

To: All Members of the AUDIT  
COMMITTEE  
(Other Members for Information)

When calling please ask for:  
Amy McNulty, Democratic Services Officer  
**Policy and Governance**  
E-mail: [amy.mcnulty@waverley.gov.uk](mailto:amy.mcnulty@waverley.gov.uk)  
Direct line: 01483 523492  
Date: 15 November 2019

### **Membership of the Audit Committee**

Cllr Peter Marriott (Chairman)  
Cllr Jerome Davidson (Vice Chairman)  
Cllr Richard Cole  
Cllr Simon Dear

Cllr Jan Floyd-Douglass  
Cllr Michaela Gray  
Cllr Richard Seaborne  
Cllr George Wilson

Dear Councillors

A meeting of the AUDIT COMMITTEE will be held as follows:

DATE: TUESDAY, 26 NOVEMBER 2019  
TIME: 7.00 PM  
PLACE: COMMITTEE ROOM 1, COUNCIL OFFICES, THE BURYS,  
GODALMING

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR  
Head of Policy and Governance

Agendas are available to download from Waverley's website ([www.waverley.gov.uk/committees](http://www.waverley.gov.uk/committees)), where you can also subscribe to updates to receive information via email regarding arrangements for particular committee meetings.

Alternatively, agendas may be downloaded to a mobile device via the free Modern.Gov app, available for iPad, Android, Windows and Kindle Fire.

Most of our publications can be provided in alternative formats. For an audio version, large print, text only or a translated copy of this publication, please contact [committees@waverley.gov.uk](mailto:committees@waverley.gov.uk) or call 01483 523226.

Please be advised that there is limited seating capacity in the Public Gallery; an overflow room will be available where possible. This meeting will be webcast and can be viewed by visiting [www.waverley.gov.uk/webcast](http://www.waverley.gov.uk/webcast).

---

## **NOTE FOR MEMBERS**

Members are reminded that Contact Officers are shown in each report and members are welcome to raise questions, etc. in advance of the meeting with the appropriate officer.

## **AGENDA**

1. **MINUTES**

To confirm the Minutes of the Meeting held on 24 September 2019 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

To receive from Members, declarations of interests in relation to any items included on the Agenda for this meeting, in accordance with the Waverley Code of Local Government Conduct.

4. **QUESTIONS BY MEMBERS OF THE PUBLIC**

The Chairman to respond to any questions received from members of the public of which notice has been duly given in accordance with Procedure Rule 10.

The deadline for receipt of questions is 5pm on Tuesday 19 November 2019.

5. **QUESTIONS FROM MEMBERS**

The Chairman to respond to any questions received from Members in accordance with Procedure Rule 11.

The deadline for receipt of questions is 5pm on Tuesday 19 November 2019.

6. **CONTRACT PROCUREMENT RULES UPDATE (Pages 7 - 44)**

The Contract Procurement Rules (CPRs) form part of the Council's Constitutional framework. They should be maintained and updated as and when required to adopt legislative changes, reflect best practice in the industry and support the Council's corporate objectives.

Recommendation

**That the Audit Committee recommends to the Council that the proposed amendments to the Contract Procurement Rules be approved.**

7. FINANCIAL REGULATIONS UPDATE (Pages 45 - 82)

The Audit Committee is asked to consider the update to the Financial Regulations and recommend them to the Council, in compliance with the Audit Committee Terms of Reference under Article 8 of the Constitution. Specifically, the Audit Committee is required to maintain an overview of the Council's Constitution in respect of financial regulations.

Recommendation

**It is recommended that the Committee recommends the update to the Financial Regulations and any consequential changes to the scheme of delegation to the Council for adoption.**

8. TAX STRATEGY UPDATE (Pages 83 - 88)

The Council is required to have in place a Tax Strategy to fulfil its responsibilities under the Legislation in Criminal Finances Act 2017, and to undertake to respond appropriately to the Corporate Criminal Offence guidance from HMRC issued September 2017.

Recommendation

**That the Audit Committee considers the attached Tax Strategy and passes any comments and observations to the Executive.**

9. ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Pages 89 - 90)

To enable the Committee to raise any potential emerging governance issues that may need to be addressed in the Annual Governance Statement 2019/20.

A document setting out the classification for significant issues is attached for reference.

Recommendation

**The Committee is invited to raise any potential emerging governance issues for consideration.**

10. DEBT RECOVERY UPDATE

As requested at the last meeting, to receive a verbal update from the Head of Finance on the Council's Debt Recovery Policy.

11. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20 (Pages 91 - 106)

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the internal audit reviews in 2019-20 is presented.

Recommendation

**It is recommended that the Committee notes the contents of the Internal Audit progress report for November 2019 as attached in Annexe 1.**

12. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 107 - 110)

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

Recommendation

**It is recommended that the Committee considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting identifies any action it wishes to be taken.**

13. FRAUD INVESTIGATION SUMMARY (Pages 111 - 116)

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud.

Recommendation

**It is recommended that the Audit Committee notes the success of the fraud investigation activity.**

14. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Pages 117 - 118)

The Committee's annual recurrent work programme is attached. The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

Recommendation

**The Audit Committee is invited to note its recurrent annual work programme.**

15. EXCLUSION OF PRESS AND PUBLIC

To consider the following recommendation on the motion of the Chairman:

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

16. ANY ISSUES TO BE CONSIDERED IN EXEMPT SESSION

To consider any matters relating to aspects of any reports on this agenda which, it is felt, may need to be considered in exempt session.

**For further information or assistance, please telephone  
Amy McNulty, Democratic Services Officer, on 01483 523492 or by  
email at [amy.mcnulty@waverley.gov.uk](mailto:amy.mcnulty@waverley.gov.uk)**

This page is intentionally left blank

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE 26 NOVEMBER 2019**

---

**Title:**

**CONTRACT PROCUREMENT RULES UPDATE NOVEMBER 2019**

**[Portfolio Holder: Cllr Mark Merryweather]  
[Wards Affected: All]**

---

**Summary and purpose:**

The Contract Procurement Rules (CPRs) form part of the Council's Constitutional framework. They should be maintained and updated as and when required to adopt legislative changes, reflect best practice in the industry and support the Council's corporate objectives.

---

**How this report relates to the Council's Corporate Priorities:**

**Equality and Diversity Implications:**

The Contract Procurement Rules supports the delivery of strategic objectives through the process of procuring contracts for the council to utilise.

**Financial Implications:**

No direct financial implications arise from this report. Implementation of the updated CPR's will be achieved using current resources.

Through compliance with the CPR's Waverley will continue to seek achievement of value for money with public funds.

**Legal Implications:**

The Council must comply with national and European legislation governing public procurement. These include the Public Contracts Regulations 2015, the EU Public Contracts Directive 2014 and the Concession Contracts Regulations 2016.

---

**Background**

The Contract Procurement Rules were last updated and approved by full Council in October 2018. While the CPRs are still fit for purpose there are a small number of amendments required to reflect new/ current legislation as well as the Council's newly adopted Corporate Strategy.

---

**Recommendation**

That the Audit Committee recommends to the Council that the proposed amendments to the Contract Procurement Rules be approved.

---

### **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

---

### **CONTACT OFFICER:**

**Name:** Patrick Tuite

**Title:** Procurement Officer

**Telephone:** 01483 523149

**E-mail:** [patrick.tuite@waverley.gov.uk](mailto:patrick.tuite@waverley.gov.uk)



## **Contract Procurement Rules - Proposed amendments**

It is proposed to update the CPRs (current version 2.5) in the following six areas, as well as any ongoing administrative amendments (such as job titles) and other minor amendments.

- A.** Modern Slavery
- B.** Tax implications
  - 1. Construction Industry Scheme (CIS)
  - 2. IR35
  - 3. Reverse charge of VAT
- C.** Accessibility standards
- D.** Carbon neutral
- E.** Obtaining quotes
- F.** Disposal of council assets

### **A. To include the below as Section 6. MODERN SLAVERY**

#### **Section 6 - Proposed**

##### **6. MODERN SLAVERY**

6.1 *The Modern Slavery Act 2015 was put in place to tackle modern slavery, defined in the act as slavery, servitude, forced or compulsory labour, human trafficking and exploitation.*

6.2 *While the council is not an in-scope organisation for the purpose of the act, officers should ensure that proportionate due diligence is undertaken to certify that council-appointed contractors do not participate in modern slavery, either directly or within their supply chains.*

### **B. To include the below as Section 7. TAX IMPLICATIONS, comprising three sub sections, Construction Industry Scheme (CIS), IR35 and Reverse charge of VAT**

#### **Section 7 - Proposed**

##### **7. TAX IMPLICATIONS**

##### **7.1 Construction Industry Scheme (CIS)**

7.1.1 *Under the Construction Industry Scheme (CIS), the council is required to deduct money from a subcontractor's payments and pass it to HMRC.*

7.1.2 *The deductions are considered an advance payment towards the subcontractor's tax and National Insurance and are an effort by HMRC to protect construction workers from false employment and minimise tax evasion in the construction industry.*

7.1.3 Officers will need to ensure when setting up a new contractor / sub contractor on the councils payment system that all CIS related information is provided to the accounts payable team in order to verify the details.

7.1.4 When receiving invoices for works where CIS deductions are being made, a breakdown of labour and materials should be provided, with evidence of the materials if possible.

## **7.2 IR35**

7.2.1 IR35 relates to off-payroll working, this is where a supplier is operating and providing services for the council via an intermediary, such as a limited company, and were it not for that arrangement, they would be considered an employee and within IR35. It is the responsibility of the council to determine if IR35 applies or not. If it does apply the council (or fee payer if via an agency) would be responsible for making employment tax and National Insurance deductions.

7.2.2 HMRC has developed a toolkit in determining if a supplier is in scope of IR35 but the key considerations are:

7.2.2.1 Does the supplier have to carry out the work personally, as oppose to having the option of sending a suitably qualified / experienced replacement from within the same company?

7.2.2.2 Does the council have to provide the supplier with work, and/or does the supplier have to carry out any work that the council requires?

7.2.2.3 Does the council have control over how, where and when the supplier carries out the work?

7.2.3 While the HMRC toolkit and questionnaire is designed to establish the IR35 position, evidence must be retained to justify how that decision has been reached.

7.2.4 If the answers to 7.2.1.1, 7.2.1.2, and 7.2.1.3, are yes, the supplier is likely to be in scope of IR35, they would then be outside the scope of the CPRs as this would be considered an employment contract (either directly with us or through an agency or other employer), see CPR 2.1 (Scope). If the supplier is outside the scope of IR35 they should be considered a consultant and as such are bound by these CPRs, i.e. competitive quotes must be obtained, any subsequent appointments must be in conjunction with the councils consultancy terms and conditions, unless agreed otherwise by the relevant Head of Service.

## **7.3 Reverse charge of VAT**

7.3.1 A domestic reverse charge which affects the way VAT is collected and paid in the building and construction industry comes into effect on 1 October 2020. The changes mean the customer receiving the service will have to pay the VAT due to HMRC instead of paying the supplier. This will impact on procurements where the council is not the end user of the works. If you think this may affect you then contact the Accountancy service for more information.

**C. To include the below as Section 8. ACCESSIBILITY STANDARDS**

**Section 8 - Proposed**

**8. ACCESSIBILITY STANDARDS**

8.1 On 23 September 2018 the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 came into effect. These build upon existing obligations under the Equality Act 2010. Any procurement that will result in a public facing website where the council or a supplier on our behalf is presenting information relating to the council or services the council offer, must comply with the Act and Regulations and must meet the new accessibility standards. The Communications team should be consulted.

**D. To include the below as Section 9. CARBON NEUTRAL**

**Section 9 - Proposed**

**9. CARBON NEUTRAL**

9.1 On 18 September 2019 Waverley Borough Council declared a climate emergency across the borough with an ambition of being a carbon neutral council by 2030. As such for every procurement within the scope of these CPRs, the environmental impact must be considered, as well as steps taken to minimise / offset the carbon impact where applicable, with a focus on renewable energy or low carbon technologies.

**E. To amend the current requirement of seeking Quotes to Obtaining Quotes (multiple places within the document)**

**Current**

- 19.6 For purchases valued from £5,000 - £24,999
- a) minimum of three quotes must be sought and obtained; fewer than three is required if written approval is given by the relevant head of service
- 19.7 For purchases valued from £25,000 - £99,999
- a) minimum of three quotes must be sought.
- 19.8 For purchases valued over £100,000
- a) minimum of 4 bidders must be invited to submit a response.

## **Proposed**

19.6 For purchases valued from £5,000 - £24,999

a) Either an Open tender or a minimum of three quotes must be sought and obtained; fewer than three is required if written approval is given by the Procurement Officer.

19.7 For purchases valued from £25,000 - £99,999

a) Either an Open tender or a minimum of three quotes must be sought and obtained.

19.8 For purchases valued over £100,000

a) Either an Open tender or a minimum of 4 bidders must be invited to submit a response and a minimum of 3 bids shall be received.

**F. To amend the current wording relating to the DISPOSAL OF COUNCIL ASSETS, to reflect current working practices, remove reference to redundant groups, such as Asset Advisory Group and to better align with the scheme of delegation.**

## **Current**

### **26. DISPOSAL OF COUNCIL ASSETS**

#### **Land and buildings**

26.1 This section refers to disposals that are subject to market conditions.

26.2 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the General Fund shall first be valued by a qualified valuer. The Director of Finance and Resources shall report to the Corporate Management Team to determine whether, in the light of the valuation and location, there are strategic issues, risks or conditions of disposal relative to the Asset Management Plan (or equivalent) and Corporate Plan. If such considerations exist, the disposal shall be referred to the Asset Advisory Group, which will report its views and recommendations to the Corporate Management Team.

26.3 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the Housing Revenue Account, with the exception of sales under the Right to Buy Scheme, shall first be referred to the Head of Strategic Housing who shall consult the relevant director (or otherwise as may be specified in the Scheme of Delegation) to consider any risks associated with the disposal and the strategic and long-term issues in the light of the Asset Management Plan (or equivalent). The Head of Strategic Housing shall obtain a current valuation of the land and/or buildings and report his views and recommendations to the council's Corporate Management Team.

26.4 Any resultant proposal to dispose of the land and/or buildings shall then be discussed by the chairman of the Asset Management Team (or equivalent) or the Head of Strategic Housing (as appropriate) with the S151 Officer and the relevant portfolio holders responsible

for the services in question and the management of the council's assets. A report outlining the reasons why disposal is recommended, and showing how it would be in accordance with the Asset Management Plan (or equivalent) and the proposed method of disposal of the land and/or buildings shall be presented to the Executive for approval.

### **Other council assets**

26.5 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items. Items shall first be offered for transfer to other sections or departments of the council.

26.6 The Asset Advisory Group will be consulted on the disposal of assets where deemed appropriate by the relevant head of service.

26.7 Any items that remain for disposal shall be sold at the highest price possible. An estimated sale value shall be agreed by the relevant Head of Service and the S151 Officer or Deputy S151 Officer, taking note of any value included in the council's accounts and any professional valuations as may be deemed appropriate by the S151 Officer. A note shall be made and retained on file as evidence to support the adopted approach and the valuation. The method of disposal shall be agreed with the S151 Officer.

26.8 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be

26.8.1.1 sold to a member of staff at an agreed price (where the item is of little or no intrinsic value); or

26.8.1.2 offered for sale to all members of staff at the price agreed; or

26.8.1.3 advertised for sale in local papers or relevant trade magazines, as appropriate, at the price agreed; or

26.8.1.4 sold via an open electronic auction, run on the council's E-tendering portal where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the S151 Officer may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.

26.9 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 15.5, 15.6, 15.7 and 15.8.

26.10 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 17, 18 and 19.

26.11 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.

26.12 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the relevant director and the S151 Officer and shall be undertaken in accordance with the provisions of the council's Financial Regulations.

### **Proposed**

## **30. DISPOSAL OF COUNCIL ASSETS**

## **Land and buildings**

- 30.1 This section refers to disposals that are subject to market conditions.
- 30.2 Disposal includes sales, leases, easements and wayleaves of land and property owned by the Council with the exception of sales under the Right to Buy Scheme.
- 30.3 A report outlining the reasons for disposal shall be prepared, including how it accords with Asset Management Plans (or equivalent), and the proposed method of disposal.
- 30.4 Disposals will be evaluated against the Council's criteria for disposal.
- 30.5 Land and property shall be valued by a qualified valuer.
- 30.6 Disposals valued under £250,000 will be administered by the Head of Finance and Property under the Scheme of Delegation.
- 30.7 Disposals valued over £250,000 will be put to the Investment Advisory Board for evaluation and, if agreed, recommended to Council and Executive for approval to sell.
- 30.8 Disposal of land and property owned and funded by the Housing Revenue Account shall first be referred to the Head of Housing Operations who will evaluate the disposal in the light of the Housing Asset Management Plan. Disposals will then be recommended to Council and Executive for approval to sell.

## **Other council assets**

- 30.9 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items.
- 30.10 Items shall first be offered for transfer within the council.
- 30.11 Any items that remain for disposal shall be sold at the highest price possible. Professional valuations shall be sought as appropriate and estimated sale values shall be agreed by the relevant Head of Service and the Head of Finance and Property. The method of disposal shall be agreed with the S151 Officer.
- 30.12 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be:
- a) offered for sale to all members of staff at an price agreed; or
  - b) advertised for sale, at an price agreed; or
  - c) sold via an open electronic auction, run on the council's E-tendering portal, where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the Head of Finance and Property may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.
- 30.13 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 19.5, 19.6, 19.7 and 19.8.
- 30.14 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 21, 22 and 23.
- 30.15 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.

30.16 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the Head of Finance and Property and shall be undertaken in accordance with the provisions of the council's Financial Regulations.

This page is intentionally left blank



# CONTRACT PROCUREMENT RULES

## (CPRS – OCTOBER 2018)

<b>Owned by:</b>	Procurement Advisory Board
<b>Created date:</b>	30/05/2017
<b>MB approval date:</b>	05/07/2017
<b>Audit Committee approval date:</b>	24/07/2017
<b>Date of latest revision</b>	<del>25/09/2018</del> 06/11/2019
<b>Date for review:</b>	01/04/2020 <del>19</del>
<b>Version</b>	2.45

## Contents

<b>GENERAL</b> .....	<b>3</b>
1. INTRODUCTION .....	3
2. SCOPE .....	4
3. COMPLIANCE .....	<u>65</u>
4. GENERAL PRINCIPLES APPLYING TO CONTRACTS .....	<u>65</u>
5. SOCIAL VALUE .....	<u>76</u>
6. MODERN SLAVERY .....	<u>76</u>
7. TAX IMPLICATIONS .....	<u>76</u>
8. ACCESSIBILITY STANDARDS .....	<u>87</u>
9. NET CARBON ZERO .....	<u>87</u>
10. TRANSPARENCY .....	<u>97</u>
<b>PREPARING FOR THE PROCUREMENT</b> .....	<b><u>98</u></b>
11. PRE-CONTRACT CONSIDERATIONS / SIGN OFF .....	<u>98</u>
12. DECLARATION OF INTERESTS .....	<u>98</u>
13. EXCEPTIONS, WAIVERS AND JOINT COMMISSIONING .....	<u>109</u>
14. ASSESSMENT OF SUPPLIERS .....	<u>1140</u>
15. STANDING LIST OF SUPPLIERS .....	<u>1140</u>
16. FRAMEWORK AGREEMENT .....	<u>1140</u>
17. DYNAMIC PURCHASING AGREEMENT (DPS AGREEMENT) .....	<u>1244</u>
18. TUPE IMPLICATIONS .....	<u>1244</u>
19. FINANCIAL VALUES .....	<u>1244</u>
<b>PROCEDURAL STEPS OF THE PROCUREMENT</b> .....	<b><u>1644</u></b>
20. TENDERING PROCEDURES .....	<u>1644</u>
21. OPENING OF QUOTATIONS AND TENDERS .....	<u>1745</u>
22. EVALUATION OF QUOTATIONS AND TENDERS .....	<u>1745</u>
23. CONTRACT SIGN OFF / SCHEME OF DELEGATION .....	<u>1846</u>
<b>CONTENT OF CONTRACTS</b> .....	<b><u>1846</u></b>
24. FORM OF CONTRACT .....	<u>1846</u>
25. SUB CONTRACTORS .....	<u>1947</u>
26. CONTRACTS INVOLVING STAGE PAYMENTS .....	<u>1947</u>
27. FINANCIAL SECURITY .....	<u>1947</u>
<b>CONTRACT MANAGEMENT</b> .....	<b><u>1947</u></b>
28. MANAGEMENT OF CONTRACTS .....	<u>1947</u>
29. NOVATION & ASSIGNMENT .....	<u>2048</u>
30. DISPOSAL OF COUNCIL ASSETS .....	<u>2048</u>
<b>GLOSSARY OF TERMS</b> .....	<b><u>2320</u></b>

These Contract Procurement Rules (CPRs) should be read in conjunction with the council's Constitution, Financial Regulations, Scheme of Delegation and Authorised Signatory List.

## GENERAL

### 1. INTRODUCTION

- 1.1 These CPRs set out the minimum requirements the council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants.
- 1.2 The CPRs are put in place to ensure that the council gets value for money for residents, complies with all legal requirements, minimises the risk of challenge / undue criticism, supports social value and sustainability and provides transparency as to how it spends public money.
- 1.3 All purchasing and resulting Contracts made by or on behalf of the council must also comply with:
  - 1.3.1 all applicable statutory provisions;
  - 1.3.2 the Public Contracts Regulations 2015 and separate EU Directives which govern the award of higher value Contracts; and
  - ~~1.4~~ — the council's Constitution, including the Financial Regulations and the Scheme of Delegation to Officers as well as all relevant council policies. ~~If there is any conflict between the above, the EU law takes precedence, followed by UK legislation, the council's constitution and these CPR's, in that order.~~ Further information and guidelines on best practice are set out in the council's internal Purchasing Guide.
  - ~~1.4.1~~ ~~1.3.3~~ The Thresholds referred to in these CPRs and the appropriate process to follow is set out in the table on page 11.
  - ~~1.5~~ ~~1.4~~ The Procurement Officer is responsible for ensuring the CPRs are up to date and reflect current legislation.
  - ~~1.6~~ ~~1.5~~ The Section 151 Officer (referred to as the S151 Officer) is ultimately responsible for the content of the CPRs.

## 2. SCOPE

2.1 These CPRs do not apply to the following types of Contract:

Type of Contract	Policy/ Law which covers Contracts out of scope
Contracts of employment for permanent / fixed term employees / agency staff	HR / Recruitment policies
Land transactions	In accordance with the Local Government act 1972/ Housing act 1985 or any related acts or authorities
Where the Contract relates to a financing transaction	Not subject to competition due to their nature
Works orders placed with statutory undertakers	Not subject to competition due to their nature
Grants being given by the council	Governed by Grant Funding -Service Level Agreements <a href="#">2017-18</a>
Contracts for goods and services <a href="#">estimated to be below Threshold 4</a> which have been dealt with or jointly procured by another local authority, public sector consortium or collaboration of which the council is a party but where the council is not the lead authority and the Contract is to be procured in accordance with the applicable Contract standing orders of that public authority. <a href="#">Contract sign off thresholds still apply to such contracts.</a>	The procurement of Contracts of this nature will be governed by the Constitution of the Contracting <a href="#">lead</a> authority
Orders for goods and services <a href="#">estimated to be below Threshold 4</a> placed against a call-off Contract or Framework Agreement where the call-off Contract or Framework Agreement has been awarded in accordance with these CPRs	The establishment of the call-off Contract or Framework Agreement will be governed by the CPRs in the first instance, as such any call offs / mini competitions ran under such agreement will have already complied with these CPRs.
Where good, services or works are awarded as a result of a declared emergency as authorised by the Emergency Planning and Resilience Officer, where any Contracts awarded are not to exceed the estimated period of recovery	Business continuity management policy <a href="#">March 2016 Version 2</a>
Where the Chief Executive has activated the council's 'Emergency Plan' or a business recovery plan (as outlined in the business continuity management strategy) in response to a Major Incident being declared by resilience partners	Business continuity management policy <a href="#">March 2016 Version 2</a>

2.2 All other Contracts made by or on behalf of the council must comply with these CPRs unless there is an Exception, Waiver or Joint Commissioning (CPR [913](#)).

|

### 3. COMPLIANCE

- 3.1 Any members of staff [or external supplier](#) purchasing on behalf of the council is expected to comply with these CPRs.
- 3.2 Where there is evidence of deliberate non-compliance with the CPRs disciplinary action may be taken.
- 3.3 Staff must not deliberately break down a Contract with the intention of disaggregating spend for the purpose of avoiding the appropriate governance.

### 4. GENERAL PRINCIPLES APPLYING TO CONTRACTS

- 4.1 There are four financial value thresholds:
  - Threshold 1: £0 - £4,999
  - Threshold 2: £5,000 - £24,999
  - Threshold 3: £25,000 - £99,000
  - Threshold 4: £100,000 +
- 4.2 All Contracts must be in writing (which can include emails for Contracts valued within Threshold 1).
- 4.3 The value of any Contract must be determined by its aggregate or total spend forecast.
- 4.4 For every Contract estimated to be within Threshold 1, quotations and tenders may be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend", otherwise quotes can be solicited via email.
- 4.5 For every Contract estimated to be within Threshold 2 or above, all quotations and tenders must be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend".
- 4.6 In the case of recurring procurements for the same goods and services, prior written approval from the S151 Officer must be obtained in order to request quotations from the same suppliers on more than three consecutive occasions.
- 4.7 Details of all Contracts awarded valued at £5,000 and above more must be added to the council's Contract Register on the E-tendering portal together with all supporting documentation.
- 4.8 With regards to non-OJEU ([Official Journal of the European Union](#)) Tenders, no supplier may be awarded a Contract if this would result in 50% or more of that supplier's turnover being generated from the Council's Contracts, unless the prior written approval of the S151 Officer has been obtained.
- 4.9 Prior to any invoices being received a purchase/ official order must be raised on the councils official order system or Orchard ([Housing Management System](#)).
- [4.10](#) Prior to any procurement a contract manager should be identified who will be responsible for ensuring the delivery of the contract.
- [4.11](#) [These CPRs identify relevant legislation that may impact upon council procurements, the list of legislation identified is not exhaustive, as such officers should satisfy themselves that there is no other legislation that may impact upon their procurements before proceeding.](#)

## 5. SOCIAL VALUE

5.1 The Public Services (Social Value) Act ~~2012 came into force on 31 January 2013.~~ It places a requirement on people who commission, or buy, public services to consider securing added economic, social or environmental benefits for their local area.

5.2 The Act currently applies only to service Contracts over the EU threshold but should be considered in all procurements where applicable.

5.25.3 Social value should form part of a bidder's commitments at tender stage and shall be tailored to the subject nature of the contract being awarded

## 6. MODERN SLAVERY

6.1 The Modern Slavery Act 2015 was put in place to tackle modern slavery, defined in the act as slavery, servitude, forced or compulsory labour, human trafficking and exploitation.

6.2 While the council is not an in-scope organisation for the purpose of the act, officers should ensure that proportionate due diligence is undertaken to certify that council-appointed contractors do not participate in modern slavery, either directly or within their supply chains.

## 7. TAX IMPLICATIONS

### 7.1 Construction Industry Scheme (CIS)

7.1.1 Under the Construction Industry Scheme (CIS), the council is required to deduct money from a subcontractor's payments and pass it to HMRC.

7.1.2 The deductions are considered an advance payment towards the subcontractor's tax and National Insurance and are an effort by HMRC to protect construction workers from false employment and minimise tax evasion in the construction industry.

7.1.3 Officers will need to ensure when setting up a new contractor / sub contractor on the council's payment system that all CIS related information is provided to the accounts payable team in order to verify the details.

7.1.4 When receiving invoices for works where CIS deductions are being made, a breakdown of labour and materials should be provided, with evidence of the materials if possible.

### 7.2 IR35

7.2.1 IR35 relates to off-payroll working, this is where a supplier is operating and providing services for the council via an intermediary, such as a limited company, and were it not for that arrangement, they would be considered an employee and within IR35. It is the responsibility of the council to determine if IR35 applies or not. If it does apply the council (or fee payer if via an agency) would be responsible for making employment tax and National Insurance deductions.

7.2.2 HMRC have developed a toolkit in determining if a supplier is in scope of IR35 but the key considerations are:

7.2.2.1 Does the supplier have to carry out the work personally, as oppose to having the option of sending a suitably qualified / experienced replacement from within the same company?

7.2.2.2 Does the council have to provide the supplier with work, and/or does the supplier have to carry out any work that the council requires?

7.2.2.3 Does the council have control over how, where and when the supplier carries out the work?

7.2.3 While the HMRC toolkit and questionnaire is designed to establish the IR35 position, evidence must be retained to justify how that decision has been reached.

7.2.4 If the answers to 7.2.1.1, 7.2.1.2, and 7.2.1.3, are yes, the supplier is likely to be in scope of IR35, they would then be outside the scope of the CPRs as this would be considered an employment contract (either directly with us or through an agency or other employer), see CPR 2.1 (Scope). If the supplier is outside the scope of IR35 they should be considered a consultant and as such are bound by these CPRs, i.e. competitive quotes must be obtained, any subsequent appointments must be in conjunction with the councils consultancy terms and conditions, unless agreed otherwise by the relevant Head of Service.

### **7.3 Reverse charge of VAT**

7.3.1 A domestic reverse charge which affects the way VAT is collected and paid in the building and construction industry comes into effect on 1 October 2020. The changes mean the customer receiving the service will have to pay the VAT due to HMRC instead of paying the supplier. This will impact on procurements where the council is not the end user of the works. If you think this may affect you then contact the Accountancy service for more information.

## **8. ACCESSIBILITY STANDARDS**

8.1 On 23 September 2018 the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 came into effect. These build upon existing obligations under the Equality Act 2010. Any procurement that will result in a public facing website where the council or a supplier on our behalf is presenting information relating to the council or services the council offer, must comply with the **Act and Regulations** and **must** meet the new accessibility standards. The **Communications** team should be consulted.

## **9. CARBON NEUTRAL**

9.1 On 18 September 2019 Waverley Borough Council declared a climate emergency across the borough with an ambition of being a carbon neutral council by 2030. As such for every procurement within the scope of these CPRs, the environmental impact must be considered, as well as steps taken to minimise / offset the carbon impact where applicable, with a focus on renewable energy or low carbon technologies.



## **6-10. TRANSPARENCY**

**6-10.1 Publication of spend, Contract opportunities and awards** – in accordance with government requirements we publish all council expenditure with suppliers that exceeds £500 and post all Contracts valued at £5,000 and above on our publicly accessible Contracts register, this can be found on the councils public website. Any advertised opportunity valued over £25,000 must be advertised on Contracts finder, for Contracts over £25,000 a Contract award notice must also be published.

**6-210.2 Freedom of Information** – in accordance with the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulations (EIR) 2004, we have an obligation to publish specific information and to provide information to members of the public upon request. By exception confidential or commercially sensitive information may be withheld. Suppliers should be given the opportunity to identify areas of their tender submission they do not wish to be disclosed.

## **PREPARING FOR THE PROCUREMENT**

### **7-11. PRE-CONTRACT CONSIDERATIONS / SIGN OFF**

**7-411.1** Before commencing a procurement process, officers must ensure:

**7-4-411.1.1** They have conducted an options appraisal and that a procurement is required

**7-4-211.1.2** that there is adequate budgetary provision for the goods, services or works that they are procuring

**7-4-311.1.3** that they have the appropriate level of (delegated) authority to procure the goods or services on behalf of the council

**7-4-411.1.4** that there is no existing Contract or framework that is appropriate and that

**7-4-511.1.5** where appropriate they have engaged with the procurement officer

**7-4-611.1.6** that each tender package / request for quotation be accompanied by a comprehensive specification

**7-4-711.1.7** an assessment, appropriate to the scale and scope of the Contract, of associated risks shall be undertaken by competent officers or consultants to include, but not limited to, technical, commercial, health and safety and reputational risks posed to the council.

**7-4-811.1.8** that the chosen route to market has been signed off by the appropriate authority (see table page 143)

### **8-12. DECLARATION OF INTERESTS**

During the procurement process, if an officer becomes aware that he has a direct or indirect pecuniary interest in a Contract which the council has entered into, or proposes to enter into, their interest must be recorded on the register maintained by the council's Committees team for this purpose.

## **9-13. EXCEPTIONS, WAIVERS AND JOINT COMMISSIONING**

**9-113.1** The CPRs will not apply in the circumstances set out in CPRs **913.2** (Exceptions) **139.3** (Waivers), or **913.4** (Joint Commissioning) provided that the S151 Officer has given his prior approval to the exception, waiver or joint commissioning before the Contract is entered into.

**9-213.2** **Exceptions** - there may be an exception to the CPRs where:

**9-2-113.2.1** there is an extension to the duration and/or value of an existing Contract that does not contain a provision for extension provided that the extension is (i) on the same terms as the original Contract and (ii) adequate budgetary provision has been made. Where an extension concerns an OJEU contract or where an extension would lead to a contract falling within the relevant OJEU threshold the prior written approval of the Executive is required to award the proposed extension;

**9-2-213.2.2** there is insufficient credible competition and the S151 Officer has agreed the competition assessment;

**9-2-313.2.3** there is a variation (additional work) to an existing Contract where the variation is outside the scope of the Contract but it would be inappropriate to offer the additional work to competition; or

**9-2-413.2.4** the S151 Officer is satisfied that it is appropriate for a single tender or quotation and that

**9-2-4-113.2.4.1** it does not breach the council's statutory obligations,

**9-2-4-213.2.4.2** the request considers the requirements of CPR 4, GENERAL PRINCIPLES APPLYING TO CONTRACTS

**9-2-4-313.2.4.3** there is adequate and appropriate reason for awarding a Contract without competition,

**9-2-4-413.2.4.4** the award of a Contract would provide good value for money and shall specify the evidence to be supplied to evidence this,

**9-2-4-513.2.4.5** the necessary checks regarding the proposed Contractor have been undertaken in accordance with CPR 104 ASSESSMENT OF SUPPLIERS (as appropriate) and that the results do not indicate that a Contract award presents an undue risk to the council, and

**9-2-4-613.2.4.6** an assessment of any associated risks has been undertaken.

**9-313.3** **Waivers** –the CPRs may be waived only in exceptional circumstances where:

**9-3-113.3.1** there is a demonstrable and justifiable need to waive or vary one or more of the CPRs on the grounds of urgency; and

**9-3-213.3.2** if the estimated value of the Contract falls below the EU threshold the prior written approval of the S151 Officer has been obtained; or

**9-3-313.3.3** if the estimated value of the Contract falls within the relevant EU threshold the S151 Officer has obtained the prior written approval of the Executive.

**9-413.4** **Joint Commissioning** –the CPRs may be waived for Contracts where the council:

**9-4.1** ~~wishes to become party to a Contract with a consortium, which has undertaken the task of obtaining competitive prices;~~

**9-4.2** ~~seeks to jointly commission a Contract with other local authorities or organisations; or~~

~~9.4.3~~~~13.4.1~~ seeks to jointly deliver services in partnership with other local authorities or organisations.

#### **~~10.14.~~ ASSESSMENT OF SUPPLIERS**

~~10.4~~~~14.1~~ No assessment of a suppliers financial standing is needed for Contracts estimated to be within Thresholds 1 or 2 unless the goods being purchased are a proprietary item, in which case a financial assessment must be conducted.

~~10.2~~~~14.2~~ A financial assessment of potential suppliers must be undertaken for all Contracts estimated to be within or above Threshold 3

~~10.3~~~~14.3~~ If a Contractor has expressed an interest in being included in a Standing List of Suppliers an assessment will be made of a Contractor's:

~~10.3.1~~~~14.3.1~~ financial stability and resources;

~~10.3.2~~~~14.3.2~~ insurances;

~~10.3.3~~~~14.3.3~~ technical and other relevant references;

~~10.3.4~~~~14.3.4~~ business continuity plans;

~~10.3.5~~~~14.3.5~~ qualifications and experience;

~~10.3.6~~~~14.3.6~~ environmental, ethical and employment policies;

~~10.3.7~~~~14.3.7~~ previous experiences of dealing with the Contractor;

~~10.3.8~~~~14.3.8~~ responsible purchasing policies;

~~10.3.9~~~~14.3.9~~ details of other Contracts already, or proposed to be, awarded to the Contractor; and

~~10.3.10~~~~14.3.10~~ any other issues that may be considered by the relevant Head of Service as being relevant to the Contract.

~~10.4~~~~14.4~~ A Contractor that does not meet the council's minimum requirements shall not be admitted to a Standing List of Suppliers.

~~10.5~~~~14.5~~ Suppliers that are sole traders can be awarded an individual Contract with a value within Threshold 1 or 2 but the approval of the relevant Head of Service must be obtained to approve such an award with a value within Threshold 3 or above.

~~Contract~~

#### **~~11.15.~~ STANDING LIST OF SUPPLIERS**

~~11.4~~~~15.1~~ The relevant Head of Service may maintain a standing list of suppliers for Contracts up to and including Threshold 3 in value.

~~11.2~~~~15.2~~ The council's e-tendering portal must be used to obtain expressions of interest from suppliers to join the standing list.

~~11.3~~~~15.3~~ Potential candidates for inclusion on the standing list of suppliers will be assessed in accordance with CPR ~~10~~~~4~~.

~~11.4~~~~15.4~~ The standing list must be reviewed at least every 1 year and the assessments set out in CPR 10 repeated.

#### **~~12.16.~~ FRAMEWORK AGREEMENT**

~~12.4~~~~16.1~~ Prior to entering into a Framework Agreement, approval from the S151 officer must be sought.

- ~~12.2~~16.2 A Framework Agreement may be procured using either the Open or Restricted Procedure.
- ~~12.3~~16.3 The term of a Framework Agreement must not exceed 4 years.
- ~~12.4~~16.4 Contracts based on existing Framework Agreements may be awarded by either:
- ~~12.4.1~~16.4.1 Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
- ~~12.4.2~~16.4.2 Where the terms laid down in the Framework Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

### **13.17. DYNAMIC PURCHASING AGREEMENT (DPS AGREEMENT)**

- ~~13.4~~17.1 Prior to entering into a DPS Agreement, approval from the S151 officer must be sought.
- ~~13.2~~17.2 A DPS Agreement may be procured using either the Open or Restricted Procedure.
- ~~13.3~~17.3 The term of a DPS Agreement must not exceed 7 years.
- ~~13.4~~17.4 Contracts based on existing DPS Agreements may be awarded by either:
- ~~13.4.1~~17.4.1 Applying the terms laid down in the DPS Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
- ~~13.4.2~~17.4.2 Where the terms laid down in the DPS Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

### **14.18. TUPE IMPLICATIONS**

- ~~14.4~~18.1 [Transfer of Undertakings \(Protection of Employment\) Regulations 2006 \(TUPE\)](#) ~~arise~~apply when an employee of the authority or of a supplier providing a service ~~for to the council that~~ may be affected by any staff transfer arrangement as a result of a change in the service provider. Officers must ensure that ~~the any TUPE~~ [Transfer of Undertakings \(Protection of Employment\) Regulations 2006 \(TUPE\)](#) issues are considered and ~~obtain~~ legal advice is obtained from the ~~Borough Solicitor~~Legal Services team before proceeding with the Tender / Request for Quotation.

### **15.19. FINANCIAL VALUES**

- ~~15.4~~19.1 Prior to commencing a procurement exercise officers must estimate the aggregate value; this will determine which threshold the procurement falls under.
- ~~15.2~~19.2 The financial values will be reviewed bi-annually.
- ~~15.3~~19.3 If the cheapest tender received is above the upper limit of the estimated CPR financial value as set out in the Threshold Table and/or any approved budget for the procurement of the goods, works or services, the prior written approval of the S151 Officer must be obtained to accept the tender or quotation. Where the OJEU thresholds are crossed a tender must be re-run e.g. if the budget for a services tender is £170k but the received bids all exceed the OJEU limit of £181k then the exercise but be repeated with a more appropriate procedure.
- ~~15.4~~19.4 The Threshold Table (page 143) sets out the general rules applying to the choice of purchasing procedure for Contracts at the stated threshold financial values, it states,



#### ~~15.5~~19.5 **For purchases valued below £5,000**

- a) A minimum of one quote must be sought, this is only a required minimum and best practices dictates you seek multiple quotes to prove you are obtaining true value for money.
- b) The quotes can be sourced via In-tend or email.
- c) Local suppliers should be asked to quote where appropriate.
- d) An official order will constitute the Contract
- e) The purchase and written approval / signing of the Contract can be conducted by any authorised officer

#### ~~15.6~~19.6 **For purchases valued from £5,000 - £24,999**

- a) Either an Open tender or a minimum of three quotes must be sought and obtained; fewer than three is required if written approval is given by the relevant head of service Procurement Officer.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- ~~d) The relevant Head of Service must approve the route to market~~
- ~~e)d~~ The approval / signing of the Contract can be conducted by the relevant Head of Service or above
- ~~f)e~~ An official order will constitute the Contract and must be recorded on In-tend

#### ~~15.7~~19.7 **For purchases valued from £25,000 - £99,999**

- a) Either an Open tender or a minimum of three quotes must be sought and obtained.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- ~~d) The S151 Officer or Deputy S151 Officer must sign-off on the chosen route to market~~
- ~~e)d~~ Where the opportunity is advertised it must also be advertised via Contracts Finder, as must be the Contract award.
- ~~f)e~~ The Contract must be Signed by the relevant Head of Service or above

#### ~~15.8~~19.8 **For purchases valued over £100,000**

- a) Either an Open tender or a minimum of 4 bidders must be invited to submit a response and a minimum of 3 bids shall be received.
- ~~a)b~~ All tenders must be run via In-tend.
- ~~b) minimum of 4 bidders must be invited to submit a response~~
- c) All tenders must be sealed
- ~~d) Management Board must sign-off on the chosen route to market~~
- ~~e)d~~ Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation.
- ~~f)e~~ Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

~~15.8.1~~19.8.1 Where the Contract is estimated to be above the relevant OJEU threshold, an OJEU compliant procedure must be used (see CPR section 14, TENDERING PROCEDURES. Current OJEU Limits as of 1<sup>st</sup> January 2018 are £181,302 for services and £4,551,413 for works.

**Procedure for Procurement (minimum requirements)**

	Aggregate value	Advertising required	Contract Award Notice required	Minimum No of quotes	Receipt of quotes/ tenders	Financial assessment required?	Required Contract type	Who signs Contract/ approves order?
Threshold 1	£0-£4,999	None required	No	Minimum of one quote sought (local suppliers should be used where appropriate)	Via email	No	Official Order	Authorised Officer
Threshold 2	£5,000 - £24,999	In-Tend	No	<u>Open tender or</u> Minimum of three quotes <del>sought</del> <u>obtained</u> ( <u>Procurement Officer/HoS</u> can agree to fewer)	In-tend	No	Official Order & record on In-tend	HoS or above
Threshold 3	£25,000 - £99,999	In-tend & Contracts Finder	Yes	<u>Open tender or</u> Minimum of three quotes <del>sought</del> <u>obtained</u>	In-tend	Yes	Written, copy to be stored on the councils electronic procurement portal	HoS or above
Threshold 4	Over £100,000	In-tend, Contracts Finder & OJEU if applicable	Yes	<u>Open tender or</u> Minimum of <del>four</del> <u>three</u> <del>tenderers sought</del> <u>bids received</u> , OJEU Procedure where limit exceeded: <b>Goods/Services:</b> £181,302* <b>Works:</b> £4,551,413*	In-tend	Yes	Written - agreed by Legal Services & under seal if required, copy to be stored on the councils electronic procurement portal	Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation. Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

\*OJEU thresholds are subject to change, any change in threshold levels will be reflected in an update to these CPRs.

## PROCEDURAL STEPS OF THE PROCUREMENT

### **16.20. TENDERING PROCEDURES**

#### **16.420.1 General:**

**16.1.120.1.1** The council may apply any procedure that conforms to the Public Contracts Regulations 2015 in its procurement process.

**16.1.220.1.2** Subject to CPR [913](#) the appropriate process set out in the Threshold Table must be followed for each procurement determined by the estimated value of that procurement.

**16.1.320.1.3** Invitations to tender or requests for quotations must be issued electronically (via email for Threshold 1 and via the council's e-tendering portal for and procurement within or exceeding Threshold 2).

**16.1.420.1.4** All tenders or quotations must be returned to the council electronically (via email for Threshold 1 and via the council's e-tendering portal for and procurement within or exceeding Threshold 2).

**16.1.520.1.5** A Contract Procurement Report must be completed and stored on E-tendering portal for each tender or quotation within or exceeding Threshold 2

**16.1.620.1.6** For all quotes/ tenders the award criteria must be stipulated before request/tender is published, this includes;

- The assessment criteria
- The scoring system and weighting to be applied
- The minimum scores to be achieved (where appropriate)

#### **16.220.2 Existing arrangements**

**16.2.120.2.1** In the first instance anyone purchasing on behalf of the council must check to see if there is an existing arrangement already in place which covers the purchase.

**16.2.220.2.2** Where a framework / dynamic purchasing system / select list has been established to deliver the need, these will be considered alongside other routes in an options analysis.

#### **16.320.3 Request for Quotation (RFQ)**

**16.3.120.3.1** This approach only applies for purchases below £100k where suppliers are requested to submit a quote for the requirements. Like a tender you can apply a price / quality split when evaluating the responses but the award criteria must be stated upfront in the RFQ documentation.

#### **16.420.4 Open Procedure (One Stage)**

The open procedure is where a bidder progresses straight to invitation to tender (ITT), there is no pre-qualification stage involved. This procedure shall apply where:

- a) the value of the Contract award will be below the [relevant](#) EU threshold;



- b) the value of the Contract award will be above the [relevant](#) EU threshold and the council has decided that a single stage tender is appropriate.

#### ~~16.5.2~~ **16.5.20.5 Restricted Procedure (Two Stage)**

~~16.5.4~~ **16.5.20.5.1** This procedure can only apply where the value of the Contract award will be above the [relevant](#) EU threshold

~~16.5.2~~ **16.5.220.5.2** The required advertising and tendering periods must be observed.

~~16.5.3~~ **16.5.320.5.3** The advertisement must state that a restricted tendering procedure will be used.

~~16.5.4~~ **16.5.420.5.4** Once the closing date for receipt of expressions of interest has been reached a Standard Selection Questionnaire ("SQ") must be sent to all suppliers that have expressed an interest in tendering.

~~16.5.5~~ **16.5.520.5.5** Upon receipt of the completed SSQ the information will be analysed.

~~16.5.6~~ **16.5.620.5.6** Invitation to Tender documents shall be dispatched to a sufficient number of suppliers that have been assessed as meeting the minimum technical and financial requirements.

~~16.5.7~~ **16.5.720.5.7** If fewer than the required minimum number of suppliers either meet the minimum qualification requirements or express an interest, the relevant director must be consulted to agree whether to seek additional tenderers or to obtain prior written approval from the Management Board to seek fewer than the minimum number of tenders.

#### ~~16.6~~ **16.620.6 Competitive with negotiation procedure**

~~16.6.1~~ **16.6.120.6.1** Prior to undertaking a negotiated procedure approval from the S151 officer and Borough Solicitor must be sought.

~~16.6.2~~ **16.6.220.6.2** This procedure can only apply where the value of the Contract award will be above the [relevant](#) EU Threshold

~~16.6.3~~ **16.6.320.6.3** The competitive with negotiation procedure allows award following the initial ITT stage before negotiations have commenced providing this is stipulated in the tender documentation.

#### ~~17.21.~~ **17.21.1 OPENING OF QUOTATIONS AND TENDERS**

~~17.4~~ **17.421.1** Any quotation or tender received after the specified date and time or at a location other than the one specified will be rejected unless the S151 Officer considers that there are exceptional circumstances that warrant it and this will only be done up to the time when the other tenders are opened.

#### ~~18.22.~~ **18.22.1 EVALUATION OF QUOTATIONS AND TENDERS**

~~18.4~~ **18.422.1** Offers will be evaluated against the award criteria stipulated at the point of publishing a RFQ / Tender. The available options are

~~18.1.1~~ **18.1.122.1.1 Price only** - accept the offer from the Contractor who, having satisfied the council's minimum requirements, has offered the lowest price.

22.1.2 **Price / Quality** – where a price quality split is stipulated, the supplier who ranks highest over all shall be awarded the Contract, this is otherwise known as the Most Economically Advantageous Tender (M.E.A.T).

18.1.222.1.3 **Quality only** – where the tender is awarded on a fixed budget and the award is governed solely by the qualitative elements.

18.1.322.1.4 Where the most economically advantageous tender is to be sought, an assessment criteria and associated weightings will be specified in the invitation to tender.

## 19.23. **CONTRACT SIGN OFF / SCHEME OF DELEGATION**

19.423.1 A Contract can only be signed / authorised by an officer for which they have authority / delegated authority under the scheme of delegation. The authority levels are:

- £0-£4,999 – Authorised Officer
- £5,000 - £24,999 – Relevant Head of Service or above
- £25,000 - £99,999 – Relevant Head of Service or above
- Over £100,000 – Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation. Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

## **CONTENT OF CONTRACTS**

### 20.24. **FORM OF CONTRACT**

20.424.1 No indication of acceptance shall be made to any Contractor except by an officer authorised so to do.

20.224.2 Contracts valued up to and including Threshold 2 in value shall be the subject of a purchase order unless otherwise stated, in which case a formal Contract shall be prepared in accordance with the requirements of the Borough Solicitor.

20.324.3 All Contracts within Threshold 4 and above in value shall be the subject of a formal Written Contract - agreed by Legal Services & under seal if required, copy to be stored on the councils electronic procurement portal.

20.424.4 All Contracts shall:

20.4.124.4.1 specify the goods, materials or services to be supplied and/or works to be undertaken, price to be paid, payment terms and conditions, details of any discounts or penalties, the period of the Contract and any other terms and conditions that may be agreed;

20.4.224.4.2 provide for the payment of liquidated damages where they are appropriate;

20.4.324.4.3 contain details of any security that is required by the council; and

20.4.424.4.4 prohibit the Contractor from sub-Contracting or assigning all or any part of the Contract without the express consent of the council.

20.524.5 Except in exceptional circumstances with the prior written approval of the Chief Executive, all Contracts must be signed or sealed before their commencement.

20.624.6 Every Contract in excess of £100,000 must contain a comprehensive Business Continuity plan.

~~20.7~~24.7 Every Contract shall require compliance with current legislation with respect to health and safety at work and sexual and racial equality.

~~20.8~~24.8 Every officer who conducts a procurement in excess of £5,000 is responsible for ensuring the details are updated on the councils Contract register.

## **21-25. SUB CONTRACTORS**

~~21.1~~25.1 In Contracts where the council wishes to nominate a sub-contractor, the Contract shall specify whether or not the council will be undertaking the tendering process to select the nominated sub-contractor.

~~21.2~~25.2 The council will apply these CPRs to the tender process to select and assess the nominated sub-contractor.

## **22-26. CONTRACTS INVOLVING STAGE PAYMENTS**

Where any contract that falls into Threshold 4 (£100,000+) ~~will~~ involves stage payments a final account shall be prepared and presented for examination by the relevant Head of Service before final payment is made. The Financial Regulations should be consulted for more details on Final Payments and Retention monies.

## **23-27. FINANCIAL SECURITY**

~~23.1~~27.1 Adequate financial security and/or a performance bond must be required for all Contracts within Threshold 4 and above in value.

~~23.2~~27.2 Adequate financial security and/or a performance bond may be required if considered necessary by the S151 Officer Procuring Officer.

~~23.3~~27.3 A retention to the Contract sum must be made in respect of all Contracts within Threshold 4 and above unless otherwise agreed by the S151 Officer (HoS can agree if the Contract is for works).

~~23.4~~27.4 A retention to the Contract sum may be made if the relevant Head of Service determines this to be necessary.

## **CONTRACT MANAGEMENT**

### **24-28. MANAGEMENT OF CONTRACTS**

~~24.1~~28.1 Any extensions or variations to a Contract may only be made in accordance with CPR 9.2.1 Exceptions.

~~24.2~~28.2 Any proposed amendments to a partnership Contract shall only be agreed with the prior written approval of the Management Board.

~~24.3~~28.3 If a Contract is proposed to be terminated for whatever reason, the advice of the Borough Solicitor must be sought in the first instance.

~~24.4~~28.4 It shall be a condition of engagement by the council of any person (not being an officer or member of the council) to supervise a Contract that he shall act in full accordance with these CPRs when supervising the Contract as if he were an officer of the council.

~~24.5~~28.5 It is the procuring officers responsibility to ensure that there is a robust Contract management plan in place that is proportionate to the scale and scope of the Contract, this should include, but is not limited to:

- a) Regular Contract reviews – to be documented
- b) Clear procedures on the reporting and escalation of Contract failings
- c) Identification of contacts responsible for the Contract within each organisation
- d) The capturing of performance data

## ~~25-29.~~ **NOVATION & ASSIGNMENT**

The council may agree to the novation or assignment of a Contract if an assessment of the Contractor has been carried out under CPR 104, ASSESSMENT OF CONTRACTORS, and the prior written approval of the Head of Service and S151 Officer has been obtained.

## ~~26-30.~~ **DISPOSAL OF COUNCIL ASSETS**

### **Land and buildings**

~~26-1~~30.1 This section refers to disposals that are subject to market conditions.

~~30.2~~ Disposal includes sales, leases, easements and wayleaves of land and property owned by the Council with the exception of sales under the Right to Buy Scheme.

~~30.3~~ A report outlining the reasons for disposal shall be prepared, including how it accords with Asset Management Plans (or equivalent), and the proposed method of disposal.

~~30.4~~ Disposals will be evaluated against the Council's criteria for disposal.

~~30.5~~ Land and property shall be valued by a qualified valuer.

~~30.6~~ Disposals valued under £250,000 will be administered by the Head of Finance and Property under the Scheme of Delegation.

~~30.7~~ Disposals valued over £250,000 will be put to the Investment Advisory Board for evaluation and, if agreed, recommended to Council and Executive for approval to sell.

~~30.8~~ Disposal of land and property owned and funded by the Housing Revenue Account shall first be referred to the Head of Housing Operations who will evaluate the disposal in the light of the Housing Asset Management Plan. Disposals will then be recommended to Council and Executive for approval to sell.

~~26.2~~ Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the General Fund shall first be valued by a qualified valuer. The Director of Finance and Resources shall report to the Corporate Management Team to determine whether, in the light of the valuation and location, there are strategic issues, risks or conditions of disposal relative to the Asset Management Plan (or equivalent) and Corporate Plan. If such considerations exist, the disposal shall be referred to the Asset Advisory Group, which will report its views and recommendations to the Corporate Management Team.

~~26.3~~ Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the Housing Revenue Account, with the exception of sales under the Right to Buy Scheme, shall first be referred to the Head of Strategic Housing who shall consult the relevant director (or otherwise as may be specified in the Scheme of Delegation) to consider any risks associated with the disposal and the strategic and long-term issues in the light of the Asset Management Plan (or equivalent). The Head of Strategic Housing shall obtain a current valuation of the land and/or buildings and report his views and recommendations to the council's Corporate Management Team.

~~26.4~~ Any resultant proposal to dispose of the land and/or buildings shall then be discussed by the chairman of the Asset Management Team (or equivalent) or the Head of

~~Strategic Housing (as appropriate) with the S151 Officer and the relevant portfolio holders responsible for the services in question and the management of the council's assets. A report outlining the reasons why disposal is recommended, and showing how it would be in accordance with the Asset Management Plan (or equivalent) and the proposed method of disposal of the land and/or buildings shall be presented to the Executive for approval.~~

### **Other council assets**

30.9 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items.

30.10 Items shall first be offered for transfer within the council.

30.11 Any items that remain for disposal shall be sold at the highest price possible. Professional valuations shall be sought as appropriate and estimated sale values shall be agreed by the relevant Head of Service and the Head of Finance and Property. The method of disposal shall be agreed with the S151 Officer.

30.12 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be:

a) offered for sale to all members of staff at a price agreed; or

b) advertised for sale, at a price agreed; or

c) sold via an open electronic auction, run on the council's E-tendering portal, where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the Head of Finance and Property may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.

30.13 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 19.5, 19.6, 19.7 and 19.8.

30.14 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 21, 22 and 23.

30.15 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.

30.16 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the Head of Finance and Property and shall be undertaken in accordance with the provisions of the council's Financial Regulations.

~~26.5 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items. Items shall first be offered for transfer to other sections or departments of the council.~~

~~26.6 The Asset Advisory Group will be consulted on the disposal of assets where deemed appropriate by the relevant head of service.~~

~~26.7 Any items that remain for disposal shall be sold at the highest price possible. An estimated sale value shall be agreed by the relevant Head of Service and the S151 Officer or Deputy S151 Officer, taking note of any value included in the council's accounts and any professional valuations as may be deemed appropriate by the S151~~

~~Officer. A note shall be made and retained on file as evidence to support the adopted approach and the valuation. The method of disposal shall be agreed with the S151 Officer.~~

~~26.8 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be~~

~~26.8.1.1 sold to a member of staff at an agreed price (where the item is of little or no intrinsic value); or~~

~~26.8.1.2 offered for sale to all members of staff at the price agreed; or~~

~~26.8.1.3 advertised for sale in local papers or relevant trade magazines, as appropriate, at the price agreed; or~~

~~26.8.1.4 sold via an open electronic auction, run on the council's E-tendering portal where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the S151 Officer may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.~~

~~26.9 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 15.5, 15.6, 15.7 and 15.8.~~

~~26.10 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 17, 18 and 19.~~

~~26.11 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.~~

~~26.12 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the relevant director and the S151 Officer and shall be undertaken in accordance with the provisions of the council's Financial Regulations.~~

## GLOSSARY OF TERMS

Authorised Signatory List	This is the list of officers authorised to make financial transactions. Head of Service approval is required before an officer may be included in the List.
Call-off Contracts	This term is used to describe a Contract that is entered into for a specified period but where the total value and quantity of items ordered cannot be quantified at the outset. An example might be a Contract for the supply of office stationery. Prices are specified for the duration of the Contract, subject as necessary to fluctuation according to agreed formulae.
Contract	This term is used to refer to any procurement transaction or planned procurement transaction.
Contract	All references to Contract values refer to the estimated value unless otherwise specified. The estimated value is calculated over the entire period of the Contract, including the period of any possible extensions to the term of the Contract. Where the term of the Contract is not known, a term of 4 years must be assumed and applied when calculating the Contract value. The calculation of the value must be assessed exclusive of Value Added Tax.
Corporate Management Team	The Corporate Management Team is the meeting of the Chief Executive and Directors, which is advised by Heads of Service and other Officers as appropriate.
EU Directives on procurement	These are rules that override these CPRs for large value Contracts. EU Directives must be applied once the value of the Contract reaches or exceeds the relevant financial threshold. Their application and link to CPRs is outlined above in the introduction. The Directives are implemented into UK law as the Public Contracts Regulations 2015 (“the Regulations”), and reference to those Regulations in these CPRs includes any subsequent amendments to those Regulations and any replacement Regulations (and amendments thereto). The value of Contracts that are subject to these Directives is revised annually and it will be necessary to seek confirmation of current values from the Borough Solicitor.
Financial Regulations	This refers to the set of rules that govern the way the council’s finances are administered and controlled. They are maintained by the Section 151 Officer.
Framework Agreement	A Framework Agreement is an arrangement of one or more Contracting authorities with one or more suppliers in order to establish the terms governing the Contracts awarded and includes both Public Sector Framework Agreements and council Procured Framework Agreements.
Goods/Works/Services	A Contract will be in connection with the acquisition of one or more of these categories of purchases. The use of one of these terms should be taken to mean all the terms unless expressly stated to the contrary.
Highest/lowest price	The term “lowest price” (where payment is to be made by the council) shall also be taken to mean the highest price (where payment is to be made to the council).
Land and buildings	Disposal of land and buildings refers to outright sale and long-term leases. It does not include short-term leases of three years or less. The disposal of small parcels of land, such as to private residents for extension of gardens, may be the subject of standard procedures that

	may be agreed between the relevant director and the Section 151 Officer in accordance with CPR 24.
Lists prepared by third parties	This refers to such lists as “Constructionline” and similar lists of Contractors that have been assessed by other organisations.
Official order	This term is interchangeable with the term purchase order. An official order must be raised prior to receiving an invoice either via the councils official order system or the Orchard system.
Open tendering	Open tendering refers to a situation where all Contractors that have expressed an interest in a Contract are sent an invitation to tender. It is distinct from selective/restrictive tendering in that assessment of the Contractors will take place once the tenders/quotations are received using a questionnaire and an assessment of their financial stability, references and insurances.
Partnership Contracts	Partnership Contracts are designed to enhance cooperation between the council and a Contractor/other parties to the Contract. The purpose is to enable services to be reviewed and delivery arrangements amended at various times within the life of the Contract. Whilst terms and conditions may require amendment as a consequence, it is not intended that this should impede smooth working and transition to new arrangements should be facilitated. Therefore different arrangements will apply to allow amendment to terms and conditions in a planned and controlled manner.
Professional services (“consultants”)	<p>Consultants are used for a wide variety of purposes. Generally the term is therefore used to relate to the providers of professional skills and expertise which, for whatever reason, cannot be provided by the council’s own staff. Regardless of the role to be played, for the purposes of these CPRs Contracts for the provision of professional expertise will be regarded in the same manner as other Contracts for the supply of goods, works and services.</p> <p>Appointment of a person through an employment agency or an appropriate professional body to fulfil duties that otherwise would be performed by a member of staff will not be subject to CPRs. A separate procedure is available from Employee Services concerning this. Engaging a person to undertake a specific piece of work with specific terms of reference is deemed to be consultancy and must be procured in accordance with the CPRs.</p>
Quotation	A price given by a supplier for a specified piece of work, goods or service based largely on the supplier’s terms and conditions but with relevant conditions as determined by the council.
Quotations and tenders	The terms “quotation” and “tender” are used throughout these CPRs. For the purposes of the application of these CPRs the following definitions should be used:
Relevant Director	This term is used to denote the Chief Executive, Director of Finance and Resources (Section 151 Officer) or the Director of Operations in person. Where an officer from one service is working in circumstances where they are responsible to another service for the purposes of a procurement exercise, then it is that other director who is the responsible director. In some CPRs the Chief Executive and the Section 151 Officer are mentioned by title; where this is done, they are not acting as the relevant director.
Relevant Head of Service	This term is used to denote the head of the service responsible for procuring a Contract.
Relevant Portfolio	This refers to the elected Member of the council who at the time the



holder	procurement exercise is being undertaken is the relevant member of the council's Executive responsible for the service in question.
Responsible Purchasing	The council's overarching approach to the acquisition of goods and services, ensuring that purchasing decisions are made with the best long-term interest of the environment in mind, particularly having regard to sustainability issues.
Section 151 Officer	This refers to the council's Chief Finance Officer, being the officer responsible for the council's financial administration as defined by the Local Government Act 1972.
Scheme of Delegation	This term refers to the council's Scheme of Delegation <u>to Officers</u> , which specifies the extent to which the conduct of the council's affairs is delegated to council officers. If at any time there appears to be a conflict between the Scheme of Delegation and Contract Procurement Rules, the former shall take precedence.
Selective/restricted tendering	Selective or restricted tendering refers to a situation where Contractors expressing an interest in tendering/supplying a quotation are asked to complete a pre-qualification questionnaire. The completed questionnaire is assessed, and an assessment of the Contractors' financial stability, references and insurances is undertaken in order to produce a short-list of Contractors that will be invited to tender/provide a quotation.
Specification	The use of the word 'specification' refers to a statement of the council's minimum purchase requirements. For illustrative purposes, it includes as appropriate such matters as: a) Technical drawings b) Recognised international standards c) Method of delivery d) Terms and conditions of supply and delivery e) Responsible purchasing requirements.
Standard Selection Questionnaire	This is the questionnaire which has been developed to simplify the supplier selection process for businesses using the Restricted Procedure to procure goods or services. It has replaced the Pre Qualification Questionnaire.
Supplier/Contractor	Both these terms are used to refer to a provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Tender	A price given by a supplier in response to a full specification of the goods, works or services required and based upon terms and conditions specified by the council. These terms and conditions may be as laid out in a commonly used standard form of Contract. The processes for seeking and receiving quotations and tenders are set out within these CPRs. The precise requirements in respect to any specific Contract will have to be assessed according to the nature and complexity of the Contract as well as its value.

This page is intentionally left blank

## **Brexit Briefing Note**

The UK is scheduled to leave the European Union on January 31<sup>st</sup> 2020. Regardless of how the exit is achieved (whether through a ratified deal or in the event of no deal) this will have a minimal impact on how the council conducts its procurements.

The European Union Public Contracts Directives (2014) establish how EU public procurements must be conducted in order to create an open and competitive market, the UK government were instrumental in determining the changes within these directives. As a member of the EU, the UK was required to transpose these directives into national legislation by way of the Public Contracts Regulations (2015).

Public procurement is also subject to the World Trade Organisation Government Procurement Agreement, the UK Government is currently a signatory to The Government Procurement Agreement (GPA) by virtue of its EU membership, this allows UK businesses to bid for government contracts outside of the UK. The Government has stated that if there is a no deal exit then the UK will seek to join the GPA on substantially the same terms. The GPA largely follows the same EU treaty principles.

If the UK now leaves the EU it will be by one of two ways:

- 1) With a ratified Withdrawal agreement, if this is the case it is likely that procurement rules will continue to apply, unamended, during the implementation period.
- 2) With “no deal” if this is the case we will continue to comply with our own legislation which is largely aligned to the EU Directives.

The Government has created The Public Procurement (Amendment etc.) (EU Exit) Regulations 2019 which will come into effect on “exit day” which amend all procurement legislation (The Public Contracts Regulations 2015, The Concession Contracts Regulations 2016, The Utilities Contracts Regulations 2016) which will amend redundant terminology, this is largely where reference to the EU are made. Following an exit from the EU the councils CPRs will similarly need to be updated to remove redundant reference, in particular references to OJEU (Official Journal of the European Union).

This page is intentionally left blank

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE – 26 NOVEMBER 2019**

---

**Title:**

**FINANCIAL REGULATIONS UPDATE**

**[Portfolio Holder: Cllr Mark Merryweather]**

**[Wards Affected: All]**

---

**Summary and purpose:**

The Audit Committee is asked to consider the update to the Financial Regulations and recommend them to the Council, in compliance with the Audit Committee Terms of Reference under Article 8 of the Constitution. Specifically, the Audit Committee is required to maintain an overview of the Council's Constitution in respect of financial regulations.

---

**How this report relates to the Council's Corporate Priorities**

The Financial Regulations directly underpin the financial governance arrangements for the Council and affect the way services deliver on corporate priorities.

**Equality and Diversity Implications:**

There are no implications arising from this report.

**Resource and legal implications:**

There are no direct resource and legal implications.

---

**Introduction**

1. The Financial Regulations were last updated in September 2018. In line with the commitment of continual review within the Annual Governance Statement the Financial Regulations have been reviewed and three changes are proposed.
2. The objective of the update to the Financial Regulations is to enhance the Council's governance arrangements to remain secure in relation to risk and statutory compliance and to propose changes that lead to improvements in process and efficiency.
3. The update relates to the following areas which are detailed in Annexe 1:
  - a) Carry forwards of Budget
  - b) Approval of Fees and Charges
  - c) Definition of key financial system

**Recommendation**

It is recommended that the Committee recommends the update to the Financial Regulations and any consequential changes to the scheme of delegation to the Council for adoption.

---

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

---

**CONTACT OFFICERS:**

**Name:** Rosie Plaistowe-Melham    **Telephone:** 01483 523255  
**E-mail:** rosie.plaistowe@waverley.gov.uk

**Name:** Peter Vickers                    **Telephone:** 01483 523539  
**E-mail:** peter.vickers@waverley.gov.uk

## Financial Regulations – proposed updates

It is proposed to update the Financial Regulations in the following two areas:

- Carry forwards of budget
- Approval of Fees and Charges
- Definition of key financial systems

### Carry forwards of Budget

It is proposed that the Section 151 Officer approve all budget carry forwards without the need to take individual items to Executive for approval.

Whilst the carry forwards will not go to Executive for approval it will undergo scrutiny but will allow for a more streamlined and efficient process in moving budgets across years, allowing services to spend to deliver projects.

To ensure transparency of budget carry forwards it is proposed to bring summary budget carry forwards to the Executive as part of the financial outturn report.

#### Current regulation:

4.30 Budget carry forward shall be approved by the Executive.

#### Proposed regulation:

4.30 Budget carry forward shall be approved by the Section 151 Officer.

4.31 Budget carry forward shall be reported to the Executive.

### Approval of Fees and Charges

It is proposed that the Section 151 Officer approve changes to fees and charges, including car park fees.

This will allow enable a quick and efficient fee setting approach with more ability to respond to the market commercially when required.

#### Current regulation:

7.2 The fees and charges shall be:

- reviewed as part of the budget process or, where appropriate, more frequently.
- approved by Full Council unless covered by a delegated authority
- Budget Holders shall ensure that up-to-date fees and charges are published.

#### Proposed regulation:

7.2 The fees and charges shall be:

- reviewed as part of the budget process or, where appropriate, more

# Annexe 1

frequently.

- approved by Section 151 officer unless covered by a delegated authority.
- Budget Holders shall ensure that up-to-date fees and charges are published.

## Definition of Key Financial System

Inclusion of a definition to aid clarity of Financial Regulations and the Constitution.

### Proposed inclusion:

Key Financial System	A system which interacts with the main Finance system to collect income due to the Council. Key Financial systems must be reconciled monthly.
----------------------	---



Waverley Borough Council

# Financial Regulations

Version	Date
1	21-Oct-17
1.1	<del>06-Nov-17</del>
1.2	<del>10-Nov-17</del>
2	16-Oct-18
2.1	Council 19-Mar-19
<u>3</u>	<u><a href="#">Draft 06-Nov-19</a></u>

## Contents:

		Page
1.	Purpose	2
2.	Key principles	2
3.	Statutory Requirements, Compliance and Responsibilities	3
	Financial Framework:	
4.	Financial Management, Virement, Supplementary estimates	6
5.	Purchase orders, goods receipting and payment of invoices	12
6.	Payment of salaries, wages, pensions, travelling and subsistence allowances and Members Allowances	15
7.	Collection of income including external funding and writing off of debts	16
8.	Security of assets	19
9.	Risk Management and Insurance	20
10.	Banking arrangements	21
11.	Treasury Management (Investments, Borrowing and Trust funds)	22
12.	Partnerships	24
13.	Work for Third Parties	25
14.	The powers and duties of Internal Audit	25
15.	Fraud and Corruption	26
16.	Declarations of Interest, Gifts and Hospitality	27
17.	Anti Money Laundering	27
	Glossary	28
	Scheme of Virement – Annexe 1	31

## 1. Purpose

These Financial Regulations set out the financial policies and a framework of financial management and accountability for the proper administration of Waverley Borough Council's (the Council's) financial affairs. Each of the financial regulations sets out the overarching financial responsibilities of officers. They link with other internal regulatory documents forming part of the Council's Constitution, for example the Scheme of Delegation and Contract Procurement Rules. They also ensure robust procedures are in place to provide the necessary assurance to the Council about the adequacy of the finance and governance arrangements underpinning the Annual Governance Statement. Financial Regulations apply to everyone involved in financial transactions and managing resources for the Council and any organisation over which the Council performs a role of stewardship.

## 2. Key principles

- The Financial Regulations are approved by Full Council.
- The Financial Regulations comply with all extant laws and statutes.
- All financial business conducted is lawful within the powers of a local authority.
- Rules and procedures should be proportionate and not unnecessarily bureaucratic.
- Due diligence is exercised in all financial transactions.
- Financial Regulations enable the Council to conduct business efficiently.
- Financial governance is always considered.
- All expenditure shall be within an identified budget, there is no authority to spend without or beyond an approved budget.
- Value for Money is considered in all transactions undertaken.
- Only goods, works and services legitimately required by the Council are purchased.
- All income due shall be collected, recorded, held securely and banked promptly.
- All expenditure is properly recorded and accounted for correctly.
- Economical, efficient and effective use of resources.
- Assets are safeguarded.
- Authorisation processes protect against self-certification.
- Officers shall not enter into any credit arrangements, such as leasing agreements, without the prior approval of the Section 151 officer.
- Officers cannot commit the Council to on-going contracts without budget approval.
- Investment/divestment is appropriately scrutinised and supported by a business case.
- Financial records will be kept in accordance with the Council's prevailing documents retention policy.
- Risk management procedures and controls are in place.

### 3. Statutory Requirements, Compliance and Responsibilities

#### Statutory Requirements

##### **Section 151 Local Government Act 1972**

- 3.1 Section 151 of the Local Government Act 1972 requires that the Council makes arrangements for the proper administration of its financial affairs. Financial regulations are the means by which the Council meets this requirement by setting out a clear regulatory and accountability framework for the use of its resources.

##### **Section 114 Local Government Act 1988**

- 3.2 Section 114 Local Government Finance Act 1988 requires the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:
- has made or is about to make a decision which involves the Council incurring expenditure which is unlawful;
  - has taken or is about to take unlawful action which has resulted or would result in a loss or deficiency to the Council; or
  - is about to make an unlawful entry in the Council's accounts.
- 3.3 Section 114 of the 1988 Act also requires:
- the Section 151 Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally; and
  - the authority to provide the Section 151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

#### Compliance

- 3.4 Financial Regulations apply to everyone involved in financial transactions and managing resources for the Council and any organisation over which the Council performs a role of stewardship. The purpose of these Financial Regulations is to ensure transparency and protection of the Council's resources and individual officers.
- 3.5 Where the regulations are not specific, officers shall refer to the Section 151 Officer for guidance.
- 3.6 Failure to comply with the Financial Regulations, or the instructions issued under them, may constitute gross misconduct. Breaches of Financial Regulations shall be reported to the Council's Internal Audit Client Manager who will make arrangements for investigation and recommendations for action to be taken.

## **Responsibilities**

- 3.7 The Financial Regulations identify the financial responsibilities of all officers, or anyone acting on their behalf, and Members of the Council. Officers and Members shall comply with the financial regulation relevant to the transaction they are undertaking and have a responsibility for taking reasonable action to provide for the security of the resource or assets under their control.
- 3.8 The responsibilities are sub-delegated out to officers through the Scheme of Delegation. Without delegated authority no officer of the Council shall commit the Council to expenditure.
- 3.9 All officers have a duty to ensure all actions and decisions taken represent value for money.

### **The Full Council**

- 3.10 The responsibilities of the Full Council are set out in the Constitution. In terms of the Financial Regulations the Full Council is responsible for approving and monitoring compliance with the Council's overall framework of accountability and control as set out in the Constitution. The Full Council is also responsible for approving the annual budget and any subsequent changes subject to section 4.

### **The Executive**

- 3.11 The Executive is responsible for proposing the policy framework and budget to the Full Council. In doing so it shall take account of legal and financial implications and risk management issues that may arise from decisions.

### **Audit Committee**

- 3.12 The Audit Committee reports to the Full Council. It brings independent and effective assurance into the Council's corporate governance arrangements. The Audit Committee is responsible for overview of the Financial Regulations and proposing amendment to Full Council.

### **Section 151 Officer**

- 3.13 The Council shall approve an officer post to be the statutory Section 151 Officer. The Strategic Director – Finance and Resources is the statutory Section 151 Officer and is ultimately responsible for the proper administration of the Council's financial affairs. The Section 151 Officer shall ensure the responsibilities, as set out within these Financial Regulations, are met through formal delegation to appropriate officers in accordance with the Scheme of Delegation.

### 3.14 Section 151 Officer General Accountabilities:

- Set appropriate financial management processes for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with those processes.
- Advise on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- Provide financial information.
- Determine the accounting records, procedures and the retention of financial documents requirements for the Council.
- Ensure proper professional practices are adhered to through communication and training for all officers involved in financial transactions.
- Act as head of profession in relation to the standards, performance and development of finance staff.
- Report, where appropriate, breaches of the Financial Regulations to the Audit Committee.
- Protect against Money Laundering.
- Ensure controls are in place to deter and detect fraud and error.
- Ensure that adequate accounting systems exist and recommend subsequent changes.
- Ensure that adequate systems exist for holding/organising personal data.
- Receive Government circulars, orders, sanctions, approvals and regulations affecting the finances of the Council.
- Maintain an overview of the Financial Regulations and recommend revision as required having regard to the Annual Governance Statement.
- Maintain and promote the Corporate Risk Strategy and Risk Register.

### **Directors and Heads of Service**

3.15 Directors and Heads of Service have delegated responsibility for the management of the financial transactions and use of resources in their service areas. This responsibility can be formally delegated to specific officers under the Scheme of Delegation devised for each Head of Service. They are also responsible for ensuring all their staff are aware of, and comply with, the Financial Regulations and other internal regulatory documents.

### 3.16 General responsibilities:

- Complying with appropriate budget management and delegation arrangements to maintain budgetary control.
- Effective use of resources, safeguarding of assets and the operation of a system of appropriate internal controls in their service areas.
- Advising members of the Council and the Section 151 Officer of the financial implications of all proposals.
- Complying with the delegated authorised signatory list for signing contracts on behalf of the Council (see also Contract Procurement Rules).
- Seeking approval, in conjunction with the Section 151 Officer, on new proposals

or on any matter liable to have an effect on Waverley's finances, before any commitments are incurred for proposals, that:

- create financial commitments in future years;
  - change existing policies, initiate new policies or cease existing policies; and
  - materially extend or reduce the Council's services.
- Preparing budgets in accordance with the guidance issued by the Section 151 Officer.
  - Maintaining budgetary control in their service area and ensuring all income and expenditure is properly accounted for and recorded.
  - Ensuring spending remains within budget and that individual budget heads are not overspent by monitoring the budget and taking corrective action.
  - Reviewing performance of services in conjunction with budgets to determine if they are operating effectively.
  - Obtaining approval from the Section 151 Officer before making any changes to financial records and procedures.
  - Promoting excellent financial management standards in their service area and to monitor adherence to the standards, ensuring that relevant training is provided to those staff with financial management responsibilities.
  - Contributing to the development of corporate and service targets and objectives and performance information.
  - Ensuring value for money is achieved in every transaction undertaken.
  - Ensuring compliance with the Council's Contract Procurement Rules.

## **4. Financial Management**

4.1 Objective – to ensure that the Council's budgets and accounting are accurate, timely and meet all statutory and corporate requirements.

### **4.2 Key Controls**

- Review and development of a Medium Term Financial Plan.
- Instructions for the development of forward budgets will be issued each year in line with the Medium Term Financial Plan.
- Budget process is planned and communicated.
- Specific budget approval for all income and expenditure – expenditure can only be committed against an approved budget.
- Accurate financial management and forward projections of income and expenditure.
- Corrective action is taken at the earliest opportunity to address deviation from budget.
- A single Budget Manager accountable for each budget and the level of service to be delivered.
- Expenditure is allocated to the correct cost centre and account code and authorised within the scheme of delegation and authorised signatory list.

## Authorisation and Delegation

- 4.3 The Section 151 Officer shall make provision for the maintenance of an Authorised Signatory List.
- 4.4 Heads of Service shall approve the inclusion and addition of officers to the Authorised Signatories List in writing, clearly specifying the scope of their delegated authorities and ensure the Authorised Signatory List is up to date. Officers who are given specific financial responsibilities must familiarise themselves and comply with these Financial Regulations.
- 4.5 Heads of Service shall approve appropriate officer access to the finance and information systems.
- 4.6 Authorised officers shall ensure another appropriately authorised officer, within the service at an appropriate level of seniority, can act as a substitute for carrying out financial management and administration duties in the event of absence or a vacancy.

## Financial Planning Framework

### Medium Term Financial Plan

- 4.7 The Medium Term Financial Plan (MTFP) is the Council's key financial planning document which takes into account various factors and influences that may impact on the Council over a period of years. It shall cover the forecast financial prospects and requirements for a period considered adequate to understand the Council's future financial position and include strategic action plans to ensure the finances remain robust.

### Budgets

- 4.8 It is a legal requirement that the Council ring-fence and separately manage the following financial resources and expenditure:
- Housing Revenue Account income and expenditure
  - Capital expenditure and financing
  - The Collection Fund
  - Trusts being managed on behalf of their trustees
  - Any other ring-fenced budget coming into effect after the publication of these rules
- 4.9 Revenue budgets cover the day-to-day running costs (expenditure and income) of the Council. Budget Holders shall be responsible for ensuring that they do not exceed the budget approved.



- 4.10 Capital budgets are for the acquisition or enhancement of assets which have a long term value to the Council and are usually of a one-off nature. Capital expenditure shall be accounted for in accordance with the relevant statutory definition. The Finance Team can provide advice on whether an item can be treated as expenditure for capital purposes.
- 4.11 On-going revenue implications of capital projects shall be identified within the capital bid process.
- 4.12 Budgets shall be consistent with the Council's Corporate Strategy and MTFP and integrated into Service Plans.
- 4.13 The Section 151 Officer shall issue guidance for the preparation of budgets which will detail the form and methods to be adopted.
- 4.14 The guidance shall support the best use of resources and value for money by asking service managers to identify opportunities to improve economy, efficiency and effectiveness, propose savings options and consider financial aspects of service planning.
- 4.15 The detail behind the budgets for income and expenditure shall be adequately documented to enable a clear understanding of the purpose and nature of the budget.
- 4.16 Budget Managers preparing budgets shall have regard to:
- Spending patterns and pressures revealed through the budget monitoring process (see 4.22) and the MTFP.
  - Legal requirements.
  - Policy requirements as defined by the Full Council in the approved policy framework.
  - Initiatives already underway.
  - Capacity to deliver service and projects.
  - Lead-in times for delivery.
- 4.17 The Annual Council Budget shall be taken through the Committee process to be approved at Full Council in the February meeting, before the statutory deadline for council tax setting, for the following financial year.

## **Budget Management**

- 4.18 The Section 151 Officer shall ensure financial monitoring and governance arrangements are in place that are commensurate with the size, risk, complexity and volatility associated with particular revenue budgets and capital schemes.
- 4.19 Budget Holders shall be accountable for revenue and capital programme

management within the budget totals allocated to them.

- 4.20 Revenue and capital budget transfers shall comply with the Virement and Budget Realignment Rules set out below.
- 4.21 Any report prepared by officers for consideration by the Executive which has financial implications should be prepared in consultation with the Section 151 Officer.
- 4.22 Budget Management shall consist of:
- Use of the designated Finance System to track and forecast spend against budget.
  - Periodic review of budgets, as determined by the Section 151 Officer, to include income and expenditure forecasting to the financial year end and impact on future years.
  - A Budget Management report submitted to the Management Board and the Executive in a format to be determined by the Section 151 Officer which shows the impact of changes in service spend and the associated risks, mitigations and resolutions.
  - A monitoring process that reviews service delivery and capital projects against budget and, if necessary, reports measures for corrective action.
  - Investigation and reporting by budget managers of significant variances from approved budgets as soon as they become known.
  - Production of a recovery plan for inclusion in the Budget Management report where a service is forecast to overspend.
  - Requests for virements in accordance with the Scheme of Virement.

### **Scheme of Virement**

- 4.23 All expenditure, including expenditure covered by external funding, shall be funded by a budget before an expenditure commitment can be made. A virement is the movement of an uncommitted budget from its intended purpose to another purpose to fund expenditure.
- 4.24 A virement shall not increase the Council's overall budget.
- 4.25 Virements shall not cross a ring-fenced account such as the General Fund, Housing Revenue Account or a Trust.
- 4.26 The rules and authorities for Virement are listed in the **Scheme of Virement** in **Annexe 1** to these Financial Regulations.

### **Supplementary Estimates**

- 4.27 A Supplementary Estimate is a request for additional unfunded budget that will

increase the Council's overall budget and be funded from reserves. Supplementary Estimates up to £100,000 shall be approved by the Executive and, if over £100,000, Full Council.

### **Carry forwards of Budget**

4.28 The policy for the carry forward of budgets shall be determined by the Section 151 Officer.

4.29 Carry forwards shall not be allowed unless there is a robust case for non delivery in the financial year with a firm expectation for delivery in the following financial year and in exceptional circumstance.

4.30 Budget carry forward shall be approved by ~~the Executive~~ the Section 151 Officer.

~~4.30~~4.31 Budget carry forward shall be reported to the Executive.

~~4.31~~4.32 Where a budget or one-off surplus is carried forward, it shall not be used to commit the Council to new or additional expenditure that is ongoing and requires continued funding in future years.

### **Accounting Procedures**

~~4.32~~4.33 Maintaining proper accounting records, systems and procedures are essential to an effective framework of accountability and control for stewardship of public resources.

~~4.33~~4.34 The Council has a statutory responsibility to prepare and publish its Annual Financial Report, which includes the Statement of Accounts and Annual Governance Statement, in accordance with statutory deadlines and to present fairly its operations during the year.

~~4.34~~4.35 The Statement of Accounts shall be subject to external audit which provides assurance that the accounts are free from material mis-statement and presents fairly the financial position of the Council.

~~4.35~~4.36 The Audit Committee shall be responsible for approving the Statement of Accounts.

~~4.36~~4.37 The following requirements shall be followed in preparation of the Statement of Accounts:

- The Council's Statement of Accounts shall be prepared and published in accordance the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) supported by International Financial Reporting Standards in

accordance with the statutory timetable.

- Accounting policies shall be selected by the Section 151 Officer and applied consistently and appropriately and be subject to annual review by External Audit.
- Judgements and estimates shall be made that are reasonable and prudent.
- Year end guidance shall be issued to Heads of Service and officers, informing them of timescales and guidelines for the supply of information.
- Year end guidance shall be complied with.
- A detailed project plan for the completion of the Statement of Accounts shall be agreed with the officers involved in the Statement of Accounts process.
- Proper arrangements shall be made for the audit of the Statement of Accounts in accordance with the Accounts and Audit Regulations.
- Material changes to the Statement of Accounts shall be discussed with External Audit in advance of the year end.

#### 4.374.38 Reserves

- Reserves shall be maintained in accordance with the CIPFA Code of Practice on Local Authority Accounting and as agreed in the MTFP.
- Reserves shall only be used for the purpose for which they are intended.
- Revenue and capital reserves shall be maintained separately.

#### 4.384.39 Grants (Revenue or Capital)

- Grants shall be accounted for in compliance with the CIPFA Code of Practice on Local Authority Accounting.
- Grants received towards expenditure shall be applied in the year the expenditure is incurred.
- Any grant funding received but not applied shall be carried forward to the financial year in which the expenditure will take place.
- Grants shall be accounted for in accordance with the terms of the agreement with regard to any conditions, restrictions or stipulations attached.
- Budget Holders shall ensure that “exit strategies” are in place to support the winding up of any service provision that is financed from time limited specific grants or third party contributions.

#### 4.394.40 Reconciliations

- A Reconciliations Checklist shall be maintained for all control accounts within the Finance system that represent activity in other systems.
- Reconciliations shall be completed at least monthly and signed off by the officer completing the reconciliation.
- All reconciliations shall be reviewed and countersigned by the Financial Services Manager or delegated officer.
- All unreconciled items shall be resolved as soon as practically possible and fully investigated and explained.
- Reconciliation of income between the Finance system and external information,

Terriers, charging schedules or other databases shall be undertaken monthly by the officers responsible for service delivery.

- All reconciliations shall be undertaken at the latest by the end of the month following the reconciliation period.

#### 4.404.41 Government Returns

- All Government returns for grant claims, consultations, statistical information and financial information shall be submitted by the relevant deadline.
- All returns relating to grants and financial statistics shall be completed in consultation with the Section 151 Officer or delegated officer.
- The Section 151 Officer or delegated officer shall be satisfied as to their correctness before they are submitted to any Government Department.
- The Section 151 Officer or delegated officer shall be notified and receive copies of all Government or other circulars, orders, sanctions, approvals and regulations affecting finance which are received by the Council.

## **5. Purchase orders, goods receipting and payment of invoices**

### **5.1 Key Controls**

- All commitments to expenditure undertaken by officers shall comply with the Contract Procurement Rules.
- Financial checks shall be undertaken of prospective suppliers in accordance with the Contract Procurement Rules.
- All Council commitments to expenditure should be made using a purchase order unless they fall into the Exemptions Schedule.
- A purchase order shall not be raised without sufficient budget. If necessary the virement process should be used in accordance with Annexe 1 or a Supplementary Estimate approval should be obtained in advance of creating a commitment to expenditure.
- Only authorised officers on the Authorised Signatory List shall approve purchase orders.
- Officers shall not approve their own purchase orders (no self-certification).
- No officer alone shall be responsible for all stages of the “purchase to pay” process, ie ordering, receipting, payment authorisation, including the BACS payment set up and release.
- The authorising of a purchase order signifies:
  - the goods/services are necessary for discharging the functions of the Council; and
  - in all respects the Financial Regulations have been complied with.
- Purchase orders shall be ‘goods receipted’ to verify that goods or services have been received at the correct price, quantity and quality standards before payment of invoice.
- All invoices shall be submitted as soon as possible to the Finance Team for inclusion on the accounts ledger.

- Prior to settlement, checks shall be undertaken to safeguard against duplicate payment of invoices.
  - New suppliers and changes of details to an existing supplier shall be validated by a positively verified contact for the supplier.
  - Officers shall document supporting proof of verification and obtain approval from the Head of Finance or delegated officer.
- 5.2 Every officer of the Council involved in engaging, supervising or having any other official relationship with contractors or potential contractors shall declare all relationships of a private or domestic capacity with those contractors to their line manager in accordance with Code of Conduct.
- 5.3 Members shall declare such relationships on the Members Register of Interests.
- 5.4 Records shall be kept to evidence compliance with the Contract Procurement Rules for all purchase orders raised.
- 5.5 Records shall not be disposed of other than in accordance with arrangements approved by the Section 151 Officer.
- 5.6 Payment process:
- Payment of invoices shall be against an original invoice or certified copy invoice only.
  - Payment requisition forms shall be accompanied by supporting information.
  - Payment shall be made in accordance with the agreed payment terms and in compliance with the invoice payment performance indicators.
  - Payment should normally be by BACS but in exceptional circumstances cheque or CHAPS.
  - New suppliers and changes of details to an existing supplier shall be validated by a verified contact for the supplier.
  - Officers shall document supporting proof of verification and obtain approval from the Head of Finance or delegated officer.
  - Payments to contractors shall be on the certificate of the appropriate Head of Service, and include details of the value of work, retention money, amounts previously certified and amounts now certified.
  - Any outstanding expenditure for work completed but not yet invoiced by the end of the financial year shall be reported to the relevant service accountant to be accrued into the correct financial year in accordance with the year end closedown instructions.
- 5.7 Payment without an invoice, (including the transfer of funds to bank imprest accounts, online shopping accounts and prepaid or top-up cards) shall be made using systems and protocols determined by the Section 151 Officer.
- 5.8 Set up and use of online shopping accounts shall be approved by the Section 151

Officer. Normal purchasing procedures are still required with the exception of raising a purchase order in the Finance System.

## 5.9 Large contracts

For contracts that fall into threshold 4 in the CPR's (>£100,000) and where stage payments are made due to the length or type of the contract (ie construction), officers shall ensure that:

Contracts involving stage payments:

- The contract documentation is prepared with the agreement of the Borough Solicitor.
- The contract is recorded in the Contract Register.
- A final account is prepared.

Final Payments:

- Supporting documentation is checked to ensure that all the items invoiced have been used on the project and that the figures are correctly calculated throughout each stage of the project payment process.
- Where a retention is held, the retention value and retention period is recorded so that it can be released when the defect liability period has ended.
- The project manager is responsible for collating and checking the final account before the final payment is made.
- The final payment is signed off by the relevant Head of Service to confirm the accuracy and integrity of the final payment.
- The Head of Service approval is emailed to [AccountancyTeam@Waverley.gov.uk](mailto:AccountancyTeam@Waverley.gov.uk) to be put with the invoice in the Finance system.

## 5.10 Value Added Tax (VAT):

- VAT returns shall be made to HMRC with the appropriate payments or claims in accordance with HMRC regulations.
- The Council's partial exemption position shall be regularly assessed.
- The effect on the partial exemption position for all new transactions shall be considered.
- Officers shall ensure that the correct VAT liability is attached to all expenditure paid and income due and that all VAT shown as recoverable on purchases complies with HMRC regulations.
- The Section 151 Officer shall be consulted for VAT advice prior to implementing changes to service provision, new capital schemes and purchase of any assets.

## 5.11 Construction Industry Scheme (CIS):

- CIS tax returns shall be made to HMRC with the appropriate payments in compliance with HMRC regulations.
- Spending officers shall be aware of CIS rules and ensure they have sufficient

knowledge to collect the relevant information from suppliers.

- Where construction and maintenance works are undertaken, Officers shall request the necessary CIS tax deduction information from the supplier.

#### 5.12 Off-payroll working through an intermediary (HMRC IR35):

- All procurement of agency staffing and consultancy work of any kind shall be tested against the HMRC IR35 rules for off-payroll working by the appointing service officer prior to engagement.
- The Employee Services team shall be informed of all appointments.

#### 5.13 Petty Cash:

Petty cash covers the use of 'cash' from the petty cash imprest to purchase minor items of expenditure not exceeding such sums as determined by the Section 151 Officer.

- Set up of any petty cash imprest account shall be approved by the Section 151 Officer.
- A log of officers responsible for petty cash floats shall be maintained by exchequer services.
- Responsible officers shall comply with petty cash imprest administration guidance notes.
- Officers requesting reimbursement of expense incurred on behalf of the Council, including travelling expenses shall put a request through the payroll system.
- No cheques shall be cashed from money held in petty cash imprests.
- The petty cash imprest holder shall obtain a signature and supporting documentation, including a VAT invoice for all purchases.
- The petty cash imprest holder shall reconcile the imprest and, when requested by the Section 151 Officer, present the imprest account for audit.
- The petty cash imprest account shall be reconciled if the holder leaves or changes.
- If the petty cash imprest account is no longer required it shall be relinquished to the Section 151 Officer.

## 6. Payment of salaries, wages, pensions, travelling and subsistence allowances and Members Allowances

### 6.1 Key Controls

- An annual staffing budget shall be prepared.
- An annual Members Allowances budget shall be prepared.
- Monthly monitoring of staff activity and spend shall be reconciled to payroll.
- Staffing budget shall not be exceeded.
- Employee Services team shall be notified of all matters affecting payment of employees and former employees including appointments, resignations, dismissals, suspensions, secondments, transfers and other absences apart from



approved leave.

- Appointments shall be made in accordance with the Council's recruitment policy.
- The Job Evaluation process shall be used for determining the remuneration of a job.

## **Payments to Staff and Members**

- 6.2 Payment of salaries, pensions, compensation and other emoluments to staff or former employees shall be through the Council's payroll system.
- 6.3 All adjustments to the payroll shall be supported by documentary evidence and approved by an authorised signatory.
- 6.4 Payments through payroll shall only be made to:
- bona fide employees;
  - with a valid entitlement; and
  - who have a contract of employment.
- 6.5 Income tax, national insurance, pensions and other deductions shall be accurately recorded and accounted for in line with statutory legislation.
- 6.6 All Inland Revenue returns regarding PAYE shall be completed in accordance with HMRC published guidance.
- 6.7 Staff records and pay documents shall be maintained in the payroll system.
- 6.8 Payments of Members' Allowances shall be made in accordance with the Members' Allowances scheme.

## **Travel and Subsistence Claims**

- 6.9 Travel and Subsistence Claims shall only be paid for authorised journeys and expenses incurred in the course of Council business.
- 6.10 Employees claims shall be made in accordance with the Employee Handbook and Contracts of Employment.
- 6.11 Members claims shall be made in accordance with the Members Allowance Scheme.
- 6.12 Claims (with receipts attached) shall be submitted, verified and authorised through the payroll system.

## 7. Collection of income including External Funding and writing off of debts

### 7.1 Key Controls

- All income due to the Council shall be identified and charged correctly in accordance with the approved fees and charges.
- The collection and recording of all money due to the Council follows approved procedures for collection and money received by an officer on behalf of the Council shall be passed to the Finance team without delay.
- All income shall be recorded through the Council's income system.
- Fees and charges income shall be reconciled at all times to customer records by the service provider.
- Cash holdings on premises shall be kept to a minimum and securely in accordance with insurance requirements.
- A security firm shall be used to collect money from the Council offices as a minimum once a week to be paid into the Council's general bank account.
- Action shall be taken to pursue non-payment in accordance with the recovery process.
- Debt considered for write-off shall only be that which is uneconomic to collect or recovery is legally restricted.
- Formal approval for debt write-off shall be obtained in line with the debt write-off procedures.
- New electronic methods of income collection shall be agreed with the Section 151 Officer.
- Credit notes, for full or partial debt cancellation, shall be adequately documented and approved by an authorised signatory.

### 7.2 The fees and charges shall be:

- reviewed as part of the budget process or, where appropriate, more frequently.
- approved by ~~Full Council~~ [the Section 151 officer unless covered by a delegated authority.](#)
- Budget Holders shall ensure that up-to-date fees and charges are published.

7.3 Income shall only be collected using methods and channels approved by the Section 151 Officer.

7.4 Income shall be collected at the point of service wherever possible, by the most cost effective approved means.

7.5 Value Added Tax (VAT) shall be added to charges where statutorily required and be itemised separately on the receipt in line with HMRC requirements. It is the budget holder's responsibility to ensure that the correct VAT is applied.

7.6 Officers who process card transactions shall comply with the Council's Payment

## Card Security Policy and Procedures.

- 7.7 Refunds of debit/credit card payments shall be processed back to the card used to make the payment.
- 7.8 Refunds shall not be made by the officer taking the original payment, unless supervised and checked by an officer independent of the transaction.
- 7.9 Income due for the financial year should be collected or invoiced in advance of year end. Where income is still due but not received or invoiced the income shall be accrued in accordance with the year end closedown guidance.
- 7.10 Budget Holders shall be responsible for collection of all income due to their service area, inclusive of grants, contributions, commuted sums, sales, fees, charges and rents, in cash or credit form.
- 7.11 Debts originated by the service are the responsibility of that service and shall be pursued in accordance with the Council's debt recovery procedure.

### **Debt Write-off**

- 7.12 Where debt is uneconomic to collect or there is no prospect of collection or is legally restricted the debt will be written off by the Section 151 Officer.

### **External Funding**

- 7.13 External funding shall only be applied for or accepted if it meets the corporate priorities and the Financial Regulations.
- 7.14 The costs, risks and obligations associated with preparing a bid shall be fully identified and not outweigh the benefits of receiving additional funding.
- 7.15 Matched-funding requirements going into future years shall be considered prior to entering into the agreement to ensure funds are available to meet future obligations.
- 7.16 The Section 151 Officer shall be notified of all external bids and confirmation of funding.
- 7.17 Copies of original documentation confirming funding allocations shall be forwarded to the Section 151 Officer.
- 7.18 In securing external funding officers shall ensure that:
- All costs associated with bidding are financed from the relevant service budget unless the Executive has specifically approved alternative funding

arrangements.

- The matched funding or sponsoring organisation scheme requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- The external funder's audit requirements are fully understood and are achievable to ensure conditions of funding and any statutory requirements are complied with.
- Funds are received from only appropriate sources and that their purpose is clearly documented.
- The project to be sponsored by the funding is properly project planned and progress reported in accordance with the project plan.
- Expenditure is properly incurred in accordance with the funding documentation.
- Organisations making donations or providing sponsorship are registered with the Head of Policy and Governance for transparency.
- All claims for funds are made by the due date.
- All funding notified by external bodies is received and properly recorded in the Council's accounts.
- The funding is applied in accordance with the agreed criteria and that all expenditure is properly incurred and recorded.
- Internal Audit Client Manager is consulted before accepting external funds.

#### 7.19 Community Infrastructure Levy (CIL)/Section 106 receipts

- All receipts received shall be held and accounted for in accordance to the stipulations, conditions and restrictions in each individual agreement.
- The collecting service shall notify the Section 151 Officer of the receipt of money and forward the individual agreements to the Finance Team.
- Receipts shall only be used for the permitted purpose.
- CIL/Section 106 agreements shall be recorded on a register and regularly reviewed for action.
- CIL/Section 106 receipts shall only be transferred to a third party for qualifying expenditure and with a Terms of Application Agreement signed by the third party and the Council.

## 8 Security of assets

### 8.12 Key Controls

- The Estates and Valuation Manager shall maintain a property database for all land and buildings owned or leased by the Council.
- Officers shall be responsible for the care and custody of all buildings, vehicles, equipment, furniture, stock, inventories, cash and information under their control.
- Officers shall record a description and location in an inventory in the form required by the Section 151 Officer.
- Officers shall be responsible for the proper security of all assets and ensuring they are appropriately marked as Council property and included in the Council's

insurance schedule.

- Officers shall complete a check and reconciliation of their stock and inventories at year end and, as requested by Section 151 Officer, verify location, condition and reasonableness levels.
- Surpluses or deficiencies shall be dealt with in consultation with the Section 151 Officer.
- No Council owned asset shall be available for personal use by an officer without authority of the Section 151 Officer.

## Land and Buildings

- 8.13 Land and Buildings shall be included in the Council's Asset Register where the assets have a value in excess of the Council's de-minimis levels as set out in the Accounting Policies, otherwise registered on the de-minimis register.
- 8.14 Land and Buildings shall be valued in accordance the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom*.
- 8.15 Land and Buildings assets shall be valued by a Royal Institute of Chartered Surveyors (RICS) qualified valuer.

## Leases

- 8.16 Lessees and other prospective occupiers of Council land and buildings shall not be given possession or gain entry without a lease agreement.
- 8.17 A Lease Register shall be maintained and updated on a regular basis and at least annually.
- 8.18 The Lease Register shall identify whether the lease is an operating lease or a finance lease.
- 8.19 Lease terms shall be renegotiated and/or terminated prior to expiry.
- 8.20 Lease income shall be reconciled to the Lease Register at all times.
- 8.21 Contracts entered into shall be reviewed for lease implications.
- 8.22 Any leases within a contract shall be reported to the Finance Team.

## Acquisitions and Disposals

- 8.23 Acquisitions and Disposals of Land and Buildings shall be made in accordance with the Section 151 Officer determination with supporting evidence of best value consideration being documented.

## 9 Risk Management and Insurance

9.1 All officers have a role in the identification of risks in the planning and delivery of services.

### 9.2 Key Controls

- Procedures and controls are in place to identify, assess, prevent or contain material known risks and these procedures are operating effectively throughout the Council.
- A monitoring process is in place to regularly review the effectiveness of risk procedures and controls.
- Managers are responsible for managing relevant risks in accordance with the risk policy.
- Acceptable levels of risk are determined and insured against where appropriate.
- Provision is made where appropriate for losses that might result from unmitigated risks.
- Procedures are in place to investigate claims within required timescales.
- The Council has identified business continuity plans for implementation in the occurrence of an event that results in significant loss or damage to its resources.

### 9.3 Officers Responsibilities:

- To consult the Section 151 Officer and the Borough Solicitor on the terms of any indemnity that the authority is requested to give.
- Not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- To ensure that all contractors or consultants employed have adequate insurance in place, as defined by the Section 151 Officer and the Borough Solicitor, to cover the risks associated with the contract.
- To take responsibility for risk management within their service area, having regard to advice from the Section 151 Officer and other specialist officers and ensure there are regular reviews of risk.
- To notify the Section 151 Officer of all:
  - new risks, properties or vehicles that require insurance
  - any alterations affecting existing insurances
  - loss, liability or damage that may lead to a claim against the Council.
- To identify, evaluate and report on key risks associated with policy decisions and service developments, and in the preparation of service plans, in accordance with the Council's agreed risk framework within the Risk Management Policy.
- To identify and evaluate risks before entering any form of partnership with organisations or individuals.

## Insurance

- 9.4 Insurance cover shall be through the Council appointed external insurance provider.
- 9.5 An annual review and assessment shall be done to ascertain the amount of insurance cover to be maintained, taking specialist advice as necessary.
- 9.6 Heads of Service shall keep suitable records to ensure that inspections of engineering plant under their control are carried out by the Insurance Company within the periods prescribed and shall take any necessary action arising there from.
- 9.7 Any failure by the Council's insurers to carry out such inspections shall be notified to the Section 151 Officer.
- 9.8 Heads of Service shall ensure that employees or anyone covered by the Council's insurance, are aware that they should not admit liability or make an offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## 10 Banking arrangements

### 10.1 Key Controls

- Electronic banking systems administration access shall be independent from system users.
- Access to passwords and controlled stationery shall be secured.
- An approved list shall be maintained of officers authorised to undertake bank transactions and release money by other methods of payment (including BACS runs).
- An authorised list of nominated officers fulfilling the role of bank signatory shall be maintained.
- Bank accounts shall not be opened or closed without the authorisation of the Section 151 Officer.
- Bank accounts shall be held in the name 'Waverley Borough Council'.
- An audit log of bank authorisations shall be reviewed regularly by the Head of Finance.

### 10.2 The Section 151 Officer shall:

- Maintain an overview of the banking arrangements and services;
- Approve the opening of all bank accounts;
- Approve signatories and authorisers for all Council operated bank accounts;
- Approve corporate credit cards together with instructions for their use;
- Approve the use of payment cards and online shopping accounts;
- Approve new merchants for cash collection;
- Approve the use of new ways of cash-less transacting; and

- Approve arrangements for the secure transit of cash and cheques.

### 10.3 Credit Cards:

- The corporate credit cards shall only be used in exceptional circumstances and only up to the limit on the account.
- Supporting documentation, including a VAT invoice where possible, shall be provided to the Section 151 Officer.
- Normal purchasing procedures still apply with the exception of raising a purchase order in the Finance System.

## 11 Treasury Management (Investments, borrowing and trust funds)

### 11.1 Key Controls

- Treasury Management Strategy documenting the policies, objectives and approach to risk management of the Council's treasury management activities.
- All treasury management decisions taken in accordance with the Treasury Management Strategy, CIPFA's Standard of Professional Practice on Treasury Management and the Prudential Code.
- Approval of transactions limited to bank authority list.
- Regular treasury management investment reviews.
- Audit log of treasury management investments reviewed regularly by the Head of Finance.

### Investments and Borrowing

#### 11.2 The Section 151 Officer shall be responsible for:

- all external financing arrangement for borrowing and leasing.
- maintaining a record of all the Council's borrowing.
- making arrangements for the registration of any stocks, bonds and mortgages.

#### 11.3 Loans to and from third parties as part of treasury management shall comply with the Treasury Management Strategy and Prudential Code.

#### 11.4 Loans to third parties shall have the approval of the Executive, after consultation with the Section 151 Officer.

#### 11.5 Loans to third parties shall be based on a statement of conditions, if applicable, attaching to the assistance.

#### 11.6 Officers shall satisfy themselves that the recipient has received appropriate advice about their obligations.



- 11.7 Officers shall have regard to the ability of the applicant to meet the loan repayments or conditions.
- 11.8 Loans for capital assistance shall comply with 'Local Authorities (Capital Finance and Accounting)(England) Regulations 2003'.
- 11.9 The interest rate, if applicable, shall be determined by the Section 151 Officer.
- 11.10 The Council shall not offer any type of consumer credit which would require specific registration with the Financial Conduct Authority.
- 11.11 Acquisitions in companies, joint ventures, shares or other enterprises shall be in accordance with the approval of Executive and Section 151 Officer.

### **Trust funds and funds held for third parties**

- 11.12 Trust funds, where possible, shall be held in the Council's name.
- 11.13 All Officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the Trust with the Solicitor to the Council, unless the deed otherwise provides.
- 11.14 Funds held on behalf of third parties shall be securely administered as approved by the Section 151 Officer, with records of all transactions maintained.
- 11.15 Trust funds shall be operated within any relevant legislation and the specific requirements for each trust according to their intended purpose and as set out in the trust deed.
- 11.16 Where applicable Charity Commission guidance shall be followed in the preparation of Annual Financial Reports and deadlines for the submission of information to the Commission.

## **12 Partnerships**

### **12.1 Key Controls**

- Partnership agreements and arrangements shall support the corporate objectives, provide value for money and not impact adversely on the services provided by the Council.
- Approval of the Section 151 Officer shall be obtained before entering into a partnership working arrangement.
- All agreements and arrangements entered into with external bodies shall be fully documented and entered on the Council's Register of Partnerships maintained by Democratic Services.
- Review and monitoring arrangements shall be in place.

- 12.2 Prior to the Council committing to enter a service, contractual or financial partnership, the risks involved in the following items shall be considered:
- the responsibilities and commitment of the Council;
  - any financial obligations entered into;
  - the governance arrangements; and
  - any liabilities or insurance requirements.
- 12.3 The Financial Regulations shall take precedence over any financial regulations of the external body unless specifically sub-ordinated by any explicit regulations in the partnership agreement and the agreement of Full Council.
- 12.4 The Section 151 Officer shall be consulted on the key elements of funding a partnership project including:
- a scheme appraisal for financial viability in both the current and future years;
  - risk appraisal and management;
  - resourcing, including taxation issues (especially VAT);
  - audit, security and control requirements;
  - balance carry-forward arrangements;
  - ensuring accounting arrangements are satisfactory; and
  - exit strategy and financial implications.

## 13 **Work for Third Parties**

### **13.12 Key Controls**

- Proposals shall be costed properly and approved by the Section 151 Officer.
  - No work shall be entered into without seeking the advice of the Borough Solicitor to check it is within the Council's legal powers and that there is a clear economic case for doing the work.
  - The contract shall be prepared by the Borough Solicitor or, if the other party insists on preparing the contract, the advice of the Borough Solicitor is sought.
  - Appropriate insurance cover shall be arranged for any potential liabilities as a result of the agreement.
- 13.2 The Section 151 Officer shall issue guidance with regard to the financial aspects of third party contracts.
- 13.3 Any work done under the third party's contractual terms of engagement rather than the Council's shall be agreed by the Section 151 Officer.
- 13.4 No contract entered into shall be subsidised by the Council.

## 14 The powers and duties of Internal Audit

Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

### 14.12 Key Controls

- Internal Audit Charter.
- Annual Audit Plan.
- Set of internal controls for systems and processes that are agreed by Internal Audit and reviewed regularly for effectiveness.
- Process for investigating, reporting and subsequent action regarding any suspected irregularity.
- An effective internal audit function that is properly resourced.

### 14.13 Internal Audit Client Manager shall:

- Prepare the annual Internal Audit Plan which takes account of the characteristics and relative risks of the activities involved.
- Report to Audit Committee on the progress against the annual Internal Audit Plan.
- Review, appraise and report on the extent of compliance with, and effectiveness of, relevant policies, plans and procedures (internal controls).
- Review the adequacy and application of financial and other related management controls.
- Make arrangements for investigation, reporting and subsequent action regarding any suspected irregularity.
- Ensure that all internal audits are documented in a written report.
- Require officers to implement all agreed actions in a timely and efficient manner.
- Report non compliance with agreed audit recommendations to the Audit Committee.

### 14.14 Internal Audit has authority to:

- Access all Council premises, records, documents, and correspondence and control systems.
- Require any officer or Member to supply information and explanation considered necessary concerning any matter under consideration in the course of undertaking internal audit investigations.
- Require any officer to account for cash, stores or any other authority asset under their control.
- Access records belonging to third parties, such as contractors, when required.
- Request and receive explanations as necessary concerning any matters under consideration.

#### 14.15 Officer's responsibility:

- All officers have a personal responsibility with regard to the protection and confidentiality of information.
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Section 151 Officer immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources. Pending investigation and reporting, the Director and Service Head shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- To ensure that new or changes in the form of systems for maintaining financial or personal records, or records of assets are agreed by the Internal Audit Client Manager and Section 151 Officer prior to implementation.
- To ensure they have a clear understanding of the benefits of sound controls and their responsibilities in compliance.

## 15 Fraud and Corruption

### 15.12 Key Controls

- Anti-fraud, Bribery and Corruption Policy.
- Process for investigating, reporting and subsequent action regarding any suspected fraud and corruption.

15.13 The Section 151 Officer shall be responsible for maintaining an Anti-fraud, Bribery and Corruption Policy.

15.14 Heads of Service shall ensure their staff are aware of, and comply with, the Anti-fraud, Bribery and Corruption Policy.

15.15 Officers shall notify the Section 151 Officer immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources.

15.16 Pending investigation and reporting, the Director and Service Head shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

15.17 The Section 151 Officer shall notify the Audit Committee chair immediately of any suspected fraud, theft, bribery, irregularity, improper use or misappropriation of Waverley Borough Council's property or resources.

## 16. Declarations of Interest, Gifts and Hospitality

### 16.1 Key Controls

- Full requirements and guidance for Members and officers are set out in the relevant Codes of Conduct.
- Registers of interests are maintained for Members and officers.
- Registers of gifts and hospitality are maintained for Members and officers.
- Registers are inspected at least annually by audit.

16.2 Members and officers shall report financial or other inducements, offered or received from an individual or organisation trying to influence the business of the Council to the Section 151 Officer and Internal Audit Client Manager.

16.3 Member and officers shall record any interests or gifts and hospitality received or declined in the Gift register maintained by Democratic Services.

16.4 The Section 151 Officer and Heads of Service shall ensure staff are aware of the requirement and the guidance for registering interests, gifts and hospitality.

16.5 Investigations that indicate improper behavior may result in disciplinary action.

## 17. Anti Money Laundering

### 17.1 Key Controls

- Full requirements and guidance for Members and officers are set out in the Anti Money Laundering Policy.
- Head of Finance is the designated Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity (their own or anyone else’s).
- There is a procedure in place to enable the reporting of suspicions of money laundering.

17.2 The Council and its employees shall establish internal procedures to prevent the use of their services for money laundering as set out in Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007.

## Glossary

Accounting record	Accounting records are key sources of information and evidence used to prepare, verify and/or audit the financial statements. They also include documentation to prove asset ownership for creation of liabilities and proof of monetary and non monetary transactions.
Annual Financial Report	A comprehensive report on the Council's activities for the preceding financial year including the Section 151 Officer's commentary, Statement of Accounts, Annual Governance Statement and Audit opinion.
Annual Governance Statement	A statement describing how the Council's corporate governance arrangements have been working over the financial year.
Asset	Any object, tangible or intangible, that is of value to its owner. Tangible assets include land and buildings, plant and machinery, fixtures and fittings & stock. Intangible assets include goodwill, patents, licences, copyrights and trademarks.
Asset Register	A schedule of all Council assets including asset information and values.
Authorised limit	A limit that sets the level up to which an officer has authority to undertake the activity.
Authorised Signatory List	List of officers authorised to make financial transactions. Head of Service approval is required before an officer may be included in the List.
BACS	Bank Automated Credit Service, electronic funds transfer process.
Budget	A sum of money allocated for a particular purpose or an expectation of income for a defined period of time.
Budget monitoring	Periodic review of the budget to ensure that total income and expenditure planned at the budget stage is adhered to as far as possible during the budget period.
Carry forward	The approved transfer of an unspent budget into a future financial year.
CHAPS	Clearing House Automated Payment System (CHAPS) is a method of transferring money between bank accounts electronically.
CIPFA	The Chartered Institute of Public Finance and Accountancy
Contract	This term is used to refer to any procurement transaction or planned procurement transaction.
Contractor	A provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.

Contract Procurement Rules (CPRs)	A set of rules that set out the minimum requirements the Council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants.
Customer	The recipient of a Council service.
Exceptions Schedule	A list of spend for which a purchase order is not required or is not appropriate.
Financial obligation	Money that a person or organisation owes and must pay at a particular time.
Financial Regulations	This refers to the set of rules that govern the way the Council's finances are administered and controlled. They are maintained by the Section 151 Officer.
Financial year	The Council's financial year runs from 1 April to 31 March
Financial viability	The ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, allow for growth.
HMRC	Her Majesties Revenue and Customs, government taxation department.
Governance	The processes by which organisations are directed, controlled, led and held to account.
Job evaluation	A systematic way of determining the value/worth of a job in relation to other jobs in the Council.
<a href="#"><u>Key Financial System</u></a>	<a href="#"><u>A system which interacts with the main Finance system to collect income due to the Council. Key Financial systems must be reconciled monthly.</u></a>
Lease	A contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset.
Material/Materiality	Materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.
Medium Term Financial Plan (MTFP)	The bringing together of all known factors affecting the Council into one plan covering a period of a few years into the future.
Member	An elected Councillor
Officer	A member of staff
Other systems	In addition to the Finance system there are other systems used by the Council that contain financial information, these include systems for: <ul style="list-style-type: none"> <li>• Housing - to collect tenants rent and manage the repairs and maintenance of council dwellings</li> <li>• Council Tax</li> <li>• Business Rates</li> <li>• Planning</li> <li>• Payroll</li> <li>• Income</li> <li>• Housing Benefits</li> </ul>

	<ul style="list-style-type: none"> <li>• Land Charges</li> </ul>
Partnership	An arrangement in which the Council enters into with an external individual or organisation to share the benefits and liabilities of the venture.
Prudential Code	CIPFA Code of Compliance for treasury management
Purchase Order	An official order issued by a purchaser to a seller indicating types, quantities and prices for products or services. It is used to control the purchasing from external suppliers.
Reserve	An amount of money kept for a particular purpose or future use.
Scheme of Delegation	This term refers to the council's Scheme of Delegation, which specifies the extent to which the conduct of the council's affairs is delegated to council officers.
Section 151 Officer	The officer ultimately responsible for the proper administration of the Council financial affairs.
Supplier	A provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Terms of Application Agreement	Rules, conditions or stipulations by which the parties involved must abide by to receive funds.
Terrier	Register of properties.
Virement	A virement is the movement of existing uncommitted budget to aid in the management of budgets where there is insufficient available in another area.
Write Off	A cancellation of a debt or worth of an asset.



## Scheme of Virement

## Annexe 1

Virements must be:

- Proactive (agreed before spending takes place)
- double-sided
- in year
- with commentary

	Budget description	Approval levels
Revenue	<p><b>Centrally controllable budgets:</b></p> <ul style="list-style-type: none"> <li>• Recharges</li> <li>• Depreciation</li> <li>• Insurance</li> <li>• Business Rates Income</li> <li>• Council Tax Income</li> <li>• Utilities</li> <li>• Housing Benefits subsidy</li> </ul>	<p>Virements can only be done between cost centres within the budget (account code) heading.</p> <p>Virement restricted to Accountants</p> <ul style="list-style-type: none"> <li>• Up to £5,000 - Accountant</li> <li>• Over £5,000 – Accountant with approval of Financial Services Manager</li> <li>• Not between revenue and capital</li> <li>• Not between HRA and General Fund revenue</li> </ul>
Revenue	Non centrally controlled budgets <b>within</b> a Budget Holders remit	<ul style="list-style-type: none"> <li>• Up to £5,000 - Budget Holder</li> <li>• £5,001 to £100,000 – Head of Service and Section 151 Officer</li> <li>• Over £100,000 – Executive</li> </ul>
Revenue	Non centrally controlled budgets <b>between</b> Budget Holder remits	<ul style="list-style-type: none"> <li>• Up to £5,000 – agreement of Budget Holders</li> <li>• £5,001 to £100,000 – agreement of affected Heads of Service and Section 151 Officer</li> <li>• Over £100,000 – Executive</li> </ul>
Salaries	Establishment Authorisation process must be followed and Revenue virement rules apply	All budget movements to go through the Finance Team
Income	An increase in an expenditure budget can only be met from additional income subject to approval.	<ul style="list-style-type: none"> <li>• Up to £5,000 – Head of Finance</li> <li>• Over £5,000 - Section 151 Officer</li> </ul>
Capital	Within project	<ul style="list-style-type: none"> <li>• Up to £100,000 – agreement of Head of Service</li> <li>• Over £100,000 Executive</li> </ul>
Capital	Across projects	<ul style="list-style-type: none"> <li>• Up to £100,000 – agreement of Section 151 Officer</li> <li>• Over £100,000 Executive</li> </ul>

This page is intentionally left blank

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE 26/11/2019**

---

**Title:**

**TAX STRATEGY – REVISED  
(SUPERCEDES 10/09/18 VERSION)**

**[Portfolio Holder: Cllr Merryweather]**

**[Wards Affected: N/A]**

---

**Summary and purpose:**

The Council is required to have in place a Tax Strategy to fulfil its responsibilities under the Legislation in Criminal Finances Act 2017, and to undertake to respond appropriately to the Corporate Criminal Offence guidance from HMRC issued September 2017.

---

**How this report relates to the Council's Corporate Priorities:**

**Equality and Diversity Implications:**

The Tax Strategy supports the delivery of strategic objectives through the prevention of criminal activity from tax evasion.

**Financial Implications:**

The Council is accountable for the correct treatment of tax with regard to all financial transactions undertaken. It has to have in place appropriate policies and procedures to *mitigate the risk of tax evasion*.

**Legal Implications:**

The Council has to comply with the Legislation in Criminal Finances Act 2017 and to respond appropriately to the Corporate Criminal Offence guidance from HMRC issued in September 2017.

---

**Background**

1. The Government believes that relevant bodies should be criminally liable where they fail to prevent those who act for them, or on their behalf, from criminally facilitating tax evasion. HM Revenue and Customs (HMRC) issued guidance in September 2017 on the legislation for corporate offences of failure to prevent the criminal facilitation of tax evasion. In order to demonstrate that the Council acknowledges its responsibilities with regard to tax it undertakes to prepare an annual Tax Strategy.
2. The guidance issued by HMRC focuses on the failure to prevent crimes with regard to tax of those who act for or on behalf of the Council and determines that it should be easier to hold to account and attribute criminal liability to the relevant body (The Council) for the criminal acts of employees, agents or those that provide services for it or on its behalf.

3. The guidance has six principles to help relevant bodies understand the processes and procedures that can be put in place to prevent criminal activity with regard to tax. These principles are addressed in the Tax Strategy and are to be applied proportionately to the perceived risk of the offence.
  4. The Tax Strategy details the perceived risk of tax irregularities and documents the Council's relevant policies and procedures to be complied with, which are applicable to all those involved in financial transaction for the Council, to prevent offences occurring.
- 

### **Recommendation**

That the Audit Committee considers the attached Tax Strategy and passes any comments and observations to the Executive.

---

### **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

---

### **CONTACT OFFICER:**

**Name:** Peter Vickers  
Head of Finance and Property

**Telephone:** 01483 523539  
**E-mail:** peter.vickers@waverley.gov.uk

# Waverley Borough Council

## Tax Strategy 2020/22

### 1. Introduction

1.1. Waverley Borough Council is a Local Authority regulated by statute – largely the Local Government Act 1972 as amended. As a Local Authority, Waverley’s ability to generate income in competition with the Private Sector is very limited. As a consequence, its taxable activities are relatively few.

1.2. Nevertheless, as a designated ‘relevant body’ under the Legislation in Criminal Finances Act 2017, Waverley acknowledges its responsibilities under this legislation and undertakes to respond appropriately to the Corporate Criminal Offence guidance from HMRC in September 2017. The Legislation in Criminal Finances Act 2017 requires the preparation of a Tax Strategy demonstrating:

- Waverley’s tax motives
- its compliance with all legal requirements in respect of its tax activities
- its general approach to its tax activities
- its commitment to minimising opportunities for tax evasion within its activities

through six guiding principles:

- Risk assessment
- Proportionality of risk-based prevention procedures
- Top level commitment
- Due diligence
- Communication (including training)
- Monitoring and review

### 2. Waverley’s Tax Motives

2.1. As a Local Authority, Waverley is not a profit making organisation. Its tax motives are therefore to account properly, and in timely fashion, for all its taxable activities consistent with its primary responsibilities for the wellbeing of its community. Waverley is accountable through its elected Councillors and is committed to the transparency of its financial affairs including Freedom of Information (FOI), transparency disclosure and public inspection of its accounts. Waverley seeks to minimise the tax cost of conducting its business, for the benefit of its community, while ensuring that any such action is not contradictory to the intent of the legislation. Waverley will not enter into artificial transactions designed to evade tax consequences.

- 2.2. Waverley applies professional care and diligence in the management of its own tax risk and applies appropriate levels of diligence to the activities of its staff, partners and contractors. Waverley operates in an accurate, timely and transparent manner, in respect of its tax activities, and manages its contact with HMRC in an open and collaborative manner.
- 2.3. In respect of its responsibilities under the Legislation in Criminal Finances Act 2017 Waverley is committed to minimising the opportunity for tax fraud by itself, its staff, partners and contractors whether that fraud be:
- by way of evasion, false accounting, fraudulent charging or recovery of tax - whether corporate or personal, and
  - in a manner proportional to its level of tax risk and impact.
- 2.4. Waverley, therefore, has in place reasonable prevention measures to avoid tax evasion, and will prepare its Tax Strategy annually to demonstrate its commitment.

### **3. Risk Assessment**

- 3.1. As a Local Authority operating under statute, Waverley believes there is a low level of incentive or opportunity to perpetrate or facilitate tax fraud on a corporate basis. Similarly it believes there is little opportunity for its staff to perpetrate or facilitate tax fraud on a personal basis to a significant level due to its control framework including segregation of duties and robust internal and external audit arrangements. Generally there is a low level of complexity involved in Waverley's transactions, a high level of regulation and, consequently, a low level of opportunity for deliberate tax fraud.
- 3.2. Waverley is not affected by Corporation Tax, is a net receiver of VAT and its VATable activities typically represent as little as 0.5% (by value) of income. Waverley is involved in few Stamp Duty Land Tax (SDLT) transactions and operates no cash transactions. As an employer Waverley is involved in PAYE transactions, contractor payments and Construction Industry Scheme (CIS) transactions but does not regard itself as responsible for actively assessing the tax compliance of other bodies/individuals.
- 3.3. The likelihood of changes in legislation in respect of tax affecting Local Government on a scale to have any significant impact on Waverley's finances is seen as low, for example changes to tax rates would have virtually no financial impact on Waverley. Waverley maintains tax awareness through a retained external tax consultancy.
- 3.4. Waverley, therefore, regards itself as a 'low risk' organisation and, additionally, regards the potential impact of tax risks also as 'low'.

#### **4. Proportionality or risk-based prevention procedures**

- 4.1. Waverley considers the total elimination of tax risk is impossible. It believes its current level of risk management is reasonable and proportionate to the level of risk and scale. Waverley operates internal procedures and systems designed to mitigate risk – these most notably take the form of published Contract Procedure Rules (CPRs) and Financial Regulations (FRs). Its standard forms of contract include the requirement for contractor tax compliance.

#### **5. Top Level (Senior Management) Commitment**

- 5.1. Section 151 of the Local Government Act 1972 requires that “the Council makes arrangements for the proper administration of its financial affairs. Financial regulations are the means by which the Council meets this requirement by setting out a clear regulatory and accountability framework for the use of its resources.
- 5.2. Section 114 of the Local Government Act 1988 requires “the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:
- has made or is about to make a decision which involves the Council incurring expenditure which is unlawful
  - has taken or is about to take an unlawful decision which has resulted or would result in a loss or deficiency to the Council; or
  - is about to make an unlawful entry in the Council’s accounts.

#### **6. Due Diligence**

- 6.1. Waverley applies due diligence procedures, taking an appropriate risk based approach, to the mass of transactions it undertakes through its internal procedures and systems and in respect to persons who perform or will perform services on behalf of the Council with regard to tax.
- 6.2. Where transactions are planned which are significant in terms of financial and tax value, additional levels of diligence and scrutiny occur. This additional diligence may take the form of external professional advice, reports to Elected Members, external and/or internal audits etc.

#### **7. Communication (including training)**

- 7.1. Prevention policies and procedures are communicated, embedded and understood throughout the Council.
- 7.2. Financial transactions are conducted in accordance with the Financial Regulations and Contract Procurement Rules.

- 7.3. Waverley operates a Whistle blowing and Money Laundering policy and has a Money Laundering Officer.
- 7.4. Appropriate tax training and awareness is provided for staff and members.

**8. Monitoring and Review**

- 8.1. The Tax Strategy is subject to annual review by Officers and submitted to the Audit Committee every 2 years or when a significant change in policy is proposed if that is sooner. Regular Internal and External Audits of all systems and policies takes place. Improvements to policies and procedures are made where necessary and, if significant, are always submitted to the Audit Committee.



## Annual Governance Statement – Consideration of Potential Governance Issues

The Annual Governance Statement (AGS) is required to include details of any significant governance issues that the Council is aware of.

The Audit committee is asked to review the information and governance reports received across the financial year to identify any issues they consider to be significant and require to be identified within the AGS.

Any issue is considered to be significant if it:

- seriously prejudiced or prevented the achievement of the Corporate Plan themes and aims;
- resulted in the need to seek additional funding or the significant diversion of resources;
- led to a material impact on the financial statements;
- attracted or have the potential to attract significant public interest or have had an impact on the reputation of the Council;
- resulted in formal action being undertaken by the Section 151 Officer or the Monitoring Officer;
- had been identified by the External Auditor or the Committee as being significant;
- had been reported by the Internal Audit Client Manager as significant in their annual internal audit opinion;
- resulted in disclosures of serious incidents relating to information governance, including data loss or confidentiality breach;
- put a major programme or project at risk.

This page is intentionally left blank

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE – 26 NOVEMBER 2019**

---

**Title:**

**PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20**

**[Wards Affected: All]**

---

**Summary and purpose:**

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the internal audit reviews in 2019-20 is presented.

---

**How this report relates to the Council's Corporate Priorities:**

The work of Internal Audit service has an impact upon all the Council's priorities as its work involves exposure to all service areas to provide assurance on the control environment of the council. Internal Audit work contributes to the safeguarding of assets against loss and waste and identifying other value for money issues.

**Financial Implications:**

There are no specific financial implications from this report, however the delivery of the Audit Plan will contribute towards the Council's sound financial and management processes and help ensure sound probity and governance arrangements are in place. Any changes that arise in the plan will be within the current budget.

**Legal Implications:**

The Council must have an operational audit plan that must cover a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations.

---

## **Introduction**

1. The progress on the completion of the Internal Audit Plan for 2019-20 is shown as attached at Annexe 1.
2. The vacant in-house position of the Internal Auditor is current going through the recruitment process. This instigated the need to compile an action plan to reassess the audit coverage for 2019/20, including revising and rescheduling of the plan according to priorities. This resulted in the decision to procure an additional 37 days from our current provider of Internal Audit services, Southern Internal Audit Partnership (SIAP) as agreed with the Chair and Vice Chair of the Audit Committee. This means that a total of 131 days is being provided by the partnership. The remaining reviews currently shown in Annexe 1 in Para 6 (Adjustments to the Internal Audit Plan) will be included in next year's Audit Plan for 2020/21. Each review allocated to SIAP is marked by an asterisk (one \* indicating those allocated at the start of the financial year and two \*\* indicating a new allocation to them in October 2019).

## **Conclusions**

3. The Audit Manager will continue to keep the Chairman and Vice Chairman of the Audit Committee updated on the progress of the Audit Plan as we move into quarter 4.

## **Recommendation**

It is recommended that the Committee notes the contents of the Internal Audit progress report to the beginning of November 2019 as attached in Annexe 1.

---

## **Background Papers**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

---

## **CONTACT OFFICER:**

**Name:** Gail Beaton

**Telephone:** 01483 523260

**E-mail:** gail.beaton@waverley.gov.uk



**Contents:**

1. Role of Internal Audit
2. Purpose of report
3. Performance Dashboard
4. Analysis of 'Completed' audit reviews
5. Executive summaries 'Limited' and 'No' assurance opinions
6. Planning and resourcing
7. Rolling work programme
8. Adjustments to the Plan

## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ 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’.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

## 2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Audit Executive is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

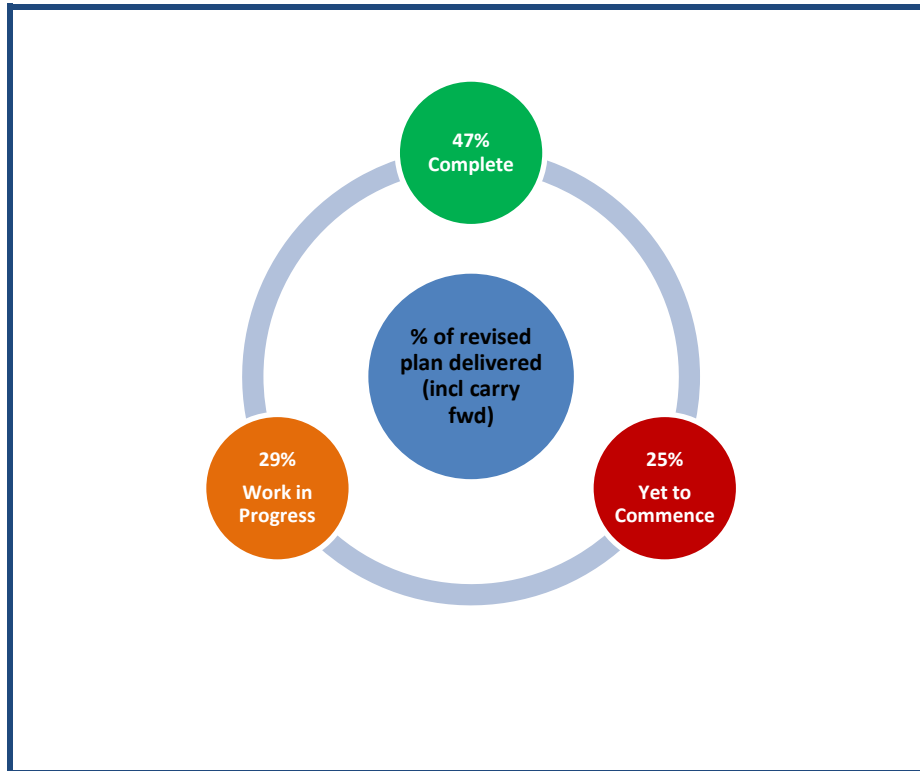
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- |                    |   |
|--------------------|---|
| <b>Substantial</b> | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.  |
| <b>Adequate</b>    | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified. |
| <b>Limited</b>     | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.                                       |
| <b>No</b>          | Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.  |



### 3. Performance dashboard



Compliance with Public Sector Internal Audit Standards



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LGAN).*

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

## 4. Analysis of 'Completed' audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Planning Service VFM Review	18/07/2019	HOP&ED	Advisory							
Payroll Accuracy Report	02/08/2019	HOP&G	Advisory							
Management of water safety (Legionella)	08/08/2019	HOHO	Adequate	2	0	1(L)	1			
Gas Safety Checks	08/08/2019	HOHO	Substantial	0	0	0	0			
Management of Asbestos	08/08/2019	HOHO	Limited	9	0	1(M)	8			
Reconciliations	06/09/2019	HOFPP	Adequate	10	0	7	2		1	
Responsive repairs and voids – new contract	29/10/2019	HOHO	Adequate	1	0	1	0			
Borough Hall	/11/2019	HOCS&SP	Adequate	7						

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H

Audit Sponsor			
<b>HOF&amp;P</b>	<i>Head of Finance and Property - Peter Vickers</i>	<b>HOBT</b>	<i>Head of Business Transformation - David Allum</i>
<b>HOP&amp;G</b>	<i>Head of Policy and Governance - Robin Taylor</i>	<b>HOHO</b>	<i>Head of Housing Operations - Hugh Wagstaff</i>
<b>HOCS&amp;S P</b>	<i>Head of Commercial Services and Special Projects - Kelvin Mills</i>	<b>HOHD&amp;C</b>	<i>Head of Housing Delivery &amp; Communities - Andrew Smith</i>
<b>HOES</b>	<i>Head of Environmental Services - Richard Homewood</i>	<b>HOP&amp;ED</b>	<i>Head of Planning and Economic Development - Chris Berry (Interim)</i>
<b>CEO</b>	<i>Chief Executive - Tom Horwood</i>	<b>SD Director/s</b>	<i>Strategic Directors - Graeme Clark/Annie Righton</i>

## 5. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Audit Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2019. Progress against the plan is detailed below in section 6.

## 6. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>*Recovery of debts (including Write Offs)</b>	HOF&P	H	7.00	Q3	✓	✓	✓				
<b>**Accounts Payable</b>	HOF&P	H	10.00	Q3or4	✓	✓					
<b>Reconciliations</b>	HOF&P	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
<b>**Construction Industry Scheme (CIS)</b>	HOF&P	H	7.00	Q3	✓						
<b>*IT Fraud Risk Assessment</b>	HOBT	H	5.00	Q3	✓	✓	✓				

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>*Firewalls/Cloud Security</b>	HOBT	H	5.00	Q4	✓	✓					
<b>*Agresso/Orchard Interface</b>	HOF&P	H	7.00	Q3	✓	✓	✓				
<b>*Gas Maintenance in Waverley Properties</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Substantial	
<b>*Legionella checks re Waverley Property Ownership</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
<b>*Asbestos Exposure in Waverley Properties (HRA and GF)</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Limited	
<b>Air Quality</b>	HOES	H	10.00	Q3	✓						Follow up review re action points
<b>**Housing Kitchen &amp; Bathrooms Replacement programme</b>	HOHO	H	10.00	Q4							
<b>*Responsive repairs and voids – new contract</b>	HOHO	H	15.00	Q4	✓	✓	✓	✓	✓	Adequate	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Private Sector Housing (HMO)	HOHD&C	H	7.00	Q3	✓	✓					
*Borough Hall	HOCS	H	7.00	Q2	✓	✓	✓	✓			
Vending Machines	HOBT	M	7.00	Q2	✓	✓	✓	✓			
Payroll Accuracy	SD	SI	15.00	Q2	✓	✓	✓	✓	✓	Advisory	
Planning - Benchmarking exercise	SD	SI	20.00	Q1	✓	✓	✓	✓	✓	Advisory	
*Planning Enforcement	HOP&ED	H	10.00	Q3	✓						
*Community Infrastructure Levy	HOP&ED	H	10.00	Q4	✓						
Planning Housing Delivery Monitoring Process	HOP&ED	SI	15.00	Q3							

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>*Ethics including Declaration of Interests</b>	<b>HOP&amp;G</b>	<b>H</b>	<b>7.00</b>	<b>Q4</b>							
<b>**Management of major projects - lessons learned - Brightwells and Memorial Hall</b>	<b>SD</b>	<b>H</b>	<b>10.00</b>	<b>Q3or4</b>							
<b>Total Plan Days</b>			<b>212</b>								
<b>Total Days Delivered</b>			<b>99</b>								
<b>Still to be delivered</b>			<b>113</b>								
<b>Fraud and Irregularities</b>											
<b>Management</b>											



We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

Management Actions	Current risk
<b>High Priority</b>	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
<b>Medium Priority</b>	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
<b>Low Priority</b>	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

**7. Adjustment to the Internal Audit Plan**

Audit reviews deferred from the 2019-20 Audit plan to be included in 2020-21 Audit Plan			
Main Accounting		10 Days	
Payroll		7 Days	
Leasehold Service Charges		10 Days	
Disability Facilities Grants		10 Days	
Film and Events		10 Days	
Property Investment		10 Days	Total 57 Days

**8. Reviews added to the 2019/20 Audit Plan**

Additional audit reviews added to the plan after approval by the March 2019 Audit Committee			
Planning Service VFM	SD	20 Days	
Assurance on Payroll Accuracy	SD	15 Days	
Accounts Payable	IACM/SD	10 Days	Total 45 Days

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**26 NOVEMBER 2019**

---

**Title:**

**PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

[Wards Affected: ALL]

---

**Summary and purpose:**

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

---

**How this report relates to the Council's Corporate Priorities:**

The work of Internal Audit service has an impact upon all the Council's priorities as its work involves exposure to all service areas to provide assurance on the control environment of the council. Internal Audit work contributes to the safeguarding of assets against loss and waste and identifying other value for money issues.

**Financial Implications:**

Internal audit work helps management in achieving good value for money and, individual recommendations may have value for money implications.

**Legal Implications:**

There are no direct legal implications, although good governance is strengthened by attention to the matters raised in audit recommendations.

---

**Introduction**

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
2. Annexe 1 provides the current position on recommendations due for completion at the end of the month of the Audit Committee date.

## **Conclusion**

3. Recommendations relate to the control environment and hence the overall governance and risk management of the Council and it is important that agreed actions are completed within timeframes agreed with the relevant Head of Service.

## **Recommendation**

It is recommended that the Committee considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting identifies any action it wishes to be taken.

---

## **Background Papers**

There are no background papers (as defined by Section 100D (5) of the Local Government Act 1972) relating to this report.

---

## **CONTACT OFFICER:**

**Name:** Gail Beaton

**Telephone:** 01483 523260






**E-mail:** gail.beaton@waverley.gov.uk

## ANNEXE 1



# Audit Recommendations overdue or due within the end of the month after the AC



Generated on: 11 November 2019

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

### Head of Service Vickers, Peter

IA20/04.001 Version of Financial Regulations						
<b>Action Code &amp; Description</b>	The latest version of the Council's Financial Regulations v2.1 was approved by Council on 19th March 2019. However the version made available to Council personnel on the intranet is version 1.2 approved date 10th November 2017, two versions have superceded this.				<b>Exit Meeting Date</b>	13-Sep-2019
	Accountancy team and other Council personnel may be referring to version 1.2 of Financial Regulations which has been updated to version 2.1 and therefore implementing procedures which are not compliant with latest Council policy.				<b>Due Date</b>	30-Sep-2019
<b>Risk Level</b>	<b>Medium Priority</b>				<b>Risk RAG</b>	
<b>Audit Report Code and Description</b>	IA20/04 Reconciliations of key financial systems					
<b>Agreed Action</b>	<i>The intranet (Backstage) will be updated with Financial Regulations v2.1</i>					
<b>Status</b>		<b>Overdue</b>	<b>Progress</b>	90%	<b>Head of Service</b>	<b>Peter Vickers</b>
<b>All Notes</b>	Financial regs are currently being reviewed alongside the CPR's and will be taken to the November Audit committee. This may be delayed until the February committee depending on the progression of the commercial strategy adoption, a proposal will be made to remove the requirement for fees and charges to be approved by Full Council.					16-Oct-2019

Please note:- Recommendations reported as overdue to the September 2019 Audit Committee have now been implemented by the relevant Heads of Services.



**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE – 26 NOVEMBER 2019**

---

**Title:**

**FRAUD INVESTIGATION SUMMARY**

[Wards Affected: All]

---

**Summary and purpose:**

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud.

---

**How this report relates to the Council's Corporate Priorities:**

Internal Audit and fraud investigation work initiatives contribute to the safeguarding of assets against loss and waste. This work contributes to all our corporate priorities and mission “to deliver excellent and affordable service by using our resources wisely and working creatively”. However, it does have a direct contribution to the priority of people, with the number one goal to “deliver housing options for people in need of affordable housing services and continue to be one of the most effective housing services in the country at preventing homelessness”.

**Resource/Value for Money implications:**

Through the detection of instances of housing related fraud, the Council's resources are safeguarded thus improving value for money and reducing the waiting list for homes. This work aims to ensure that members of the public are only provided with housing and other services that they are legally entitled and using them in accordance with tenancy agreement terms and conditions. As a by-product of the fraud investigation officers caseload changes to Council Tax and Business Rates discounts may materialise. The Housing Revenue Account supports this work by resourcing the role of an experienced Fraud Investigator.

**Legal Implications:**

It is the Council's duty to safeguard public funds; the work being completed may incur legal costs where matters escalate to prosecution. However, these costs far outweighed by the Council's stance that fraud perpetrated against the council and its taxpayers will not be tolerated. There are tangible and intangible benefits of the recovery of HRA properties by stopping fraudsters receiving services that they are not entitled to.

## **Introduction**

1. This report provides the Audit Committee with an update on the progress being made on fraud investigations. As part of this work we continue to share ideas and information with other Surrey councils and other social housing providers. This includes attendance at relevant sub groups in collaboration to fight fraud and share information, ideas and achievements. All parties involved sign up to Information Sharing Protocols (ISP) to facilitate data matching exercises between members to identify anomalies that could be an indicator of fraudulent practices. The success of the work completed has been supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty is up to 2 years imprisonment or a fine (or both).
2. Also included in the Annexe 1 is the National Fraud Initiative (NFI) outputs which assists in identifying any instances where applicants remain on our records as requiring housing but have been adequately housed by other housing providers. So can be removed from our own waiting list.
3. For comparison purposes, as requested by the Audit Committee, the previous year outcomes have been included. It should however be noted that due the Cabinet Office revising the method of calculation of fraud categories the partnership have now adopted these from 1<sup>st</sup> April 2019 some variances had materialised.
4. In this period, results include 2 properties being relinquished, and these have been made from available to be re-let to tenants on our waiting list.
5. An increase awareness of Housing staff and training has enabled cases to be dealt with more confidently and efficiently. This has lead to a reduction in cases being referred to the fraud investigation officer, which supports the work being completed to continue to embed new ideas and processes to safeguard our assets and to improve the processes and controls in place to minimise the opportunity for fraudulent practices to be successful.

## **Conclusion**

6. The Fraud Investigation Officer, supported by the Internal Audit Manager, will continue to investigate the cases reported and introduce, where applicable, enhancements to policies and procedures to maintain effective working practices meet regularly with the Housing team to develop and improve current policies and procedures. Where the need arises we will work closely with other officers in the council and in the partnership with others to achieve successful outcomes. The housing team support this work by informing tenants that breaches of a tenancy agreement will not be tolerated and this also assists in minimising the risk of fraudulent activity occurring.
7. The notional value of financial savings detailed in Annexe 1 up to 30 September 2019, is £504,736, of which £258,530 relates to National Fraud Initiative, £55,992 for a DFGrant and the balance of £190,214 based on Cabinet Office figures relates directly to housing fraud. However, these



indicative values do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house (£200,000). Outcomes from this work not only highlight the fundamental financial value of continuing to support the work being carried out but the ethical and social responsibility importance to ensure that only those that qualify for social housing are successful. By securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

### **Recommendation**

It is recommended that the Audit Committee notes the success of the fraud investigation activity.

---

### **Background Papers**

There are no background papers (as defined by Section 100D (5) of the Local Government Act 1972) relating to this report.

---

### **CONTACT OFFICER:**

**Name:** Gail Beaton

**Telephone:** 01483 523260

**E-mail:** [gail.beaton@waverley.gov.uk](mailto:gail.beaton@waverley.gov.uk)

This page is intentionally left blank

Name of Partner	Waverley
QUARTER	2

Record of cases investigated in the period covering 01 April 2019 to 30 September 2019

	Cases currently being investigated from previous years	Referrals received since 1 April 2019	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other Sanctions
<b>Housing</b>												
Social housing Fraud	11	5	16	7	9	2		2	Tenancy Relinquished	186,000		
<b>Housing Register Fraud</b>	2	2	4	4	0	1			Housing Applications Rejected	3,240		
Homelessness Applications												
<b>Right To Buy/Right To Acquire</b>	4	19	19	19	0	0			Right to Buy stopped and/or Tenancy Relinquished	0		
<b>Mutual Exchange</b>	0	15	15	15					Mutual Exchange denied/rejected	0		
<b>Successions</b>	1	2	3	2	1				No of Succession/s denied	0		
<b>Recovered properties for others</b>	0									0		
Council Tax Discount												
<b>SPD &amp; LCTRS (As result from Caseload above)</b>						1				974		
Student Exemptions												
Disability												
<b>Council Tax Support (benefit)</b>												
<b>Business rates</b>												
NNDR	0									0		
<b>Other (DFG)</b>	0	1	1			1				55,992		
<b>NFI exercise **</b>										258,530		
<b>2019/20 Total to 30 June 2019</b>	18	44	58	47	10	5	0	2		504,736		
<b>2018/19 Year Total</b>	18	54	72	55	17	8	3	4		189,710	0	0
<b>2017/18 Year Total</b>	21*	113	134	117	17	30	13	10		733,930		
<b>2016/17 Year Total</b>	11	127	138	118	20*	32	13	12		688,866		

**Value of financial savings Re Cabinet Office savings figures now adopted by partnership 01 April 2019**

Tenancy Recovered - £93,000  
Housing/Homeless Application withdrawn - £3,240  
Right To Buy/Right To Acquire withdrawn/terminated - £72,000 per application withdrawn  
Council Tax Discount - Annual value of discount cancelled multiplied by two years  
Council Tax Support - weekly reduction multiplied by 21 weeks.

\* difference of 1 related to Housing Association property where assistance was provided to recover a property as part of one of our investigations.

\*\* To provide a total of the fraud investigation work that is completed the SFCP are now including the NFI outputs, the majority of these identified above relate to the removal from the housing register.

This page is intentionally left blank

## Agenda Item 14.

### AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
<b>March 2020</b>	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Manager, Gail Beaton
	Risk Management (if required)	Approve	Head of Finance, Peter Vickers
<b>July 2020</b>	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts <b>(Deadline 31/07/2020)</b>	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement <b>(Deadline 31/07/2020)</b>	Approve	Head of Finance and Property, Peter Vickers and Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Manager, Gail Beaton
<b>September 2020</b>	Risk Management (if required)	Approve	Head of Finance and Property, Peter Vickers
	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Audit Committee Annual Report	Note	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Manager, Gail Beaton
	External Audit Annual Audit Letter	Note	External Audit
<b>November 2020</b>	Risk Management	Approve	Head of Finance and Property, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance and Property, Peter Vickers

**Please Note: At every meeting the Committee will receive the following reports:**

Review of progress in the implementation of Internal Audit Recommendations [To note and instruct];

Review of the progress in achieving the Audit Plan [To note and instruct]; and

Fraud Investigation Summary [To note].

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

This page is intentionally left blank