debt outstanding at 31 March 2016.

	Indicator Set		Actual
	Upper Limit %	Lower Limit %	%
Under 12 months	40	0	15
12 months and within 24 months	20	0	18
24 months and within 5 years	70	0	19
5 years and within 10 years	50	0	18
10 years and within 20 years	30	0	6
20 years and within 30 years	20	0	8
30 years and within 40 years	20	0	1
40 years and within 50 years	20	0	7
50 years and above	20	0	8

Upper Limit for Total principal sums invested for periods longer than 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

	Total
Indicator Set	4,000,000
Actual at 31 March 2016	0

Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Authority to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached, unless Council authorises an increase to this limit.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The Authority confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2015/16 at the end of the financial year:

	Authorised Limit 2015/16 £000s	Operational Boundary 2015/16 £000s	Actual External Debt as at 31/03/2016 £000s
Borrowing	299,000	269,000	220,550
Other Long-term Liabilities	49,000	49,000	49,510
Total	348,000	318,000	270,060

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Report

Audit Committee

Part 1

Date: 26 May 2016

Subject Revised Financial Regulations and Contract Standing Orders

Purpose To present the revised Contract Standing Orders and revised Financial Regulations.

Author Head of Finance

Ward General

Summary The report proposes updated Contract Standing Orders which have been reviewed in light of recent changes to legislation and updated internal governance and processes

A review of Financial Regulations has also been undertaken, which includes changes to the regulations regarding budget virements, an update of job titles and other minor amendments to update the document.

Proposal To consider the attached revisions of the Contract Standing Orders and Financial Regulations to form part of Newport City Council's Constitution and provide any comments.

Action by Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Councillor Gail Giles Cabinet Member
- Head of Finance
- Head of Law and Regulation
- Head of People and Transformation
- Key stakeholders in all service areas including partners Newport Norse and Newport Live
- Finance colleagues

Background

1. As part of the review of the Council's Constitution and related policies following recommendations stemming from the Council's Corporate Assessment, officers have updated the Contract Standing Orders and Financial Regulations as needed.
2. Changes to the Contract Standing Orders have come from, amongst other things, new internal processes relating to how we manage our procurement exercises and processes and these in turn have been developed from a new 'Procurement Strategy' for the Council. The need for an updated strategy was flagged up in a Welsh Government funded assessment of our procurement service and arrangements. This has been reviewed and agreed by the Cabinet Member for HR and Assets and requires endorsement from the Council.
3. A summary of the key drivers for change and the changes to the Contract Standing Orders and Financial Regulations are noted below

Procurement Strategy and Contract Standing Orders:

When undertaking any form of procurement, the Council needs to consider the application of the European Union Public Sector Procurement Directive 2014/24/ which is supported by the UK's Public Contracts Regulations 2015, which came into effect on 26 February 2015. The Council's CSOs reflect and supplement the above legal requirements whilst ensuring robust, clear and accountable organisational processes are in place.

This review of the Contract Standing Orders aims to deliver a comprehensive procurement process for all aspects of governance, strategy and transformation and will assist in embedding improved and modernised procurement practices across the Council; critical to ensuring the delivery of future procurement related savings.

The proposed Contract Standing Orders and Strategic Procurement Strategy, set out in the appendix, deal with the overarching principles reflecting procurement legislation, contract management, the procurement process and relevant authorisation requirements for 2016-2019. It is proposed that the detailed requirements for conducting procurement activity will be dealt with by the Strategic Procurement team with detailed guidance provided through the intranet through the use of the recently implemented Procurement Gateway Process and electronic tendering, implemented by the Head of Finance.

Financial Regulations:

As part of the wider review of the Constitution, the Financial Regulations have been updated in the area of budget virements only and some job titles have been updated following Council services re-structure.

The regulations were updated back in September 2004 and whilst the virement limits remain unchanged since that time, the Financial Regulations have been updated to provide clarification of which budget transfers need to be treated as a virement (requiring authorisation in line with the limits below), and which transfers are treated as technical adjustments.

As previously, all budget virements undertaken will be reflected in budget monitoring reports to the Cabinet as presented from time to time.

A number of other small amendments were made to the financial regulations, these were mainly in relation to job titles and inclusion of the new Procurement Gateway Process.

Financial Summary

There are no direct financial implications as a result of this report but these documents are designed to protect financial resources as well as ensure best value is achieved in use of the Council's financial resources.;

Risks

Without concise, clear and relevant Contract Standing Orders and Financial Regulations, Officers and Members may contravene legislation and place the organisation at risk. This risk may take the form of legal challenges, which could result in compensation being paid. There is also a greater risk of fraud, loss of income and the organisation not making the best use of its resources.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council Fails to maintain an adequate system of internal control	H	L	<ul style="list-style-type: none"> - Updated CSO's and Financial regulations ensure relevance and control issues are embedded - Communication of these changes to the organisation - Internal Audit and Procurement Team reviews and processes 	<ul style="list-style-type: none"> - HoF - All levels of management
The council does not achieve value for money	M	L	<ul style="list-style-type: none"> - Updated CSO's and processes which ensure robust procurement decisions are taken - On-going change programme 	<ul style="list-style-type: none"> - HoF - All levels of management
Financial Regulations and CSO's are not adhered to	H	M	<ul style="list-style-type: none"> - Review and update of financial regulations & CSO's to ensure relevancy - Internal, transparent processes which require compliance - Robust monitoring. - Internal Audit Reviews 	<ul style="list-style-type: none"> - HoF - All employees with responsibility for financial resources

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Effective financial management is essential if an organisation is to achieve its stated objectives. Providing management assurance on procurement policies and procedures in operation gives confidence that there is sound financial management in place, that more effective services can be provided and ensuring necessary compliance with EU and UK Legislation preventing legislative breaches, theft, fraud and corruption..

Options Available

1. To provide any comments on the revised Contract Standing Orders and Financial Regulations as part of the Council's Constitution.

Preferred Option and Why

To provide any comments on the revised Contract Standing Orders and Financial Regulations.

Comments of Chief Financial Officer

There are no direct costs related to these updates though both the Financial Regulations and Contract Standing Orders are key documents that impact significantly on financial resources.

Comments of Monitoring Officer

Any proposed changes to Financial Regulations must be approved by the full Council. The Council's constitution will need to be updated to show any changes to financial regulations

Staffing Implications: Comments of Head of People and Business Change

There are no HR impacts

Comments of Cabinet Member

I have been briefed and approve the reports and understand the necessity for the proposed changes to the Contract Standing Orders and Financial Regulations

Local issues

Not Applicable

Scrutiny Committees

N/A

Equalities Impact Assessment

N/A.

Children and Families (Wales) Measure

Not applicable

Consultation

Councillor Gail Giles

Heads of Service

Head of Law and Regulation

Finance Colleagues

Key Stakeholders

Strategic Procurement

Internal Audit

Commissioning and Contracts Team – Social Services

Newport Norse

Newport Live

Background Papers

None



Contract Standing Orders 2016

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<i>Author/s:</i>	<i>Strategic Procurement Manager</i>
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Definitions and Interpretations

In these Contract Standing Orders the following definitions apply:

Approved List	a list of providers that have been selected by the Council through a non-OJEU tendering process, from which the Council may select, by way of a mini competition, to contract with to provide services for the Council.
Authorised Officer	means any officer with delegated responsibility by the Strategic Procurement Manager for carrying out procurement process(es) detailed in these Contract Standing Orders
Chief Officer	means any officer in the following categories of officer, Chief Executive, Corporate Director, Chief Officer and/or, Head of Service.
Contract	means any form of agreement (including, without limitation, official purchase orders) for the supply of Goods, provision of Services or carrying out of Works.
Contract Manager	means an officer responsible for the managing and monitoring of a Contract.
Contracting Authority	means Newport City Council or another public body responsible for the procurement of a Contract or Framework.
Contract Standing Orders	means these Contract Standing Orders.
Contractor	means any Contractor, supplier or provider with whom the Council enters into a Contract for the carrying out of Works, provision of Services or the supply of Goods.
eTenderwales	Electronic Tendering System which Newport City Council uses to conduct all Tendering processes
Framework Agreement	an agreement with one or more Contractors, the purpose of which is to establish the terms (in particular with regard to price and quantity) governing a Contract or Contracts to be awarded during the period for which the framework agreement applies.
Goods	Covers all Goods, Supplies, Substances and Materials that the Council Purchases, Hires or otherwise obtains.
National Procurement Service (NPS)	The National Procurement Service (NPS) for Wales has been set up to enable the Welsh public sector to collaborate more closely in procuring goods and services. The NPS have set up a number of Frameworks and Contracts which NCC have signed up to use.
OJEU/EU Thresholds	means the financial values at which the Public Contracts Regulations 2015 require tenders to be advertised in the Supplement to the Official Journal of the European Union ("OJEU"). These thresholds vary from time to time and can be checked on the OJEC website at www.OJEC.com/thresholds
Procurement	means the process by which the Council manages the acquisition of all its Goods, Services and Works, in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment. It includes the identification of need,

	consideration of options, the actual procurement process and the subsequent management and review of the Contracts.
Procurement Gateway	The procedure that must be followed when procuring goods, works or services over the value of £4k
Procurement Guidance	means the Guidance issued/to be issued from time to time by Strategic Procurement.
Strategic Procurement Manager	means the Manager or any officers under that persons supervision or management who are given delegated authority to carry out any of the obligations, duties or activities required to be performed by that person under these Contract Standing Orders or to act in that person's absence.
Procurement Process	means the procurement process that spans the whole life cycle, from identification of needs, options appraisal, supplier selection, award, and Contract management through to the end of a Contract or the end of the useful life of the asset, or disposal of the asset.
Sell2wales	The Councils approved portal for advertising all quotation & tender opportunities over £4k
Services	includes all services, which the Council purchases or otherwise obtains including advice, specialist consultancy work, agency staff etc.
Tenderer/ Tenderers	individual, individuals, partnerships, companies or other bodies invited to submit quotes/tenders/prices for providing the Council with Services, supplying Goods or carrying out Works.
Variation & Variations	means any alteration to a Contract, including additions, omissions, substitutions, alterations, or changes of any other nature.
Works	includes all works of new construction and repairs in respect of physical assets (buildings, roads, etc.) including all those activities constituting Works for the purposes of the Public Contracts Regulations 2015.
Variante Bid	Means an offer/bid which contains variants on the requirements specified by the Council in its procurement documentation.

1 Introduction

1.1 *These Contract Standing Orders:*

- 1.1.1 Are made under Section 135 of the Local Government Act 1972 and all other powers enabling the Council.
- 1.1.2 Are applicable to all parts of the Council's activities, including any type of sub-contracting, apart from contracts for the acquisition and sale of interests in land and the Excepted Contracts described in section 2 below.
- 1.1.3 Are applicable where the Council is acting as agent for another body unless the principal directs otherwise.
- 1.1.4 Must be adopted by any external Contractors empowered to form Contracts on behalf of the Council and by any person who is not an Officer of the Council engaged to manage a contract on behalf of the Council.
- 1.1.5 Shall apply to the selection of nominated suppliers and nominated Sub-Contractors for goods, works or services covered by prime costs and provisional sums in a main contract.
- 1.1.6 Are not applicable to expenditure between Service Areas, Groups or the use of the Council's Trading Organisations.

1.2 *Key Messages*

- 1.2.1 Any Officers delegated with responsibility for the procurement of Goods, Services (including contracts for consultancy) or Works for or on behalf of the Council (in accordance with the Scheme of Delegation) are affected by these Contract Standing Orders.
- 1.2.2 The funding for all contracts must be in accordance with approved budgets and comply with Financial Regulations.
- 1.2.3 All values referred to in these Contract Standing Orders are exclusive of VAT.
- 1.2.4 Procurement is the process by which the Council manages the acquisition of all its Goods, Services (including but not limited to consultants/consultancy services of any type) and Works of all varieties. It includes the identification of need, consideration of options, the actual tendering process and the subsequent management and review of the contracts. These 'Contract Standing Orders' should be read in conjunction with the guidance available on the Council's Procurement intranet pages and the Council's Procurement Gateway Process. All Procurement activity must be conducted in-line with the Council's Procurement Gateway Process.
- 1.2.5 The 'Gateway' process is mandatory to follow if seeking to commission or procure Goods, Services or Works over £4k in value. The processes are designed to give a consistent, compliant approach to procurement across the authority and enable senior management to have visibility of the Goods, Services and Works being purchased by the Council. The extent and complexity of the 'Gateway Process' is linked to the value of the goods, works or services being purchased – with three processes stepping up in detail.

- 1.2.6 Procurement by the Council is governed by detailed UK and European legislation. The Law requires all Council procurement and contracting to be conducted transparently, fairly and in a non-discriminatory manner. In the event of statutory or other legal requirement exceeding the requirements contained within these Contract Standing Orders, then statute shall take precedence over any provision in these Contract Standing Orders.
- 1.2.7 Before undertaking any competitive tendering process or before placing any Official Orders on behalf of the Council, Officers **must** make full use of NCC Corporate Contracts and Framework contracts set up by the National Procurement Service (NPS) unless authorised by the Gateway Board under recommendation from the relevant Head of Service, supported by Strategic Procurement.
- For the avoidance of doubt, framework contracts set up by the National Procurement Service **must** be used where they exist and are applicable in the first instance.
- 1.2.8 Guidance on other established Framework Agreements or legally available arrangements can be sought from the Council's Strategic Procurement Section.
- 1.2.9 Details of all Contracts available for use can be obtained from the Council's Procurement Intranet Site or the Council's iProc Purchase to Pay (P2P) system. If unsure, please contact the Procurement Section for guidance.
- 1.2.10 These Standing Orders are not intended as detailed guidance for implementation and they should be read in conjunction with the Council's Constitution as a whole and in particular, in respect of contract payments, the Council's Financial Regulations and the Council's Procurement Gateway Process.
- 1.2.11 The Strategic Procurement Manager shall undertake a formal review of these Contract Standing Orders at least every three years.
- 1.2.12 Any dispute regarding interpretation of these Contract Standing Orders shall be referred to the Head of Law & Regulation and Strategic Procurement Manager for resolution.

1.3 Purpose - These Contract Standing Orders:

By following the Procurement Gateway Process the Council will;

- 1.3.1 Ensure the achievement of value for money for the Council in the market by ensuring provision for securing appropriate competition at different levels of expenditure.
- 1.3.2 Ensure fullest accountability and compliance at all levels whilst ensuring an adequate audit trail.
- 1.3.3 Ensure that Officers follow proper and fair procedures for the involvement and selection of Contractors.
- 1.3.4 Ensure compliance with UK and EU Procurement Directives and Welsh Government and Council Policy. Ensure that levels of monitoring and training

exist to ensure proper compliance and that these Contract Standing Orders are regularly reviewed to take account of new circumstances.

- 1.3.5 Ensure immediate action is taken in the event of a breach of Contract Standing Orders or the Purchasing Guides within his or her area to keep proper records of all contracts, tenders etc. including electronic data files (where electronic tendering systems are used), minutes of tender evaluation panels and other meetings;
- 1.3.6 Ensure waivers and excepted contracts of any provision of these Contract Standing Orders are recorded and reported to Audit Committee.
- 1.3.7 Ensure proper records of all contracts awarded.
- 1.3.8 Ensure the safekeeping of all original contracts which have been completed by signature and ensuring contracts to be executed under the seal of the Council are provided to Head of Law and Standards for completion within an appropriate timeframe. Sealed contracts are retained by the Head of Law and Regulation.

1.4 Who is affected by these Contract Standing Orders?

- 1.4.1 Any Authorised Officer delegated with responsibility for the procurement of Goods, Services (including contracts for consultancy) or Works for or on behalf of the Council in accordance with the Scheme of Delegation.

2 Excepted Contracts

- 2.1 The following Contracts are exempt from the requirements of these Contract Standing Orders:
 - 2.1.1 Employment Contracts (this exemption does not extend to the recruitment of agency staff or external secondment arrangements).
 - 2.1.2 Contracts relating solely to disposal or acquisition of an interest in land and property.
 - 2.1.3 In a genuine emergency threatening public health, injury to persons or serious and immediate damage to property, an Authorised Officer can take any necessary action to alleviate the threat. This power is limited to the alleviation of the threat and does not extend to any works beyond what is strictly essential.
 - 2.1.4 Tenders invited on behalf of any consortium, associated or other body of which the Council is a Member, but not leading the procurement and provided that the tenders are invited in accordance with the method prescribed by any such body and comply with the Public Procurement Regulations.
 - 2.1.5 Purchase of works, goods or services from a supplier under an acknowledged public sector agreement or a collaborative procurement agreement arranged through another public sector body.
 - 2.1.6 Purchase of works, goods or services from an in-house service provider

-
- 2.1.7 Purchase of Works, Goods or Services from an existing contract on the Council's Corporate Contracts Register or NPS (National Procurement Service) Framework agreement, available from Strategic Procurement.
 - 2.1.8 Purchases of between £1 and £4,000. However, officers should provide evidence that the purchase represents value for money in accordance with the Council's Financial Regulations. This may be via a note of cost comparison's or other evidence for internal audit purposes.

Where an Authorised Officer can demonstrate good reason, and where the value of such action does not exceed the EU Procurement thresholds, and where Head of Service approval has been obtained via the [Excepted Contracts Form](#), Contract Standing Orders shall not apply to the following:

- 2.1.9 Purchase by auction or at public fairs or markets.
- 2.1.10 Where non-negotiable nationally agreed scales of charges or fees apply to all persons or firms able to provide the services and there are no other selection criteria that are relevant.
- 2.1.11 The purchase of goods, materials or services which are available only from one provider and for which no satisfactory alternative is available.
- 2.1.12 The acquisition of services from artists and performers where the identity and or skills of the artist or performer is the primary consideration. Officers must ensure that the engagement of such artists represents value for money and is an appropriate business decision.
- 2.1.13 The execution of requirements which are of a specialist nature and can be carried out by only one Contractor; and services or supplies which can only be provided by, or on behalf of, a single public utility, statutory undertaking or local authority.
- 2.1.14 Extensions of existing contracts where the extension is in accordance with the terms & conditions, specification, rates and/or prices of the original contract award, notwithstanding existing contract conditions in relation to price variations.
- 2.1.15 First extension of existing contracts where the value of the extension does not exceed the applicable EU threshold and no provision for extension was provided in the original contract award, and where valid reasons can be demonstrated.
- 2.1.16 The execution of works or the purchase of goods or materials necessary for urgent maintenance work to highways, buildings, plant or other assets to prevent rapid and progressive deterioration or to maintain essential services.

Where it has been necessary to procure against 2.1.9 – 2.1.16 above the excepted contract [forms](#) must be reported to the Procurement Gateway Board on a Quarterly Basis. All excepted contracts will also be reported into the Council's Audit Committee on a quarterly basis.

3 Internal Providers

- 3.1** These Contract Standing Orders are the Council's procedure for buying goods and services for the Council. They do not apply to internal purchases or service provision. Where an in-house service provider has declined the opportunity to provide goods, works or services, any subsequent procurement from an external supplier must comply with the principles of these Contract Standing Orders and follow the Procurement Gateway Process.
- 3.2** Where a service area believes the costing provided via an in-house provider does not represent value for money, they may apply to the Head of Finance for authority to waive this requirement and tender the provision. For the avoidance of doubt, the In-house service providers included specifically are as listed in the "**Approved In-House Provider List**"

4 Procurement Planning

- 4.1** In accordance with the Procurement Gateway Process at the end of March each calendar year, Heads of Service shall submit to the Strategic Procurement Manager a completed Procurement Forward Plan detailing the planned procurement activities over £4,000 (new purchasing requirements associated with budget planning for the forthcoming financial year). The Strategic Procurement team will use this information for procurement planning, to identify collaborative opportunities, to allocate appropriate resources and to ensure all relevant legislative requirements are observed. Procurement plans will be under constant review and updated as and when required.

5 Procurement Tendering Process

- 5.1** Procurement Gateway Process
- 5.1.1** For all **Goods, Services and Works** please refer to the Council's procurement gateway process and flowcharts on the [intranet procurement pages](#).
- 5.1.2** The Gateway process is being implemented due to major reforms in EU legislation for procurement, the Introduction of the National Procurement Service for Wales (NPS), and the need to ensure compliance and transparency.
- 5.1.3** The processes are designed to give a consistent approach to procurement across the authority and enable senior management to have visibility of the goods and services being purchased by the Council.
- 5.1.4** The 'Gateway' process is mandatory to follow if seeking to commission or procure goods, services or works over £4k in value.

Note: The below thresholds apply where there is no National Procurement Service Framework, In-House provider, existing contract arrangement or other appropriate framework agreement available., Up to £4k it is necessary only to demonstrate and record that value for money is being achieved.

5.2 Thresholds for Procurement

- 5.2.1 From £4000 to £25,000, requirements should either be sought through the 'Quick Quote' section on www.sell2wales.gov.uk or openly advertised on www.sell2wales.gov.uk. Quotations must either be sought from a minimum of three recognised suppliers in the appropriate market, or previously established competitive sources of supply (Quick Quote), or where limited market knowledge exists and suppliers are unknown, an open quotation must be used. (See [Gateway Process One](#)).
- 5.2.2 From £25,000 to £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the Council's electronic etenderwales tendering system. (See [Gateway Process Two](#))
- 5.2.3 Over £100,000 all requirements must be openly advertised on www.sell2wales.gov.uk and tendered using the Council's electronic etenderwales tendering system. (See [Gateway Process Three](#))

5.3 Supplier Selection

- 5.3.1 It must be demonstrated that the appropriately experienced, technically competent, and financially competent Contractors or suppliers have been shortlisted.
- 5.3.2 Care must be taken to differentiate supplier selection criteria for short-listing and entry to tender process from tender award criteria.
- 5.3.3 This demonstration may include, but need not be limited to:
- Eligibility
 - Financial standing, including provisions for insurance and liability
 - Technical or professional capacity and capability
 - Health and Safety
 - Quality Standards including certification by official quality control institutes or agencies of recognised competence and or attesting conformity to quality assurance standards and/or measures
 - Sustainability, including environmental management measures
 - Evidence as to whether they are unsuitable on grounds, e.g., of bankruptcy, criminal conviction or failure to pay taxes.
- 5.3.4 The Welsh Public Sector standard supplier selection template is called the Supplier Qualification Information Database (SQuID). This is the template that the Council use as standard and Authorised Officers in Service Areas will need to complete this template with the assistance of their Procurement Category Manager / deputy's within the Strategic Procurement team of the Council. For all Contracts, it is essential for proof of insurance requirements to be provided. All appropriate insurance levels required must be agreed with the Council's Insurance Department.

5.4 Financial Vetting

- 5.4.1 Financial vetting shall be considered for all tenders in excess of £25k. The assessment as to whether a financial assessment is required will be based on the "**SQUID risk matrix**". Any vetting shall be via a method approved by the Head of Finance for that purpose and be conducted at the selection stage.

5.5 Tender Evaluation

- 5.5.1 The Authorised Officer shall examine tenders in accordance with the predetermined evaluation criteria for the tender and identify tenders that best meet the criteria including value for money.
- 5.5.2 In respect of all tenders where the tender criterion is the most economically advantageous tender, the evaluation criteria or sub-criteria shall as a minimum be listed in the Invitation to Tender documentation in order of importance. Any particular scoring or weighting attributable to any criteria or sub-criteria must be clearly stated. In addition, the criteria shall be strictly observed (and remain unchanged) at all times throughout the evaluation and Contract award procedure. Further information on award criteria and weightings can be obtained from the Strategic Procurement Team.
- 5.5.3 Where tenderers submit “conditional” offers, seeking to add new conditions to the contract the Authorised Officer should notify the tenderer that conditional offers will not be accepted and the tenderer must either withdraw the conditions or withdraw their tender. In the event the tenderer elects to withdraw their tender, their submission will be removed from the evaluation process.

6 Electronic Tendering

- 6.1 All procurements above the value of £4k must be conducted electronically in line with the Council’s Procurement Gateway Process, the Welsh Procurement Policy and The Public Contracts Regulations 2015.
- 6.1.1 The tender process will be conducted electronically by Authorised Officers or Strategic Procurement as determined by the Procurement Gateway Process. All communications related to a tender conducted electronically shall be directed through the appropriate electronic system. No formal communication shall be made outside of the system. *Note: For Quotations undertaken through Sell2wales communication to individual suppliers must only be made via email.*
- 6.1.2 Further information regarding the use of the Council’s eTendering System may be obtained via Strategic Procurement.

7 Estimating the Contract Value

- 7.1 The value of a Contract means the estimated total monetary value over its full duration (not the annual value), including any extensions or other options. Where the duration of a Contract is indeterminate, this should be taken to be the estimated value of the Contract over a period of four years. No procurement may be artificially split to avoid compliance with these Contract Standing Orders and European Union procurement directives.
- 7.2 If it is known that the Contract duration will be longer than four years, then the Contract value will be the total value over the full term of the Contract.
- 7.3 Where the value is, or may be, equal to or greater than the relevant OJEU threshold, the Council should also have regard to regulation 6 of the Public Contracts Regulations 2015.

8 Form of Contract

- 8.1 Every contract where the value or amount of the contract does not exceed £25,000 shall be in writing in a form approved by the Head of Law and Regulation.
- 8.2 Every contract that exceeds £25,000 but does not exceed £100,000 shall be signed by the Head of Service. Contracts between £100,000 and £250,000 shall be signed by the Head of Law and Regulation.
- 8.3 Every contract that exceeds £250,000 in value shall be made under the Seal of the Council.
- 8.4 All contracts shall be recorded using the information from the Procurement Gateway form on the Council's Corporate Contracts Register maintained by Strategic Procurement.

9 Framework Agreements

- 9.1 All Framework Agreements must be awarded, set up and managed strictly in accordance with the Public Contracts Regulations 2015.
- 9.2 Framework Agreements can be used where the Council wishes to contract for the provision of goods, services or works without conducting multiple procurement exercises.
- 9.3 Established framework and consortia arrangements endorsed by Strategic Procurement and by the National Procurement Service (NPS) for use by the Council shall be mandatory. On occasion, it may be deemed that the framework agreement would not provide best value – this will need to be proven and approved by Strategic Procurement.
- 9.4 The Framework Agreement may include within its terms a requirement for a further competition exercise between those Contractors who are parties to the Framework Agreement. These shall be tendered in accordance with the terms of the Framework Agreement itself.
- 9.5 Where the Council is able to call off from existing Framework Agreements procured by Central Government Agencies, purchasing consortia or other Local Authorities or Public Bodies, then the Council may benefit from using those frameworks without entering into a separate procurement exercise. Where such Framework Agreements contain a number of different Contractors able to provide a particular category of goods or services, a further competition exercise between those Contractors must be carried out.
- 9.6 Any Framework Agreement identified by a Service Area shall be notified to Strategic Procurement by the Authorised Officer and must be approved by the Procurement Manager in order to ensure suitability, legal compliance and value for money. Upon approval, Strategic Procurement can incorporate the Framework Agreement onto the Council's Contract Register.
- 9.7 Any joint procurement arrangements with other Local Authorities and/or Public Sector Bodies including membership or use of any consortia must be approved

by Strategic Procurement to ensure suitability, legal compliance and value for money.

- 9.8 The term of a Framework Agreement must not exceed four years and, while a Framework Agreement may be entered into with one Contractor, where a Framework Agreement is concluded with several Contractors, there must be at least three in number.

10 Approved Supplier Lists

- 10.1 In circumstances where no other suitable contract arrangement exists for the purchase of Services or Works on a regular basis, and where approval is granted by Strategic Procurement, an Approved List of Suppliers may be maintained by a Service Area.

This Standing Order shall have effect where:-

- 10.2 a Head of Service, or Authorised Officer maintains an approved list of suppliers to be invited to tender for contracts for the supply of Works or Services of specified categories or
- 10.3 where Strategic Procurement has approved the use of an external approved list maintained by a third party.

Lists maintained by the Council

- 10.4 The List shall be compiled and maintained in accordance with these Contract Standing Orders, and the Council's Procurement Gateway Process.
- 10.5 Approved Lists must be established in consultation with Strategic Procurement and must be listed on the Council's Contract Register.
- 10.6 In establishing and using an Approved List, the procedure detailed on the Strategic Procurement Intranet Site must be followed.

11 Community Benefits and Wellbeing of Future Generations (Wales) Act 2015

- 11.1 The Council is committed to achieving economic, social and environmental well-being for its residents and implementing Community Benefits and meeting the requirements of the Wellbeing of Future Generations (Wales) Act 2015 so as to ensure a better quality of life for everyone, now and for generations to come.
- 11.2 For all procurements over £25k, the Authorised Officer must consider the Economic, Social and Environmental impact of the project when determining the specification and evaluation criteria, and potential for community benefits to maximise the added value of the procurement.
- 11.3 Authorised Officers shall seek guidance from Procurement and the Council's Community Development section on any decision whether to incorporate Community Benefits.

12 Amendment to Tenders, Errors and Omissions

- 12.1 As a general rule, no adjustment or qualification to any tender(s) is permitted. Only where approval has been obtained from Strategic Procurement, errors found during the examination of tenders shall be dealt with as follows:
- 12.1.1 Where the error contained in a tender appears to be a genuine mistake by typing, printing or arithmetic, or appears to be an eTenderwales technical issue, the tenderer shall be given details of the error(s) and shall be given the option to either agree to the tender being corrected or withdrawing the tender. This rule also applies where the genuine mistake may have been made by the Local Authority.
- 12.1.2 The tenderer will be given up to 3 working days to respond.
- 12.1.3 If confirmation from the tenderer is not received within 3 working days, the tender will be withdrawn.
- 12.1.4 Invitation to Tender documents must state how errors in Tenders will be dealt with.
- 12.1.5 All correspondence must be in writing.
- 12.1.6 No request to amend a Tender after the time fixed for receipt shall be accepted.

13 Tender Clarification and Negotiation

- 13.1 An Authorised Officer may seek clarification of the information provided (or not provided) by a Tenderer only where this is necessary to aid understanding. The types of clarification will generally be:
- Where a Tenderer has made an accidental omission such as not including a relevant certificate;
 - Where *ALL* Tenderers responding have misinterpreted a question;
- 13.1.1 The Contracting Authority will not seek clarifications from individual Tenderers where a question has been misinterpreted and/or poorly answered (this will include where a Tenderer has not followed the format of the Invitation To Tender and/or submitted standard text in place of a fully informed written answer) and other submissions received, fully interpreted and answered in full the same question. A clarification of this nature would not be permissible due to the Tenderer having a second chance at providing information which would alter the evaluation, and be unfair to other Tenderers.
- 13.1.2 If, for any reason, it is necessary to amend the Specification after Tenders have been received, a new Tender process shall be undertaken.
- 13.1.3 Where procurement is conducted pursuant to the Public Contracts Regulations 2015 through either the open, restricted procedures, advice should be sought from Strategic Procurement. The Authorised Officer may seek clarification from tenderers where appropriate in consultation with Strategic Procurement.

- 13.1.4 Where procurements do not exceed the Public Contracts Regulations 2015 thresholds, if it is in the Council's interest to do so to achieve value for money Strategic Procurement may authorise negotiations. Strategic Procurement will also establish the timescales for said negotiation procedure. Such actions must not distort competition. At all times during the procurement process the Council shall ensure that all tenderers are treated in accordance with the principles of the European Treaty.

14 Authorised Award of Tenders/Quotations and Reports

- 14.1 The Council shall only award a Contract where it represents best value for money. A Contract shall only be awarded using the pre-determined tender evaluation criteria and weightings. Where a tender is to be evaluated on price only, the Contract must be awarded to the Tenderer submitting the lowest price.
- 14.2 A Contract may only be awarded by an officer with the required approval to award contracts in accordance with the Council's Scheme of Delegations. For all Procurements valued at above £3,000, the decision to award a Contract shall be made using the Council's Procurement Gateway Process.
- 14.3 Where a Contract has been tendered and advertised on the Sell2Wales website, the Council shall publish a Contract Award Notice on the Sell2Wales website as soon as possible after the decision to award the Contract has been taken.
- 14.4 Where Procurement is conducted pursuant to the EU Procurement Directives and UK Regulations that implement them the Authorised Officer must allow the statutory standstill period prior to issuing a final award and shall publish a contract award notice in the Official Journal of the European Union no later than 30 days after the date of award of the Contract or such other requirements or time limits as are set out in the Regulations. An official EU Tender report in-line with Rule 84 of the Public Contracts Regulations 2015 must also be submitted.

15 Variations to Contract

- 15.1 Whether or not it is a requirement of the Contract, every variation (whether having a financial implication or not) will be authorised in writing by the appropriate officer(s). The Authorised officer will keep detailed records of any such variation and any variation of a financial matter shall be open to inspection by the Head of Finance. The authorisation will be issued before the variation is placed.
- 15.2 For variations approved by a Authorised Officer, the Contract Manager shall monitor at least monthly the overall level of variations approved to gain assurance that they are correct and appropriate.
- 15.3 Any variation to the original Contract must be in the best interests of the Council and of continued delivery of services.

16 Extensions of Contract Period / Term

- 16.1 The decision to extend the contract period (term) may only be made before the original expiry date, where it is in accordance with the terms and conditions of the original Contract. The relevant Head of Service must authorise any extension of contract using the excepted Contracts form. The value of any extended term shall be assessed and recorded within the excepted Contracts form as part of the extension procedure.
- 16.2 The decision to extend a Framework Agreement may only be made before the original expiry date, where the extension is in accordance with the terms and conditions of the original Contract. Strategic Procurement must take all such decisions to extend framework arrangements. The aggregate term of the Framework Agreement must not exceed 4 years in-line with the EU Regulations.
- 16.3 Where the terms of the Contract and or original procurement exercise do not expressly provide for extension then such Contract may only be extended in exceptional circumstances, where legislation permits and value for money issues have been addressed. Such decisions shall be made by the relevant Head of Service in consultation with Strategic Procurement and the Contract Manager.

17 Procurement of Consultants

- 17.1 For the avoidance of doubt, the appointment of consultants shall be made in accordance with the requirements of these Contract Standing Orders.

18 Procurement by Consultants

- 18.1 Where the Council uses consultants to act on its behalf in relation to any procurement, then the Head of Service shall ensure that the consultants carry out any procurement in accordance with these Contract Standing Orders.
- 18.2 All decisions must be made in accordance with the Council's Scheme of Delegations and are subject to the Council's Procurement Gateway Process.
- 18.3 No consultant shall make any decision on whether to award a Contract or who a Contract should be awarded to outside of the Procurement Gateway Process.. The Head of Service shall ensure that the consultant's performance in relation to procurement is in accordance with these Contract Standing Orders and all statutory procurement obligations.
- 18.4 Where the Council uses consultants to act on its behalf in relation to any procurement, the consultant must declare any potential conflict of interest that may arise to the Head of Service prior to the commencement of the procurement process or at such time that the Contractor becomes aware of such a potential conflict of interest. Where the Head of Service considers that such a conflict of interest is significant, the consultant shall not be allowed to participate in the procurement process.

Note: it is the Council, as the Contracting Authority, which is responsible for all actions and decisions of consultants in relation to the conduct of procurements,

therefore there need to be proper governance procedures in place to manage and monitor consultants appropriately.

19 Variant Tenders

19.1 Variants tenders may be considered where this was indicated in the Invitation to Tender documentation. This must be in accordance with the Public Procurement Regulations 2015 and in consultation with Strategic Procurement.

20 Abnormally Low Tenders

20.1 Where as a result of identifying that the overall tendered price or costs raises significant doubts that the Contractor will be able to complete the contract within the contract terms, the Council shall require tenderers to explain the price or costs proposed. Where the Council determine the explanation is insufficient or believe significant doubts as to the Contractors ability to meet the requirements still exist, the Council reserve the right to reject the tender. This must be undertaken in accordance with the Public Procurement Regulations 2015 and in consultation with the Strategic Procurement Manager.

21 Capital Contracts

21.1 In the case of capital contracts, the appropriate Head of Service must ensure that the scheme is in the approved capital programme before inviting tenders in accordance with the Procurement Gateway Process.

21.2 For awarded contracts the Head of Service and Head of Finance must be made fully aware of the implications of a major change in the specification of a project in both financial and operational terms, and be made fully aware of all other significant decisions affecting the project. At the first indication or identification of a significant potential overspend of either £25k or 10% of the contract value (whichever is the lowest), the appropriate Head of Service and Head of Finance shall be notified. This must be reported to the Audit Committee via the Head of Finance.

22 Disposal of Assets

22.1 Heads of Service shall be authorised to dispose of goods and materials surplus to the Council's requirements by whichever means would, in the judgement of the officers, result in the best value for the Council; examples may include;

- auction
- tender
- private sale
- transfer to another service
- donation to a not for profit organisation

22.2 Where a surplus item is likely to raise more than £5,000, the appropriate Head of Service shall be consulted before its disposal. Written tenders should be invited for any item likely to realise more than £10,000. Vehicle and Plant assets should be disposed of via the Head of Streetscene and IT assets should be disposed of via the Head of People and Business Change. In the event that

a Head of Service determines that goods are beyond their economic useful life and therefore of no value, they should arrange for recycling as appropriate or disposal as waste. Appropriate records of disposal should be maintained and where assets are maintained on an Asset Register, the appropriate Head of Service should be informed to update the register.

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Financial Regulations

This document constitutes Part 4, Appendix 2 of the Council Constitution

Revised March 2016

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1 General

1.1 These regulations should be read in addition to and not in substitution or deviation from the Council's Standing Orders.

1.2 The Head of Finance shall, for the purposes of Section 151 of the Local Government Act 1972, be responsible for the proper administration of the Council's financial affairs.

1.3 Each Chief Officer shall consult the Head of Finance with respect to any matter within their purview, which is likely to significantly affect the finances of the Council before any form of commitment is given and before reporting to the Cabinet, any Cabinet Member, or any Committee.

1.4 References in these regulations to Chief Officers will in the main relate to Heads of Service, but may also refer to the Chief Executive and or Corporate Directors. Reference to the Head of Finance will also include his/her specifically nominated representative for various aspects of these regulations.

1.5 In recognition of their separate status, separate Financial Regulations have been issued for schools.

2 Financial Control & Supervision

2.1 The Head of Finance is responsible for regulating and controlling the finances of the Council within policies laid down by the Council from time to time. The inclusion or exclusion of any specific matters in any other regulations or resolutions shall not be considered as altering in any way the scope of this regulation.

2.2 Chief Officers shall be responsible for ensuring that Standing Orders and Financial Regulations are complied with in respect of matters falling under their jurisdiction. Non-compliance may be considered a disciplinary offence.

3 Budgeting & Budgetary Control (See also Standing Order 32 & 33)

3.1 The detailed form of capital and revenue estimates shall be determined by the Head of Finance following consultation with the Cabinet Chairman and with the other Chief Officers.

3.2 Chief Officers prepare the estimates of the impact on income and expenditure of budget decisions and strategies for input for revenue account and capital account in accordance with guidelines issued by the Head of Finance.

3.3 The Head of Finance shall collate the estimates and submit them to the Cabinet Chairman for consideration and submission to the Cabinet for approval.

3.4 Chief Officers will be provided with a defined set of Budgets for which they will be personally accountable. Chief Officers shall be empowered to incur expenditure included within their approved estimates subject to compliance with the Standing Orders and Financial Regulations of the Council.

3.5 The Medium Term Capital Programme will be approved by Cabinet on an annual basis, and subject to Standing Order 31, to incur expenditure in order to:

- take steps to enable land required for the purposes of the programme to be acquired in due time and;
- prepare a scheme and estimate including associated revenue expenditure for approval by the Cabinet.

Any additions to the capital programme approved at Cabinet will be subject to a project appraisal report as in 3.6 below, and be included as an addition reported to Cabinet on a regular basis.

3.6 Any proposal involving capital expenditure shall be the subject of a project appraisal report, prepared by the relevant Chief Officer and containing the views of the Head of Finance. Any additions shall be reported to Cabinet before expenditure is incurred and will detail the capital and revenue implications of proceeding with the project. In particular the report shall contain the Head of Finance's advice about the resources to be employed and the adequacy of the budget provision.

3.7 Any proposal for capital or revenue expenditure that is not included in an approved programme and cannot be accommodated within the Chief Officer's delegated authority shall be the subject of a joint report (of the Chief Officer and Head of Finance) to the Cabinet.

3.8 The Head of Finance shall be responsible for maintaining a corporate accounting system which will provide a statement of receipts and payments under each head of approved estimate and any other such relevant information as needed. Each Chief Officer is responsible for accurately recording on the corporate accounting system all expenditure and income due to the Council irrespective of any local management systems that are maintained. Chief Officers are responsible for ensuring that staff have been adequately trained in the use of the corporate financial systems.

3.9 Chief Officers are responsible for monitoring, controlling and reporting all activities which incur expenditure or generate income against the approved budget.

3.10 Chief Officers shall have a duty to consult with the Head of Finance as a matter of urgency where it appears that the amount of any head of estimate of approved expenditure or income will substantially vary from the approved estimate.

3.11 It is recognised that schools with delegated budgets under the approved Local Management of Schools Scheme (LMS) are responsible with the Governing Body for controlling their own in-year expenditure, in accordance with guidance issued by the Chief Education Officer.

3.12 Virements and Technical Adjustments

3.13 In accordance with guidance the transfer of budgets between objective codes (i.e. cost centres) shall be subject to the following authority levels, Budget adjustments are split into two categories, virements and technical adjustments.

Virements

3.14 A virement is instigated, when budget previously identified and required for a particular set of strategic objectives or purpose, is no longer required and can be redirected to achieve further different strategic objectives or purpose, requiring additional expenditure to that previously

planned. Monies are transferred to achieve different strategic objectives from that originally planned for the money.

3.15 Examples:

- transferring expenditure/income budgets to different cost centres
- transferring expenditure/income budgets to different subjective on cost centres
- creating income and associated expenditure budgets for unknown/'windfall' income streams

3.16 Under no circumstances can virements be used to:

- fund recurring expenditure from non-recurring savings
- transfer capital monies to revenue
- create an unbalanced budget

3.17 Virements (which are deemed not to be technical adjustments) are subject to the following delegated authorisation limits:

- Following appropriate consultation with Head of Finance, any Head of Service, shall have the authority to vire any budget within their control to an aggregate total of £100,000 or 5% per annum (whichever is the lower).
- The Cabinet shall have the authority to vire any budget up to an aggregate total of £2,000,000 or 15% per annum (whichever is the lower) and Council shall have the authority to vire any budget in excess of this amount.
- All virements undertaken will be reflected in budget monitoring reports to the Cabinet as presented from time to time.
- All virements require authorisation and full explanations in a form which the Head of Finance will decide, before implementation

Technical Adjustments

3.18 A number of budget adjustments take place during the year for purely technical reasons. These are not subject to the authorisation limits of budget virements and the Head of Finance or his nominated representatives can authorise these. These adjustments will include:

- Adjustments within the same cost centre and sub code area i.e. employee, premises, transport etc.
- Internal and central support recharges
- Realignment of budgets for office accommodation, provisions, insurance or capital charges
- Detailed allocation or amendments to schools delegated budgets
- Allocation of savings from Change/Efficiency Programmes (inc. cross cutting savings)
- Adjustments required to support approved Council-wide initiatives such as Total Reward, Living Wage or Pay Award
- Realignment of budgets to reflect changes in grants or external funding, provided additional contributions are not required from core budgets
- Adjustments required or arising from specific decisions approved by Council or Cabinet

- Allocation of sums to or from pooled/contingency budgets where these are within the overall budget but awaiting detailed allocation
- The movement of budgets for specific functions or areas of work either within directorates or between directorates where the changes are for purely structural or reporting purposes and there is no change in the overall purpose for which the funding was allocated.

3.19 Where a decision is required as to whether a technical adjustment will apply, advice should be sought from the Assistant Head of Finance.

4 Accounting

4.1 The Head of Finance shall be responsible for advising the Council on all financial matters and for issuing instructions for the safe and efficient receipt of monies payable to and for the issue of money by the Council.

4.2 The Head of Finance shall be responsible for keeping the principal accounting and costing records of the Council and shall exercise overall supervision and control and, where necessary, shall prescribe the form of financial records, statements and accounts kept under the control of any Chief Officer.

4.3 Each Chief Officer should ensure the following principles shall be observed in the allocation of accounting duties:

- the duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated, as completely as possible, from the duty of collecting or paying them;
- officers responsible for the examination and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

5 Audit

5.1 A continuous internal audit, under the independent control and direction of the Head of Finance, shall be exercised over all services of the Council.

5.2 The responsibility of Internal Audit shall be to review, appraise, and report upon:

- the soundness, adequacy and application of internal controls, including the application of these regulations and Contract Standing Orders;
- the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - fraud and other offences;
 - waste, extravagance and inefficient administration, poor value for money or other causes.
- the suitability and reliability of financial and other management data developed by the Council.

5.3 Internal Audit must be consulted by Chief Officers at an early stage during the development of all new systems or the upgrading of existing systems to ensure that such systems provide adequate internal controls.

5.4 For the purpose of Internal Audit the Head of Finance and his/her nominated representative shall have authority to:

- enter at all reasonable times on any Council premises or land without prior notice;
- have access to all records, documents, computer programs and files and correspondence relating to any financial and related transactions of the Council;
- require and receive such explanations as are necessary concerning any matter under examination;
- require any employee of the Council to produce cash, stores or any other Council property under their control or such items in their custody as an officer of the Council which are the property of other persons;
- secure and prevent access to any equipment and records subject to an immediate report to the relevant Chief Officer.

5.5 In every case where any matter arises that could involve irregularities concerning cash, stores or other Council property or any suspected irregularity in the exercise of the functions of the Council, the relevant Chief Officer shall immediately notify the Head of Finance who shall take such steps as is considered necessary by way of investigation and report. The Chief Internal Auditor shall advise the most appropriate course of action.

5.6 The Chief Internal Auditor shall submit at least an annual audit report for consideration by the Audit Committee. In addition individual audit reports shall be prepared for Chief Officers relating to audit assignments undertaken in relation to their services.

5.7 The Council's Audit Committee will also be responsible for:

- reviewing the annual audit needs assessment and Strategic Audit Plan;
- considering major findings of Internal Audit investigations;
- reviewing implementation of Internal Audit recommendations and management responses;
- ensuring the resources available to Internal Audit are sufficient to meet the Council's needs.

5.8 All amendments to the Internal Audit Plan are to be approved by the Head of Finance and reported to the Council's Audit Committee.

5.9 Notwithstanding the responsibility of the Head of Finance for the control and direction of Internal Audit, it shall be the duty of the Chief Internal Auditor to report direct to the Chief Executive, and the Chairman of the Cabinet, on any matter in which the Head of Finance appears to be personally involved; or any other matter he/she considers appropriate.

5.10 Chief Officers having responsibility for building, engineering, other works or service contracts must supervise, monitor and control the administration of those contracts. They should ensure satisfactory delivery of the project contract and robust budgeting of costs.

5.11 In order to maintain an objective and independent position, the Internal Audit Section will not undertake work outside of the agreed Audit Plan without the authority of the Head of Finance.

5.12 Audit Reports will normally be issued in draft for up to one month to enable relevant officers to comment on the factual accuracy. Responses received, or any failure to respond, will be taken into account when the reports are submitted to the Audit Committee where applicable. All agreed recommendations are required to be implemented by Chief Officers within 6 months.

5.13 The Head of Finance will bring to the attention of the Chief Executive and the Chairman of the Cabinet any substantial matter concerning probity, which becomes the subject of an Internal Audit investigation.

6 Petty Cash & other Advance Accounts

6.1 The Head of Finance shall make such advances as is considered necessary after consultation with a Chief Officer to meet petty cash payments and for use as change floats. Such accounts will be maintained on an Imprest system.

6.2 Payments from petty cash Imprests shall be limited to a maximum value and type of expenditure as may be directed from time to time by the Head of Finance by way of Financial Instructions. This maximum shall not be exceeded without the authority of the Chief Officer in conjunction with Head of Finance and only in accordance with his/her guidance.

6.3 No income received on behalf of the Council may be paid into an Imprest account but must be banked or paid to the Council intact as provided elsewhere in these regulations.

6.4 Any officer responsible for an Imprest account shall, when requested, provide to the Head of Finance a certificate as to the state of the Imprest account.

6.5 On leaving the employment of the Council or otherwise ceasing to be responsible for an Imprest account, an officer shall account to the Head of Finance for the amount of the Imprest account.

7 Banking Arrangements

7.1 All arrangements with the Council's bankers shall be made by or under arrangements approved by the Head of Finance, who shall operate such banking accounts, including Girobank Accounts, as is considered necessary. No bank accounts with reference to the Council or an establishment will be set up without the prior approval of the Head of Finance.

7.2 All cheques, including Girobank payment forms, shall be ordered only on the authority of the Head of Finance, who shall make proper arrangements for their safe custody.

7.3 Cheques on the Council's main bank accounts, including Girobank Accounts, shall bear the facsimile signature of the Head of Finance or be signed by the Head of Finance or by such Officers designated by him/her for that purpose.

8 Contracts for Supply of Goods & Materials, Building, Constructional Maintenance or Engineering Work, etc.

8.1 Each Chief Officer shall ensure that no contract for the supply of goods or materials or for the execution of works shall be entered into unless it is in accordance with the Council's Contract Standing Orders, Procurement Strategy and associated guidance.

9 Property

9.1 The Head of Law and Regulation shall maintain a terrier of all properties owned by the Council, (except dwellings provided under the Housing Acts), recording the purpose for which held; location extent and plan reference; purchase details; particulars of nature of interest; rents payable; particulars of tenancies granted and any other information required to complete the Council's asset register.

9.2 The Head of Law and Regulation shall maintain a terrier of all Council dwellings, Council built garages and garage plots on Council housing land.

9.3 The Head of Law and Regulation shall also have custody of all title deeds under secure arrangements.

10 Income

10.1 The collection of all income due to the Council shall be undertaken in accordance with arrangements approved by the Head of Finance, and shall be receipted in every instance as directed by the Head of Finance.

10.2 All fees and charges from works/goods delivered must be taken in advance wherever possible, and if not take at point of sale or invoice raised at the earliest opportunity. Invoices must be raised within payment terms as determined by the Head of Finance and no credit terms should be made available unless agreed by Head of Finance in advance.

10.3 All money received on behalf of the Council shall at such intervals as determined by the Head of Finance be paid to the Finance Service Area, or subject to the instructions of the Head of Finance be banked in the Council's name. All such money must be paid to the Finance Service Area or be banked, as appropriate, intact without any deduction except on the specific authorisation of the Head of Finance.

10.4 All receipt forms, tickets, licences and other documents representing receipts for money, shall be in a form approved and supplied by the Head of Finance who shall be satisfied as to the arrangements for their control. In addition the use of any cash receipting equipment must be subject to the approval of the Head of Finance.

10.5 Every transfer of official money from one member of staff to another will be evidenced in the records of the service areas concerned by the signature of the officer receiving the money.

10.6 No debit in respect of an amount due to the Council once established shall be discharged otherwise than by payment in full or the written authority from the Head of Finance for the writing off of the debt.

10.7 Personal cheques shall not be cashed out of money held on behalf of the Council without the specific authority of the Head of Finance.

11 Grants

11.1 Chief Officers shall be responsible for ensuring that proper arrangements, including adherence to grant terms and conditions, are in place in respect of all grants from whatever source, which may be due to the Council.

11.2 Each Chief Officer shall ensure that whenever a grant application is being considered the Head of Finance is consulted and where necessary the proper authority obtained and suitable records are kept as specified by the Head of Finance.

11.3 All grants and associated expenditure must be accounted through the approved accounting system and budgeted and controlled to ensure appropriate compliance with grant terms and conditions.

12 Insurances

12.1 The Head of Service responsible for the Insurance area shall effect all necessary insurance cover and determine those risks that are to be covered by the Council's insurance funds.

12.2 All Chief Officers shall notify the Head of Law and Regulation of all new risks, properties or vehicles that need to be insured and of any deletions or other alterations necessary to existing insurances.

12.3 The Head of Law and Regulation should be promptly notified of any occurrence likely to lead to a claim. Unless otherwise decided by the Head of Law and Regulation, all cases involving loss or damage must be notified to the Police. If the case involves the possibility of fraud the Head of Finance must be informed.

12.4 All appropriate officers of the Council shall be included in a suitable fidelity guarantee insurance and, in all circumstances where the Council undertakes work on a contractual basis for a third party, professional indemnity insurance.

12.5 The Head of Law and Regulation shall annually, or at such other periods as is considered necessary, review all insurances in consultation with other Chief Officers as appropriate.

12.6 Chief Officers shall consult both the Head of Law and Regulation and the Head of Finance concerning any indemnity the Council may have to give.

13 Inventories & Asset Registers

13.1 Each Chief Officer shall maintain inventories and/or asset registers of such items, and in such format, as directed by the Head of Finance.

13.2 Each Chief Officer shall arrange for the inventories to be checked physically, on at least an annual basis, and shall certify that the records are correct. Any adjustments that may be necessary for surpluses or deficiencies shall be subject to approval by the Head of Finance.

13.3 Council property shall not be removed otherwise than in accordance with the ordinary activities of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Officer concerned.

13.4 Special arrangements are contained in Financial Instructions in respect of the property of Social Services clients in residential/nursing homes.

14 Treasury Management

14.1 The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) 2011. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority investments in 2010 that requires the Authority to approve a treasury management strategy before the start of each financial year.

14.2 The Council will fulfil the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and WG guidance.

14.3 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement (TMPS), stating the policies and objectives of its treasury management activities;
- suitable treasury management practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

14.3 All money in the hands of the Council shall be aggregated for the purposes of Treasury Management and shall be under the control of the Head of Finance.

14.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Head of Finance who will act in accordance with the Council's policy statement and TMPs and CIPFA's Prudential Code for Capital Finance in Local Authorities.

14.5 All such borrowing, investment or financing shall be in the name of the Council.

14.6 All securities, the property of, or in the name of the Council or its nominees, in its ownership, shall be held in the custody of the Head of Finance.

14.7 The Head of Finance shall be the registrar for securities or delegate such responsibility where appropriate.

14.8 Any officer acting as a trustee by virtue of their office shall deposit the relevant securities with the Head of Finance unless the deed otherwise provides.

14.9 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year and annual report after its close, in the form prescribed in its TMPs.

15 Orders for Work, Goods & Services

15.1 Each Chief Officer shall ensure that official orders shall be:

- issued for all work, goods or services supplied to the Council unless specifically approved by the Head of Finance.
- raised where possible on the electronic procurement system by authorised requisitioner, and approved by Chief Officer's authorised signatories which shall be regularly updated as necessary, and authorised signatories removed when officer leaves the authority.
- The order raised should reflect as closely as possible the expected goods/services to be received and the estimated cost.

Orders raised outside of the electronic procurement system shall be:

- in a form approved by the Head of Finance who shall consult the Head of Law and Regulation thereon, if necessary;
- approved on behalf of each Chief Officer by persons they authorise, with approval of the Head of Finance. A list of each Chief Officer's authorised signatories for ordering goods shall be supplied to the Head of Finance and regularly updated as necessary.

15.2 Chief Officers will be responsible for orders issued from their division, and in particular, for ensuring that they conform with the Council's requirements concerning purchasing and compliance with the Procurement Gateway Process, in particular use of corporate contracts, and that the expenditure will be within the relevant annual estimates or covered by specific financial provision.

15.3 Each Chief Officer shall ensure an appropriate segregation of duties exists between the ordering, receipt, payment and accounting for the purchase of goods and services.

15.4 No employee shall purchase goods on behalf of the Council, or any client of the Council, in a manner that confers any financial or any other benefit to the purchaser (eg by the use of personal catalogues).

16 Payment of Accounts

16.1 Apart from petty cash Imprest and other payments from advance accounts the normal method of payment of money due from the Council shall be from the Council's Banking Account in a form directed by the Head of Finance.

16.2 Chief Officers or their senior delegated officers will be responsible for checking, examining and certifying the goods receipted on the electronic procurement system and the invoices received to ensure correct and timely payments of accounts. All other invoices or other payment vouchers or accounts arising in their service area, will require the same level of checking, examining, certifying and prompt delivery to the payments section.

16.3 The above certification of payment vouchers will be in a form approved by the Head of Finance.

16.4 Each Chief Officer shall supply to the Head of Finance, for approval, names and specimen signatures and initials of officers they propose shall sign such vouchers.

16.5 Before the receipting of goods on the electronic procurement system or the certifying of voucher for payment, the certifying officer shall satisfy themselves that:

- the goods, work or service to which the order/voucher relates have been received, carried out, examined and approved;
- the prices, extensions, calculations, discounts, other allowances, credits and V.A.T. are correct;
- the relevant expenditure has been properly incurred;
- appropriate entries have been made in inventories, stores or stock records;
- the order/voucher has not been previously passed for payment, and is properly payable by the Council.

16.6 Duly invoices/certified vouchers shall be passed without delay to the Head of Finance and/or input into the Council's accounts payable system, who shall examine them as is considered necessary and where appropriate will be entitled to make enquiries and to receive such information and explanations as is required.

16.7 Each Chief Officer shall, not later than a date, as specified each year by the Head of Finance, notify the Head of Finance of any outstanding expenditure relating to the previous financial year.

17 Salaries & Wages

17.1 The payment of all salaries, wages, gratuities, compensation and other emoluments to all employees or former employees of the Council shall be made by, or under arrangements approved and controlled by, the Head of Service responsible for payroll administration.

17.2 Each Chief Officer, as appropriate, shall notify the Head of Service responsible for payroll administration by paper or electronic means including input to the Council's corporate personnel system, of all matters affecting the payment of salaries, wages and other emoluments and in particular:

- appointments, resignations, dismissals and suspensions;
- absences from duty for sickness or other reasons, apart from annual leave;
- changes in remunerations, other than normal increments and pay awards and agreements of general applications;
- information necessary to maintain records of service for superannuation, income tax, national insurance and similar purposes.

17.3 With particular regard to resignations or dismissals of staff, each Chief Officer shall notify the Head of Service responsible for payroll administration immediately it becomes known that an employee's employment is to terminate, for whatever reason. At the same time the Chief Officer shall notify the Head of Service responsible for payroll administration of any outstanding amounts that may have to be recovered from the employee, for example, in respect of post entry training costs, aids to recruitment costs or outstanding car loans.

17.4 Any report concerning the early retirement of an employee, for any reason, shall include the views of the Head of People and Transformation and a calculation of the costs in a form approved by the Head of Service responsible for payroll administration.

17.5 All time records and other pay documents shall be in a format approved by the Head of Service responsible for payroll administration and shall be certified in writing, or as otherwise directed, by or on behalf of the relevant Chief Officer.

17.6 All Chief Officers shall supply to the Head of Service responsible for payroll administration, and regularly update where necessary, the names of the officers they authorise to sign such documents or input such data, together with the officer's specimen signatures and / or computer identification codes.

17.7 Appointments of all employees shall be made in accordance with the Standing Orders of the Council within the approved establishments, grades and rates of pay.

18 Security

18.1 All Chief Officers are responsible for maintaining proper security, at all times, of the buildings, stocks, furniture, equipment, cash and assets under their control. No Council property shall be sold or otherwise disposed of without the approval of the appropriate Chief Officer in consultation with the Head of Finance. Any such disposal must be in accordance with Standing Orders.

18.2 The Head of Finance shall issue instructions concerning the limits of cash holdings, and in no circumstances should these be exceeded without the Chief Officer's express authority.

18.3 Instructions will also be issued by the Head of Finance with regard to the frequency of banking and deposits with the bank, Girobank or the Finance Division Revenue Section/Council Tax Offices.

18.4 All Chief Officers shall make sufficient arrangements for the security, custody and availability of keys to safes and similar receptacles in their Service Area. Any loss of such keys shall be reported to the Head of Finance as soon as possible.

18.5 In cases of burglary and break-in the Chief Officer shall notify the Police immediately. The Head of Finance should then be informed of all such incidents including details of losses incurred as soon as possible.

18.6 The Head of Service responsible for IT shall be responsible for maintaining proper security and privacy with regards to information held in the corporate computer installation and all its systems, and for their use, including Internet.

18.7 Each Chief Officer shall be responsible for maintaining proper security and privacy in respect of information held in other computer equipment and related systems within their Service Area.

18.8 The Chief Executive shall be responsible for ensuring all aspects of the Data Protection Act 1998 are complied with by the Council.

18.9 Officers who have Internet access, or other I.T facilities, should restrict their use to work related matters other than with the express approval of their Chief Officer. Members who have Internet access, or other I.T facilities or equipment provided by the Council should ensure that they are properly used for the purposes of their role as a Councillor.

19 Stocks & Stores

19.1 Each Chief Officer shall be responsible for the care and custody of the stocks and stores in their service area.

19.2 All stores records shall be in a format approved by the Head of Finance.

19.3 Stocks shall not be in excess of normal requirements, as determined by the Chief Officer in consultation with the Head of Finance, except in special circumstances after consultation with the Head of Finance.

19.4 Where stocks and stores are held the Chief Officer shall arrange for a system of continuous stock taking to be undertaken and shall ensure that all stocks are checked at least once a year.

19.5 Chief Officers shall be required to submit to the Head of Finance, where appropriate, a certificate indicating the value of stocks, stores and work in progress at 31 March each year. Such certificates shall be provided to the Head of Finance by the end of April each year.

19.6 The Head of Finance shall be entitled to examine and check stores and records, and be supplied with such information relating thereto as may be required for the accounting, costing and financial records of the Council.

20 Financial Instructions & Procedures

20.1 From time to time the Head of Finance or the Chief Officer in consultation with the Head of Finance, shall issue Financial Instructions as is deemed necessary for the guidance of all employees of the Council who handle cash or deal with financial matters during the course of their duties. All such instructions will be deemed to have the same authority as if they were specifically referred to in Financial Regulations.

20.2 It will be the responsibility of each Chief Officer to ensure that every such employee in their division has access to a copy and complies with all Financial Instructions relevant to their duties.

21 Leasing

21.1 The Head of Finance shall be responsible for obtaining quotations from Finance Houses providing lease arrangements for the acquisition of buildings, plant, vehicles and equipment in accordance with European Union directives.

21.2 No leasing arrangements should be entered into as a means of acquiring assets unless agreed with Head of Service and with consultation of the capital accountant as the most efficient means of acquiring the asset.

21.3 Provision within Service estimates to cover the annual costs of leasing should be made only following consultation with the Head of Finance.

21.4 Sale/Lease-back and operating leasing arrangements also come within this regulation.

22 Officers' Fees, Travelling & Subsistence Allowances & Incidental Expenses

22.1 All claims for payment of fees, car allowances, subsistence allowances and travelling and other expenses shall be submitted and/or input to the corporate Payroll system, duly certified, in a format approved by the Head of Service responsible for payroll, to the payroll team as soon as possible following the end of the monthly period in which they are incurred.

22.2 All subsistence claims will be reimbursed in accordance with guidelines issued by the Head of Service. Claims will only be reimbursed if supported by a valid VAT receipt.

22.3 Each Chief Officer shall supply to the Head of Service, for approval, names, designations and specimen signatures of officers they propose shall sign such claims. Where approval is carried out on-line then names, designations and computer identification codes shall be submitted to the Head of Service.

22.4 The certification by or on behalf of the Chief Officer shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, properly and necessarily incurred and the fees and allowances are properly payable by the Council.

22.5 Claims submitted more than three months after fees were earned or the expenses incurred must be accompanied by an explanatory letter of the delay and will only be paid on the express approval of the Head of Service and only when the reasons for delay are exceptional.

22.6 All payments of incidental expenses such as removal, lodging and disturbance allowances and training course fees, etc. shall be made in accordance with the appropriate scheme approved by the Council.

22.7 Payments to members of the Council or its Committees who are entitled to claim travelling or other allowances, will be made by the Head of Service on receipt of the prescribed form duly completed. All claims for a financial year are to be submitted within one month of 31 March. Details of payments made to members will be retained by the Head of Service and made available for public inspection when appropriate.

23 Protection of Private Property

23.1 The Head of Regeneration, Investment & Housing or any other Chief Officer where appropriate, shall notify the Head of Finance promptly of any cases where it is considered necessary to take into the possession of the Council or that officer any moveable property belonging to a third party in order to prevent or mitigate loss or damage to such property. In such cases the appropriate Chief Officer shall arrange for the preparation in the presence of two officers of an itemised inventory of all such property. The appropriate Chief Officer must make arrangements for each such inventory to be kept securely.

23.2 All valuables such as jewellery, watches and other small articles of a similar nature and documents of title belonging to a third party shall be held in safe custody and in a secure environment as is approved by the Head of Finance.

23.3 Any such items taken into the possession of the Council shall not be disposed of without the written approval of the Head of Finance.

24 Purchasing Cards

24.1 The purchasing card system is designed to support the current Purchase 2 Pay purchasing and invoicing process and should not be considered as a replacement mechanism to bypass the formal requisition and approval process.

24.2 A Purchasing Card is provided to nominated staff to purchase low value goods and services that would normally require a Purchase Order. Purchasing Card transactions do not require a Purchase Order. The Purchasing Card transactional and card monthly spend limits are set out below.

24.3 The Purchasing Card shall only be used for the following requirements unless specifically authorised by the Purchasing Card Administrator:

- The purchase would result in a low value (sub £100) order being processed.
- There is a valid and urgent requirement to purchase goods or services.
- Traditional order methods cannot be used (e.g. internet only services).

24.4 Purchasing Cards should not be considered for use where it would result in the bypassing of Corporate Procurement rules.

24.5 Card Holder Supervisors will be responsible for carefully checking the transactions on Barclaycard Spend Management and ensure that the purchases are appropriate and that all of the Council's procedures have been observed. It is expected that supervisors will check transactions against physical receipts provided. If the Supervisor is not willing to approve a purchase made on the card by the cardholder then they should notify the Purchasing Card Administrator immediately who will then escalate to Internal Audit.

Cardholder Responsibilities

24.6 The cardholder is responsible for:-

- Ensuring that the monthly Card Provider Purchasing Card statements are reconciled, approved on the system by the Cardholder
- Ensuring that all relevant receipt documentation is received from suppliers to ensure reconciliation of card spend meets HMRC requirements by providing tax (e.g. VAT) receipts (original physical copies must be retained).
- Ensuring that the card and PIN is kept safe and secure at all times.

- Ensuring that the card is only used to purchase goods and services on behalf of the Council.
- Ensuring that lost or stolen cards must be reported to the Card Provider and the Purchasing Card Administrator immediately. The card will be cancelled, a replacement card will normally be despatched within seven (7) days. If the lost or stolen card is subsequently found, the card must be destroyed.
- Notifying the Purchasing Card Administrator of any changes to personal details e.g. change of name, home address, location, position within the company. If the Cardholder leaves the Council their card must be returned to the Purchasing Card Administrator where it will be cancelled and destroyed.
- Ensuring that expired or cancelled cards are destroyed.



Report

Audit Committee

Part 1

Date: 26 May 2016

Subject Work Programme

Purpose To report the details of this Committee's work programme.

Author Scrutiny Support & Research Officer

Ward General

Summary The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

This report presents the current work programme to the Committee for information and details the items due to be considered at the Committee's next two meetings.

Proposal **The Committee is asked to endorse the proposed schedule for future meetings, confirm the list of people it would like to invite for each item, and indicate whether any additional information or research is required.**

Action by Audit Committee

Timetable Immediate

This report was prepared after consultation with:

- Head of Law and Standards
- Head of Finance
- Head of Human Resources and Policy

Background

The purpose of a forward work programme is to help ensure Councillors achieve organisation and focus in the undertaking of enquiries through the Audit Committee function.

Attached at Appendix 1 is the forward work programme for this Committee. Below are the items scheduled to be presented at the Committee's next two meetings. Committee Members are asked to endorse this schedule, confirm the list of people they would like to invite for each item, and indicate whether any additional information or research is required.

26 May 2016

Appointment of Chairman
Internal Audit Annual Report 2015/16
Internal Audit Annual Plan 2016/17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Corporate Risk Register Update (considered by Cabinet in March 2016)
Treasury Management Report
Referrals to Audit Committee

23 June 2016

Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Corporate Risk Register Update (Considered by Cabinet in June 2016)
Annual Governance Statement
Draft Financial Accounts 2015/16
Referrals to Audit Committee

Financial Summary

Please see comments from Chief Financial Officer below.

Risks

If proper work programming procedures are not put in place, the organisation and prioritisation of the work programme is put at risk. The work of the Audit Committee could become disjointed from the work of the rest of the Council, which could undermine the positive contribution Audit Committee makes to service improvement.

This report is presented to each Committee every month in order to mitigate that risk. The specific risks associated with individual topics on the work programme will need to be addressed as part of the Committee's investigations.

Comments of Chief Financial Officer

There will be financial consequences for some of the reviews undertaken. These will be commented upon as the reports are presented. The preparing and monitoring of the work programme is done by existing staff for which budget provision is available.

Comments of Monitoring Officer

I have no comments, as there are no legal implications.

Staffing Implications: Comments of Head of People and Business Change

There are no staffing implications within this report. Any staffing implications of the reviews in the work programme will need to be addressed in individual reports.

Background Papers

None.

Appendix 1**(Audit Committee to meet every other month unless circumstances dictate otherwise)**

26 May 2016
Appointment of Chairman
Internal Audit Annual Report 2015/16
Internal Audit Annual Plan 2016/17
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 4, Jan to March)
Corporate Risk Register Update (considered by Cabinet in March 2016)
Treasury Management Report
Referrals to Audit Committee

23 June 2016
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Corporate Risk Register Update (Considered by Cabinet in June 2016)
Annual Governance Statement
Draft Financial Accounts 2015/16
Referrals to Audit Committee

22 September 2016
Internal Audit Plan 2016/17 – Progress (Quarter 1)
Statement of Accounts 2015-16
Audit of Financial Statements Report 2015-16
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 1, April to June)
Corporate Risk Register Update (Considered by Cabinet in September 2016)
Report on Audit Committee Self Evaluation Exercise
Referrals to Audit Committee
Regulatory Reports Summary (every 6 months approx. March and September)

24 November 2016
Internal Audit Plan 2016/17 – Progress (Quarter 2)
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 2, July to September)
Treasury Management Report
Lessons Learned 2015/16
Audit Committee Self Evaluation Exercise
Referrals to Audit Committee

26 January 2017
Internal Audit Plan – Progress (Quarter 3)
Financial Memorandum on the 2015-16 Financial Audit
Treasury Management Report
Internal Audit Unsatisfactory Audit Opinions (6 monthly report)
Corporate Risk Register (Considered by Cabinet in December 2016)
Referrals to Audit Committee

30 March 2017
Annual Audit outline for the 2015/16 Financial Audit
SO24/Waiving of Contract SOs: Quarterly report reviewing Cabinet/CM urgent decisions or waiving Contract SOs (Quarter 3, October to December)
WAO Annual Report on Grants Works
Regulatory Reports
Annual Governance Statement (draft statement)
Corporate Risk Register (Considered by Cabinet in March)
Member Development Self Evaluation Exercise
Referrals to Audit Committee

Unallocated work (Dates to be agreed)
Report on Risks associated with Hosting (IT)
Treasury Management Training
Issues Outstanding – Member Development Self Evaluation Exercise

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