

The public and press are welcome to attend.

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If you would like any further information or have any special requirements in respect of this Meeting, please contact Elaine Speed, Democratic Services Officer on 01507 613423

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Date: Tuesday, 15 November 2022

Dear Councillor,

Audit and Governance Committee

You are invited to attend a Meeting of the **Audit and Governance Committee** to be held **in the Council Chambers, Tedder Hall, Manby Park, Louth** on **Wednesday, 23rd November, 2022** at **10.15 am**, for the transaction of the business set out in the attached Agenda.

The public and the press may access the meeting via the following link <https://bit.ly/ELDCYT> where a livestream and subsequent recording of the meeting will be available or by attending the Meeting.

Yours sincerely



Robert Barlow
Chief Executive

Conservatives

Terry Taylor, Will Grover (Chairman), David Andrews (Vice-Chairman),
Adrian Benjamin, Colin Davie and Graham Williams

Labour

Rosalind Jackson

Independent Group

Jill Makinson-Sanders

Skegness Urban District Society (SUDS)

Danny Brookes

Independent Co-Optees

Mr George Krawiec and Mr Walter Leschenko



AUDIT AND GOVERNANCE COMMITTEE AGENDA

Wednesday, 23 November 2022

Item	Subject	Page No.
1.	<u>APOLOGIES FOR ABSENCE:</u>	
2.	<u>DISCLOSURE OF INTERESTS (IF ANY):</u>	
3.	<u>MINUTES:</u> To confirm the Minutes of the Meeting held on 5 October 2022.	1 - 10
4.	<u>CHAIRMAN'S UPDATE:</u>	Verbal Report
5.	<u>ACTION SHEET</u> Actions from the previous meeting.	11 - 12
6.	<u>AUDIT PLANNING UPDATE AND PROGRESS REPORT - NOVEMBER 2022:</u> To receive a report.	13 - 30
7.	<u>MID TERM TREASURY MANAGEMENT REPORT 2022/23:</u> To receive a report.	31 - 56
8.	<u>ANNUAL UPDATE INFORMATION GOVERNANCE:</u> To receive a report.	57 - 64
9.	<u>PROPOSED AMENDMENTS OF THE COUNCIL'S CONTRACT PROCEDURE RULES AND FINANCIAL PROCEDURE RULES:</u> To receive a report.	65 - 102
10.	<u>EXCLUSION OF PUBLIC AND PRESS:</u> To consider excluding the public and press for the following items and if appropriate the Chairman to move: That under Section 100 (a)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item on the grounds that, if they were present, there could be disclosed to them exempt information as defined at paragraph 3 Part 1 of Schedule 12A to the Act (as amended).	
11.	<u>PROPERTY FUND UPDATE:</u> To receive an exempt report.	103 - 108

12. **DATE OF NEXT MEETING:**

The programmed date for the next Meeting of this Committee will be 25 January 2023.

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Minutes of a Meeting of the Audit and Governance Committee held in in the Council Chambers, Tedder Hall, Manby Park, Louth on Wednesday, 5th October, 2022 at 10.15 am.

PRESENT

Councillor Will Grover (Chairman)

Councillors Terry Taylor, Adrian Benjamin, Colin Davie, Rosalind Jackson, Jill Makinson-Sanders, Krawiec and Leschenko.

OFFICERS IN ATTENDANCE:

Christine Marshall	Deputy Chief Executive (Corporate Development) and S151 Officer
Adrian Sibley	Deputy Chief Executive, Programme Delivery and SIRO
John Medler	Assistant Director Governance and Monitoring Officer
Samantha Knowles	Assistant Director, Finance and Deputy S151 Officer
Sean Howsam	Treasury and Investment Manager, PSPS Limited
Amanda Stanislawski	Audit Manager ,City of Lincoln Council
Suzanne Rolfe	Insights & Transformation Manager
Joanne Paterson	Democratic Services Officer
Elaine Speed	Democratic Services Officer

15. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillor David Andrews and Graham Williams.

16. DISCLOSURE OF INTERESTS (IF ANY):

Members were invited to disclose any relevant interests. No interests were disclosed.

17. MINUTES:

The Open Minutes of the Meeting held on 6th July 2022 were agreed as a correct record.

18. CHAIRMAN'S UPDATE:

The Chairman provided an update to the Committee. The Committee were advised that there would be a Property Fund Manager Briefing session for Members the date would be confirmed in due course.

19. ACTION SHEET

The Deputy Chief Executive Corporate and Section 151 Officer outlined the actions from the Meeting held on 6th July 2022, (pages 1-2 of the report refers).

The following comments were made:

- In terms of the update on the action regarding the Fitness Suite Refurbishment Members were advised that Magna Vitae were purchasing the equipment and the Council were financing it in accordance with an agreement with them.
- There were a number of detailed questions regarding the Councils position in respect of Carbon Reduction and its position with regards to the climate emergency. It was considered that the Council had a lot of influence over carbon reduction whereby it could encourage other organisations to do something similar. Given the number of areas of detail being raised by members the Section 151 Officer suggested this matter be referred to Scrutiny for a detailed review.

20. INTERNAL AUDIT PROGRESS REPORT:

The Audit Manager, City of Lincoln Council, presented to Members the Internal Audit Progress Report Quarter 1 which covered the period February 2022 to July 2022, pages 3 to 23 of the agenda refer.

The purpose of the report was to provide Members with details of the audit work completed during the period, to advise on progress with the 2021/22 plan and to raise any other matters that may be relevant to the Audit Committee role.

It was noted that in this period 7 reviews had been completed with the following assurances: -

SELCP

- Workforce Plan – Substantial
- Patch Management – Substantial
- Carbon Reduction – Substantial
- Towns Fund- Consultancy

ELDC

- Contract Management – Substantial
- ICT- User Education and Awareness – Substantial
- Payroll – Substantial

In terms of work in progress for the South East Lincolnshire Partnership (SELCP) the following update was provided: -

- Flood Management – a report had been issued

- Key controls – this was nearly finished
- S106 agreements – a report had now been issued
- Invest East Lindsey – a report would be submitted to November Committee
- Payroll- this audit had already commenced.

In terms of work in progress for ELDC, it was reported that the housing Benefit Subsidy was in the testing stage.

Further discussion ensued around substantial assurance in particular patch management and whether the Councils audit team looked at the testing element. Reference was also made to the payroll implementation and ongoing issues and whether any lessons had been learnt from this. Reference was also made to single contract register for improved oversight to support delivery of the Towns Fund.

The Section 151 Officer confirmed that in terms of the Towns Fund Projects the Deputy Chief Executive, Programme Delivery would provide a note back to members via the Officer Question Sheet to ensure Members got sight of the process around the governance arrangements that are in place for overseeing delivery.

(N.B Colin Davie advised that he was a Member of the Towns Fund Board).

Members considered some projects were progressing better than others. Further comments were made around the importance of due diligence and critical detail in terms of project management. Also, East Lindsey should be looking at how it was going to manage the projects and income afterwards.

The Section 151 Officer stated that Members had received an informal presentation today which detailed projects being delivered by this Local Authority as part of the Towns Fund programme of activity. The Section 151 Officer had requested the Assistant Director Economic Growth attend a future meeting to update on the other projects where the Council was acting as accountable body.

A Member emphasised that East Lindsey was the accountable body for these projects and stated that when these projects were presented to Members it was more about governance, process, value for money and assurance.

In response to queries raised, the Section 151 Officer advised that government had given the Council a clean bill of health on its recent assurance submissions and no further action was required in respect of the information that had been provided. It was also confirmed that the Committee would receive regular presentations from the Deputy Chief Executive, Programme Delivery on these projects.

Members were advised that the informal briefing on the Towns Fund Projects has covered the potential revenue implications in terms of the projects the authority would have responsibility for and more would be forthcoming when that level of detail was reached. A Member reassured the Committee that with any capital project revenue would be a consideration.

In terms of the business cases being submitted, the Section 151 Officer confirmed that the business cases were very extensive that had been submitted to government to secure the funding, these were available for review should members wish to see them.

In terms of sinking funds, this was something the Council would consider once it had full sight of the detail regarding these schemes. As the Council proceeded through the stages there would be more detail around future running costs noting that the circumstances for each asset needed to be considered.

Following which it was,

RESOLVED:

That the Internal Audit Progress Report be noted.

21. RISK MANAGEMENT REPORT:

The Insights and Transformation Manager presented Members with the Risk Management Report, (pages 25 to 34 of the agenda refer).

The purpose of the report was to provide Members with an overview of Risk Management within the authority. The Strategic Risk Register had been reviewed at the quarterly risk clinic and by Senior Leadership Team (SLT) at the end of June 2022. As such the report provided Members with the Quarter 1 position statement. In addition, a Partnership Strategic Risk Register is being delivered, and any synergies will be managed across the partnership rather than individually.

In response to queries raised the following information was confirmed: -

Reference was made to factors such as inflation, Covid mitigation, war in the Ukraine, cost of living, climate change all of which affected the current risks in the register, and it was suggested that these be fed into the Risk Register. The Insights and Transformation Manager confirmed these would be fed in.

Reference was made to CORP001, Reduction in government funding to deliver Council services and local priorities, (Appendix A page 29 of the agenda refers) this was currently rated as a medium risk however it was suggested that this be rated as a high risk.

The Section 151 Officer stated that the risk for the Council was modest as Revenue Support Grant was now only a small part of the Councils budget, and it was not about government funding to the Local Authority but the wider context.

Further reference was made to CORP012, Technology Infrastructure failure and the recent ICT failure across the East Midlands which had subsequently affected a lot of public sector organisations. The Council needed to look at how this could be mitigated as with any system review the Council should also consider how it could integrate a system across the whole partnership. The Section 151 Officer advised that a review of the incident and the ICT Strategy are both underway

Further comments were made around the importance of back-up systems and information security. A Member also suggested it would be useful to highlight the changes made by the SLT on the Risk Register. The Insights and Transformation Manager assured Members that the next report would show changes from Q1 to Q2 on the Risk Register.

A Member referred to CORP008, failure to comply with Information Governance and Management requirements, in terms of a matter regarding a Freedom of Information (FOI) request. The Assistant Director Governance and Monitoring Officer assured Members this would be dealt with outside of the meeting.

RESOLVED

That the Risk Management Report be noted.

22. TREASURY REPORT QUARTER 1:

The Interim Treasury and Investment Manager, PSPS Limited presented Members with the Quarter 1 Treasury Report (pages 1-25 of the Agenda refer).

Members were informed that the purpose of the report was to provide the Committee with the 2022/23 Quarter 1 update on the Councils Treasury Management Strategy Statement and Annual Investment Strategy.

Reference was made to the Treasury Management Update (Appendix A pages 7-25 refer). The following areas were highlighted to Members under the Economic Update:-

- Further rise in Consumer Price Index (CPI) inflation to a new 40-year high of 9.1% in May.
- Bank Rate rise to 1.25%, taking it to its highest level since the Global Financial Criss.
- The Monetary Policy Committee (MPC) had now increased interest rates (pages 8-9 of the report refers)

(N.B A detailed commentary provided by Link Group was detailed at Appendix A1)

The Interim Treasury and Investment Manager detailed in brief the interest rate forecasts (pages 9-10 of the report refers). Further reference was made to the balance of risks to the UK economy which included downside risks to current forecasts for the UK gilt yields and PWLB rates, (page 11 of the report refers).

Furthermore, reference was made to the Treasury Management Strategy Statement for 2022/23 which included the Annual Investment Strategy approved by Council on 2nd March 2022 and set out the Council's investment priorities these being security of capital, liquidity, and yield.

Members were referred to the investment performance year to date as of 30 June 2022 and the Councils budget for investment income being £1.3m. It was noted that the outturn for investment income for 2022/23 was expected to overperform due to the prevailing interest rates that were now available.

Reference was made to a table detailing cash investments held by the Council as of 30 June 2022 (Appendix A page 13 of the report refers). In addition, a graph detailing longer term investment rates and a breakdown of Council purchased property fund units was detailed at page 14 of the report.

The performance of property and valuation of these funds was shown at page 16 of the report. Also detailed was an analysis of dividend distributions received since the purchase of the property funds to 30 June 2022. Furthermore, at page 17 a table showed the Councils borrowing position at the quarter end.

Members were invited to put their comments and questions forward.

Comments were made around the growing interest rates and how these would protect the Council from growing costs and what this would look like in the future. Further reference was made to £20m in UK Debt Management Office (DMO), (page 13 of the report refers).

The Treasury Investment Manager explained that the DMO was effectively the UK Government and was part of the Public Works Loan Board the Council could place deposits with them for any duration up to a maximum of 6 months, the intention over the next few months was to try and get some of these deposits out for longer period.

Members were advised that the DMO placing was part of this strategy which enabled the Council to be in a 'cash short' position and as rates improved the Council could take advantage of that. In addition, the Council's finance officers had been placing funds on longer fixes of significantly improved interest rates. Members were further advised that due to the size of the Council's cash balances there was likely to be a

'cushioning effect' due to the interest rate improvement and the Council were currently modelling that.

Further comments were made with regard to: -

- Reference to a significant investment in another Authority - what diligence was used when the Council invested money such as that? Members were assured that finance Officers did consider very carefully where their funds were placed. It was this Committee's role to scrutinise that strategy.
- Budget setting for next year in terms of pay inflation for staff and what impact this would have on the budget setting process in terms of the uplift? Members were advised that this was being modelled as part of the budget process.
- Inflationary pressures on wages, fuel and the town fund project would the increase in investment income cover all those challenges? The s151 commented that this work is currently underway and we will need to see what the overall position would be for next year, there was a possibility of withdrawing from reserves to smooth out any impacts of short term fluctuations.

In response to a query about individual Council's finances and reporting processes, Members were assured that ELDC's finances remained completely sovereign and were not impacted on by the other authorities financial positions. The only costs that were spread were shared resources within the Memorandum Of Agreement (MOA) such as the shared management arrangements and what was undertaken by PSPS.

- What discussions were taking place within the Corporate Management Team around potential changes in political leaderships and changes in government nationally? This impacted on local government and changed dynamics and strategies. The fact that a lot of the Councils systems were within PSPS and not across all three authorities, meant there would be no huge difficulties if change was to occur.

Following which it was,

RESOLVED

That the Treasury Report Quarter 1 be noted.

23. UPDATE IN RESPECT OF RIPA 2000:

Members received the East Lindsey District Council (ELDC) and Boston Borough Council (BBC) Joint Regulation of Investigatory Powers (RIPA) Policy Update Report.

The purpose of the report was to provide the Audit and Governance Committee with an update to the Council's Policy and Procedures on the Regulation of Investigatory Powers Act 2000 (RIPA Policy) and its use and to provide assurance and information.

No comment and questions were received.

Following which it was,

RESOLVED

That the East Lindsey District Council (ELDC) and Boston Borough Council (BBC) - Joint Regulation of Investigatory Powers (RIPA) Policy Update be noted.

24. MONITORING OFFICER UPDATE:

The Interim Assistant Director Governance and Monitoring Officer (MO) provided Members an update:

Work had been undertaken on the Local Code of Corporate Governance it was hoped this could be brought to the next Committee meeting. This code was required to be updated in line with the CIPFA guidance on best practice.

Work had also commenced on the Contract Procedure Rules for the Council. Members would recall the recommendations that came to a previous Committee which had now been taken on board. There was a proposal to change Contract Procedure Rules they would come forward to a future meeting of this Committee.

RESOLVED

That the update and comments be noted.

25. WORK PROGRAMME 2022-23:

The Assistant Director Governance and Monitoring Officer presented Members with the Audit and Governance Committee Work Programme 2022/23.

The Chairman noted that the Committee's next meeting on 23rd November was looking to be a busy agenda although some items were still to be confirmed.

A Member wished to note some queries with regard to the Committee's Work Programme:

- Property Funds needed to factor more regularly on the Work Programme. Also the Annual Safeguarding Report needed included within the Work Programme.
- The Annual Fraud Report was due in November.
- The March/April meeting needed to show the Mandatory Inquiries for those charged with governance report and the Review of Effectiveness of the Audit and Governance Committee report.
- A Member noted that the Safeguarding report was very important, and the report coming to Audit and Governance helped Councillors to identify things such as modern slavery.

The Section 151 Officer advised that progress on the safeguarding report would be followed up by Officers.

In terms of the Fraud Report this was currently being worked by Internal Audit. Members were assured that the Council would be have robust process around fraud moving forward.

RESOLVED

That the Work Programme for 2022-23 be noted with the suggested amendments put forward.

26. DATE OF NEXT MEETING:

The programmed date of the next meeting of the Committee was confirmed as 23rd November 2022.

Members expressed thanks to the Deputy Chief Executive (Programme Delivery) for his presentation which had been very informative.

The meeting closed at 11.31 am.

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<u>ACTIONS FROM THE AUDIT AND GOVERNANCE MEETING HELD ON WEDNESDAY 5 OCTOBER 2022.</u>		
AGENDA ITEM AND NO.	ACTIONED BY:	DATE COMPLETE
<p>19. ACTION SHEET:</p> <p>There were a number of detailed questions regarding the Council's position in respect of Carbon Reduction and its position with regards to the climate emergency. It was considered that the Council had a lot of influence over carbon reduction whereby it could encourage other organisations to do something similar. Given the number of areas of detail being raised by members the Section 151 Officer suggested this matter be referred to Scrutiny for a detailed review.</p> <p>UPDATE: <i>Councillor Grover, Chairman of A & G has completed a Scrutiny Topic suggestion form on behalf of the Committee. This will be considered by Overview at its meeting on 29th November, with a view to the topic being added to the 23/24 scrutiny work programme, if accepted by the committee.</i></p> <p>25. WORK PROGRAMME:</p> <p>A Member noted that the Annual Safeguarding Report needed included within the Work Programme.</p> <p><i>The Section 151 Officer advised that progress on the safeguarding report would be followed up by Officers.</i></p>	<p>JP</p> <p>RJ</p>	<p>14/11/2022</p> <p>This is in hand.</p>

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Audit Planning Update and Progress Report

East Lindsey District Council

Audit and Governance Committee November 2022

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1. Audit Planning Update and Progress
2. National publications

01

Section 01: **Audit Progress**

Purpose of this report

This report provides the Committee's November 2022 meeting with updates on:

- the 2020/21 and 2021/22 audits and any significant matters to date; and
- recent relevant reports and publications for your information (Section 2).

2020/21 Audit

We presented our Audit Completion Report for 2020/21 to the September 2021 meeting, and noted a number of areas of work as remaining outstanding at that point in time. On the 29th November 2021 we issued our Follow-up Letter to this report setting out our progress against these matters. We have summarised below the current position on the key elements of our work that still remain outstanding:

Whole of Government Accounts (WGA)

Whilst the National Audit Office has issued its auditor instructions for the 2020/21 WGA process further clarification on some key points is still awaited to enable this work to be concluded. Once received we expect this work to be completed relatively quickly.

Audit Certificate

The Audit Certificate will be issued, and the audit formally 'closed', when the remaining stages set out above have been completed.

2021/22 Audit

The detailed Audit Strategy Memorandum for 2021/22 was reported to the April 2022 meeting and there have been no changes to the risks identified since that date.

Audit Reporting

Our main reporting outputs from our work will continue to be:

- Audit Completion Report – summarising the outcome of our main accounts audit and expected audit opinion.
- Audit Report – encompassing our Audit Opinion on the financial statements and other required information.
- Annual Auditor's Report – including our Value for Money Commentary
- Audit Certificate – formally closing the audit

Financial Statements

We received the Council's draft financial statements on 4th July and our audit commenced on this date. Our work is progressing well although there are a small number of areas of work that still remain in progress, which we set out below:

Audit area	Status	Description of outstanding matters
Journals	Incomplete	We have received the outstanding evidence from management in relation to our sample testing and we are currently finalising our work in this area.
Group accounts	Incomplete	The Council has a requirement for the first time to produce Group Accounts as a result of the growing activities of its subsidiary company INVEST East Lindsey Ltd. We are yet to receive these from management and our work over both the Council's consolidation arrangements and detailed testing of any material balances has yet to commence.
Property, plant and equipment	Incomplete	We have received the outstanding evidence from management's expert in relation to our sample testing and we are currently finalising our work in this area.
Pensions	Incomplete	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Lincolnshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required. As part of these arrangements we are also aware of a change in the underlying assets held within the Pension Fund since the Council obtained its IAS 19 accounting reports on which it has based its accounts entries. Management have commissioned a revised report from the actuary to quantify the impact of these changes on the Council and this is yet to be received.
Property Fund Investments	Incomplete	During the year one of the Council's investments has closed and is winding up with the manager looking to dispose of all property assets and return cash to investors. We are still discussing with management the necessary accounting entries required to account for these, in particular ensuring that any capital receipt or loss in value is appropriately applied to reduce the Council's Capital Financing Requirement, in accordance with the Council's MRP policy.
Going concern	Incomplete	We have yet to receive management's own assessment to justify why its accounts should be prepared on a going concern basis.
Whole of Government Accounts (WGA)	Incomplete	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.

Value for Money Work

We have not identified any specific significant concerns from the value for money risk assessment to date and there are no risks of significant weaknesses in arrangements to bring to the Committee’s attention. We will keep our assessment up to date and report our findings in the Annual Auditor’s Report

The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is as expected an area where we expect at all Councils to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

02

Section 02: **National publications**

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
2	CIPFA LASAAC consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
3	CIPFA : Audit Committees Practical Guidance for local authorities and police	Guidance and resources for audit committee members.
Department for Levelling Up, Housing and Communities		
4	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
5	Consultation on Infrastructure Asset Accounting	The Government is consulting on a proposed temporary Statutory Override to unlock the difficulty in agreeing an accounting solution to this matter.
National Audit Office (NAO)		
6	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
7	Guide to Corporate Finance in the Public Sector	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities
8	Improving government data: A guide to senior leaders	The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past

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National publications

	Publication/update	Key points
Public Sector Audit Appointments Ltd		
9	Annual Quality Monitoring Report 2019/20	<p>This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA’s quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance.</p> <p>The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.</p>
Financial Reporting Council		
10	Major Local Audits – Audit Quality Inspection	<p>The Financial Reporting Council has published its annual report on the quality of local audit work. This follows its 2022 inspections of files for the 20/21 audit cycle.</p>

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NATIONAL PUBLICATIONS

CIPFA

1. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

2. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The CIPFA LASAAC Local Authority Code Board released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. Consultation on the proposals closed on 14 June 2022 at 23.00.

The temporary proposals address an issue raised by auditors about the derecognition (removal of the carrying amount) of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-lasaac-issues-urgent-consultation-on-code-of-practice>

3. CIPFA : Audit Committees Practical Guidance for local authorities and police 2022 edition – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review.

The link to the publication is here: <https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

4. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make Audit and Risk Scrutiny Committees compulsory for all councils, with each Audit and Risk Scrutiny Committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

5. Consultation on Infrastructure Asset Accounting – October 2022

CIPFA and CIPFA LASAAC have been seeking to assist in the resolution of this issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not so far been found that satisfies all stakeholders for the amount to be derecognised. The government, therefore, undertook to review the necessity for an accounting statutory override whereby, under the Local Government Act 2003, it may make provision for local authority accounting practices.

The government is proposing to put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override will not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the Code. Use of the override is expected to be optional, and authorities may choose not to apply it.

It is the government's view that this is a necessary, short-term solution to avoid the widespread qualification of local authority accounts. The government recognises that a long-term solution is required, but due to the complexity of the issue this will necessarily take time, and there is an immediate need to mitigate the risks of widespread qualifications and delays to audit. The proposed override applies to all local authority accounts for which an audit certificate has not been issued, and is time limited such that the last financial year to which it applies will be 2024/25. The government is conducting this call for evidence to seek views from sector stakeholders on the effectiveness and clarity of the proposed statutory override.

The consultation includes a draft Statutory Instrument and Explanatory Memorandum. The Indicative date when this Statutory Instrument could take effect is 25 December 2022, so it is unlikely that auditors will be able to issue any audit opinions on clients with material infrastructure assets until January 2023.

[The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022: call for evidence - Department for Levelling Up, Housing and Communities - Citizen Space](#)

NATIONAL PUBLICATIONS

National Audit Office

6. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

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Guide to Corporate Finance in the Public Sector - September 2022

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

- Principles and concepts
- Organisations and functions
- Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

<https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/>

NATIONAL PUBLICATIONS

National Audit Office

8. Improving government data: A guide to senior leaders - July 2022

The NAO has published Improving government data: A guide for senior leaders aimed at accounting officers, chief executives, director generals, directors and chief operating officers and people responsible for government services. The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past. The guide focusses on data to support the operational delivery of public services, but much of the guide will also be relevant to data for decision-making and to improve performance

<https://www.nao.org.uk/insights/improving-government-data-a-guide-for-senior-leaders/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

9. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

NATIONAL PUBLICATIONS

Financial Reporting Council

9. Major Local Audits – Audit Quality Inspection – October 2022

The Financial Reporting Council (FRC) has published its annual report on the quality of local audit work. This follows its 2022 inspections of files for the 20/21 audit cycle.

The headlines from the FRC report are that:

- The number of audits categorised as good or limited improvements required has remained consistent with the prior year. FRC assessed 70% of financial statements audits as requiring no more than limited improvements, the same as in the previous year. This is an improvement on the 46% average over the preceding three years. However, FRC identified the increased number of audits assessed as requiring significant improvements (15% in 2021/22 and none in 2020/21) as unacceptable and states that inconsistency is preventing firms from eradicating poor quality audits.
- Based on their inspections, FRC state that the quality of auditors' work on VfM arrangements remains high at all but one firm. Of the work inspected, 93% was categorised as good or limited improvements required (100% in the previous two years).

FRC is concerned at the timeliness of reporting in the sector and raises this as a priority improvement area for audited bodies and auditors.

<https://www.frc.org.uk/getattachment/aeb9149f-7bf9-45f2-802d-ca7b055b457e/Major-Local-Audits.pdf>

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East Lindsey

DISTRICT COUNCIL

REPORT TO:	Audit and Governance Committee
DATE:	23 rd November 2022
SUBJECT:	Mid Term Treasury Management Report 2022/23
KEY DECISION:	No
PORTFOLIO HOLDER:	Councillor Richard Fry, Portfolio Holder for Finance
REPORT AUTHOR:	Sean Howsam, Interim Treasury and Investment Manager (PSPSL)
WARD(S) AFFECTED:	None directly
EXEMPT REPORT?	No

SUMMARY

Attached at **Appendix A** is the Mid Term Treasury Management Report on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy". It covers the following areas;

- An economic update for the first half of the 2022/23 financial year;
- The outlook for the remainder of the financial year along with interest rate forecasts;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential indicators for 2022/23.

This Report refers to a key element of the Council's Governance Framework and represents an important contribution to the evidence trail in support of the Annual Governance Statement 2022/23.

RECOMMENDATIONS

1. It is recommended that Members of the Audit and Governance Committee receive and review the contents of the report attached at **Appendix `A`**.
2. It is requested that the Audit & Governance Committee make the recommendation to Council that the Sovereign Country Limit approved by Council on 2 March 2022 be increased from £5m to £10m.

REASONS FOR RECOMMENDATIONS

The CIPFA Code of Practice for Treasury Management suggests that members should be informed of Treasury Management activities at least twice a year. This report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's revised Code of Practice.

The Council's priorities when investing surplus cash is security, liquidity and yield in that order. To ensure the Council is able to maximise its investment of surplus cash for up to a year at beneficial rates and sufficiently diversify its portfolio it is proposed that the Sovereign Investment Limit be increased from £5m to £10m.

OTHER OPTIONS CONSIDERED

Make no changes to the £5m Sovereign Country Limit approved by Council on 2 March 2022.

1. BACKGROUND

- 1.1 This report provides the 2022/23 Mid Term update on the Council's "Treasury Management Strategy Statement and Annual Investment Strategy". (**Appendix A**).
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code of Practice for Treasury Management in 2017.
- 1.3 The Code suggests that members should be informed of Treasury Management activities at least twice a year. This report therefore ensures this Council is embracing best practice in accordance with CIPFA's revised Code of Practice.

2. REPORT

- 2.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.2 The second main function of the treasury management service is the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion, any existing debt may be restructured to meet Council risk or cost objectives.

2.3 Accordingly treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2.4 The risks around investments have always been managed effectively by the Council.

2.5 During 2018/19 the Council completed its purchase of property funds, the purchase of the fund units has significantly increased investment returns to the Council.

3. FINANCIAL UPDATE – TO 30 SEPTEMBER 2022

3.1 The Council’s 2022/23 budget for investment income is £1.304m. At the end of September 2022 investment income earned was estimated to be approximately £829k. This figure is still an estimate as the actual returns on all property funds to September 2022 are not likely to be known until late December 2022.

3.2 The average level of funds available for investment purposes during the first quarter of the financial year was £61.3m excluding property fund investments.

3.3 Treasury investments achieved an average rate of 1.34% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 1.701%.

3.4 Property fund investments are estimated to have achieved an average net rate of 3.35%.

3.5 The combined rate achieved on all investments is estimated to be approximately 1.92%.

3.6 Due to increased balances available for investment resulting from additional grant money being received and recent rises in interest rates on new investments, the forecast for the outturn of investment income is £2.23m. This is £926k above budget. This will be monitored on a monthly basis to reflect changing market conditions.

3.8 The projected outturn for borrowing costs for 2022/23 is £493k which is in line with the budget.

3.9 The Council’s Investment Policy and Strategy is kept under constant review with the aim of balancing risk and reward. The investment criteria agreed for 2022/23 permitted investments with banks whose parent bank originates from a country with a sovereign rating of A+ or higher and meets Link Groups counterparty investment criteria.

The Council has a higher level of surplus funds available for investment following the receipt of New Towns Funding. In addition to this, there are less counterparties currently available to the Council. As a result, it is becoming increasingly difficult to invest short term funds for longer durations at higher rates.

It is therefore recommended that the Sovereign Country Limit be increased from £5m to £10m (excluding the UK which has no limit). The bank group or individual limit will remain at £5m. This will enable the Council to achieve higher returns with high credit rated institutions and diversify its portfolio further.

4. CONCLUSION

- 4.1 This report provides a review of treasury management performance for the financial year 2022/23, to Members to ensure Best Practice is maintained as required by CIPFA Code of Practice for Treasury Management.

5. IMPLICATIONS

5.1 SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP

- 5.1.1 None

5.2 CORPORATE PRIORITIES

- 5.2.1 None

5.3 STAFFING

- 5.3.1 None

5.4 CONSTITUTIONAL AND LEGAL IMPLICATIONS

- 5.4.1 The General Power of Competence in the Localism Act 2011 allows Councils a broad freedom in their operations.
- 5.4.2 Councils have the general power to borrow under Section 1 of the Local Government Act 2003.
- 5.4.3 The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.
- 5.4.4 The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

5.5 DATA PROTECTION

- 5.5.1 None

5.6 FINANCIAL

- 5.6.1 The financial implications are covered in detail in **Appendix A** to this report and in Section 3 above.
- 5.6.2 By making the investment criteria relating to financial institutions stringent, the Council receives lower rates of return. The Council therefore aims to strike a balance between risk and reward when considering its portfolio of investments. Treasury Management is a key financial consideration for the Authority especially in respect of its investment returns and Capital Programme.

5.7 RISK MANAGEMENT

- 5.7.1 The Code of Practice sets out the framework for controlling the risks associated with treasury management decisions for borrowing and investing. Ultimately investment and borrowing decisions are made in accordance with the Council's Treasury Management

Strategy. The overriding priority is that the security of a deposit takes precedence over a return on investment.

- 5.7.2 The Prudential and Treasury Indicators control the limits for investing and borrowing, to ensure that any borrowing is affordable and sustainable and long term borrowing is for capital purposes only.

5.8 STAKEHOLDER / CONSULTATION / TIMESCALES

- 5.8.1 The Portfolio Holder for Finance is briefed on treasury performance on a regular basis as part of the monthly portfolio meetings.

5.9 REPUTATION

- 5.9.1 The security of investments is the Council's main priority when investing surplus cash.

5.10 CONTRACTS

- 5.10.1 None

5.11 CRIME AND DISORDER

- 5.11.1 None

5.12 EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

- 5.12.1 None

5.13 HEALTH AND WELL BEING

- 5.13.1 None

5.14 CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 5.14.1 None

5.15 LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER

- 5.15.1 None

6. ACRONYMS

- 6.1 CIPFA - Chartered Institute of Public Finance and Accountancy

q/q - quarter on quarter

CPI - Consumer Price Index

y/y - year on year

bps – basis points

m/m – month on month

PMI - Purchasing Managers' Index

MPC - Monetary Policy Committee

ECB - European Central Bank

QE – Quantitative Easing

S&P - Standard & Poors

PWLB - Public Works Loan Board

TMSS - Treasury Management Strategy Statement

HRA – Housing Revenue Account

CFR – Capital Financing Requirement

MRP - Minimum Revenue Provision

CDS - Credit Default Swap

GF – General Fund

SONIA - Sterling Overnight Index Average

CD – Certificate of Deposit

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A	Mid Term Treasury Management Report 2022/23
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BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.	CIPFA Website
ELDC Treasury Management Strategy Statement for 2022/23	(Public Pack)Agenda Document for Council, 02/03/2022 14:00 (e-lindsey.gov.uk)

CHRONOLOGICAL HISTORY OF THIS REPORT

Name of body	Date
Audit and Governance Committee	14 September 2022

REPORT APPROVAL

Report author:	Sean Howsam – Interim Treasury & Investments Manager (PSPSL) Sean.Howsam@pspsl.co.uk
Signed off by:	Samantha Knowles, Assistant Director Finance SKnowles@sholland.gov
Approved for publication:	Portfolio Holder for Finance

Appendix 'A'

Treasury Management Update

Mid Term Report 2022/23
ended 30 September 2022

East Lindsey District Council

1 Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2 Introduction

This report has been written in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA’s Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council’s capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council’s investment portfolio for 2022/23;
- A review of the Council’s borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23

There is a proposed change to the Treasury Management Strategy for 2022/23 which is detailed in paragraph 9.2.

3 Economics and Interest Rates (provided by Link Asset Services 7/10/22)

3.1 Economics Update

- The second quarter of 2022 saw:
 - Gross Domestic Product (GDP) revised upwards in Q1 2022/23 to +0.2% quarter on quarter (q/q) from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - Consumer Price Index (CPI) inflation ease to 9.9% year on year (y/y) in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100 basis points (bps) over the quarter, taking Bank Rate to 2.25% with further rises to come;

- Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23 September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% month on month (m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite Purchasing Managers’ Index (PMI) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. With the oil price now just below \$90 per barrel we would expect to see fuel prices fall further in the coming months.

- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- During the first half of 2022 there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6 November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3 November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23 November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and European Central Bank (ECB) raised rates

by 75 bps in their most recent meetings, the Bank of England's latest 50 bps hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- Since the fiscal event on 23 September, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 bps in December (to 4%) followed by further 50 bps hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14 October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28 September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14 October or it decides to delay quantitative tightening beyond 31 October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

- After a shaky start to the year, the Standard & Poors (S&P) 500 and Financial Times Stock Exchange (FTSE 100) climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

3.1 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

The latest forecast on 27 September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September’s “fiscal event”. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 2 March 2022.

There is a proposed change to the Treasury Management Strategy for 2022/23 which is detailed in paragraph 9.2.

The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the original capital expenditure estimate and the latest approved capital programme. A full breakdown of the latest approved capital programme is shown at '**Appendix A1**'.

Capital Expenditure	2022-23 Original Programme £'000	2022-23 Latest Approved £'000	Actual As At 30-09-22 £'000	2022-23 Forecast Outturn £'000
Non Towns Fund Projects	12,488	19,665	5,822	20,461
Towns Fund Projects	40,674	49,870	1,409	22,936
Total	53,162	69,535	7,231	43,397

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision

(MRP)). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2022-23 Original Programme £'000	2022-23 Latest Approved £'000	Actual As At 30-09-22 £'000	2022-23 Forecast Outturn £'000
Non Towns Fund Projects	12,488	19,665	5,822	20,461
Towns Fund Projects	40,674	49,870	1,409	22,936
Total spend	53,162	69,535	7,231	43,397
Financed by:				
External Grants	41,806	50,120	3,502	32,365
Capital Reserves	2,988	4,788	191	2,713
Capital Receipts	1,235	3,105	500	3,105
Other Reserves	7,133	11,522	2,288	4,464
Total financing	53,162	69,535	6,481	42,647
Borrowing need	0	0	750	750

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – The Operational Boundary for external debt

	2022-23 Original Estimate For Year End £'000	2022-23 Latest Approved For Year End £'000	Position As At 30-09-22 £'000	2022-23 Forecast Outturn For Year End £'000
Prudential Indicator – Capital Financing Requirement				
CFR – housing	25,449	25,449	26,199	26,199
Total CFR	25,449	25,449	26,199	26,199
Net movement in CFR	0	0	0	0
Prudential Indicator – External Debt / Operational Boundary				
Borrowing	20,000	20,000	20,000	20,000
Other long term liabilities	0	0	0	0
Total debt 31 March	20,000	20,000	20,000	20,000
Approved Operational Boundary	38,000	38,000	38,000	38,000

The original estimate for the CFR for 2022/23 was set prior to the year-end accounts for 2021/22 being completed. The figures in the table above therefore take account of the actual figures in the 2021/22 financial statements.

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2022-23 Original Estimate For Year End £'000	2022-23 Revised Estimate For Year End £'000	Position As At 30/09/22 £'000	2022-23 Forecast Outturn For Year End £'000
Gross borrowing	20,000	20,000	20,000	20,000
Total Debt	20,000	20,000	20,000	20,000
CFR (year-end position)	25,449	25,449	26,199	26,199

The Deputy Chief Executive (Corporate Development) & Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, this needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2022-23 Original Estimate For Year End £'000	Position As At 30/09/22 £'000	2022-23 Revised Estimate For Year End £'000
Borrowing	39,000	39,000	39,000
Other long term liabilities	5,000	5,000	5,000
Total	44,000	44,000	44,000

6 Borrowing

The Council's capital financing requirement (CFR) for 2022/23 is £26.199m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The first table in paragraph 5.4 shows the Council has borrowings of £20m and has utilised £6.199m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

No new external borrowing was undertaken during the quarter ended 30 September 2022 and the table below shows the Councils external borrowing position at the quarter end.

Entity	Amount (£)	Start Date	Maturity Date	Rate
Public Works Loan Board	10,000,000	10/12/2018	10/12/2068	2.54%
Public Works Loan Board	10,000,000	13/12/2018	13/12/2068	2.39%
TOTAL	20,000,000			2.465% Average

Interest costs for 2022/23 on this borrowing are £493,000.

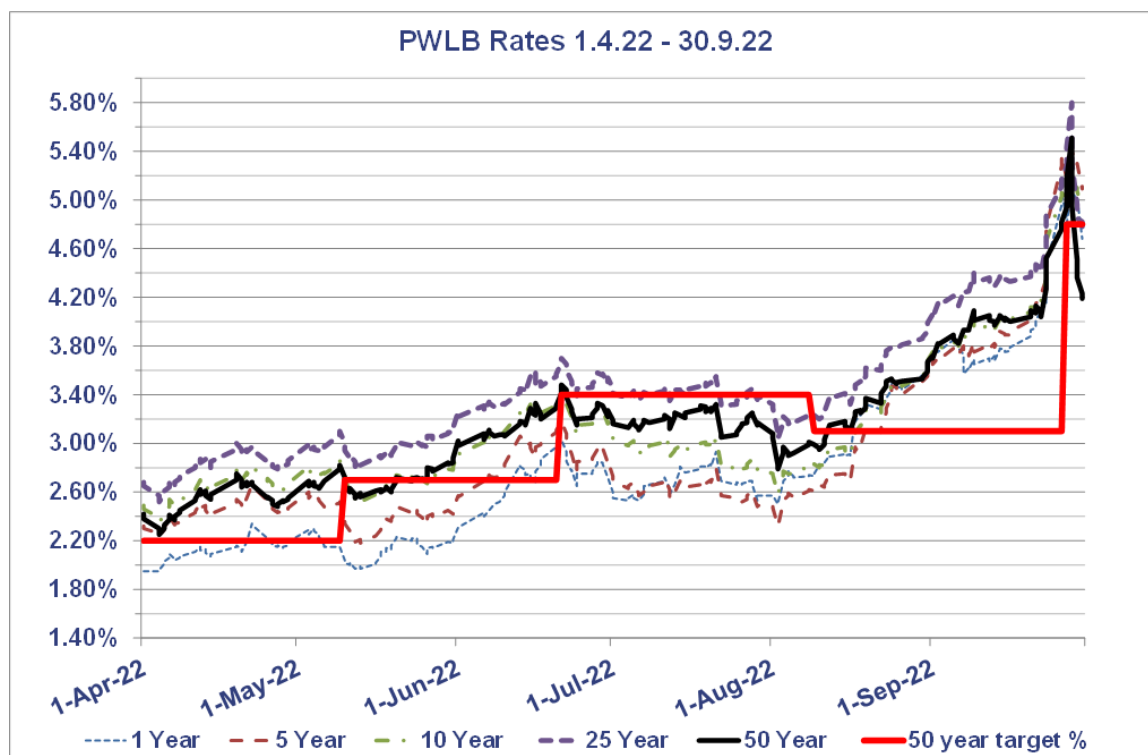
It is anticipated that further borrowing will not be undertaken during this financial year, but this may be subject to review.

PWLB maturity certainty rates year to date to 30 September 2022

Gilt yields and PWLB rates were on a rising trend between 1 April and 30 September. The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. (Please note, however, that PWLB rates are projected to trend downwards through 2023 and 2024.)

The following table and graph shows the movement in PWLB certainty rates for the first six months of the year to date:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/22	13/05/22	04/04/22	04/04/22	04/04/22
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/22	28/09/22	28/09/22	28/09/22	28/09/22
Average	2.81%	3.26%	2.99%	3.28%	3.26%



7 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

8 Compliance with Treasury & Prudential Indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council’s approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.

During the quarter ended 30 September 2022 the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement.

9 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.1 Creditworthiness

Following the Government's fiscal event on 23 September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

9.2 Investment Counterparty Criteria

The Council has a higher level of surplus funds available for investment following the receipt of New Towns Funding. In addition to this, there are less counterparties currently available to the Council. As a result, it is becoming increasingly difficult to invest short term funds for longer durations at higher rates.

It is therefore recommended that the Sovereign Country Limit be increased from £5m to £10m (excluding the UK which has no limit). The bank group or individual limit will remain at £5m. This will enable the Council to achieve higher returns with high credit rated institutions and diversify its portfolio further.

This recommended change to the Treasury Management Strategy will require approval by Council.

9.3 Credit Default Swap Prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

9.4 Investment Performance Year to Date as at 30 September 2022

The Council's 2022/23 budget for investment income is £1.304m net of fees. At the end of September 2022 investment income earned was estimated to be approximately £829k. This figure is still an estimate as the actual returns on all property funds to September 2022 are not likely to be known until December 2022.

The average level of funds available for investment purposes during the first half of the financial year was £61.3m excluding property fund investments.

Treasury investments achieved an average rate of 1.34% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 1.701%.

Property fund investments are estimated to have achieved an average net rate of 3.35%.

The combined rate achieved on all investments is estimated to be approximately 1.92%.

Due to increased balances available for investment resulting from additional grant money being received and recent rises in interest rates on new investments, the forecast for the outturn of investment income is £2.23m. This is £926k above budget. This will be monitored on a monthly basis to reflect changing market conditions.

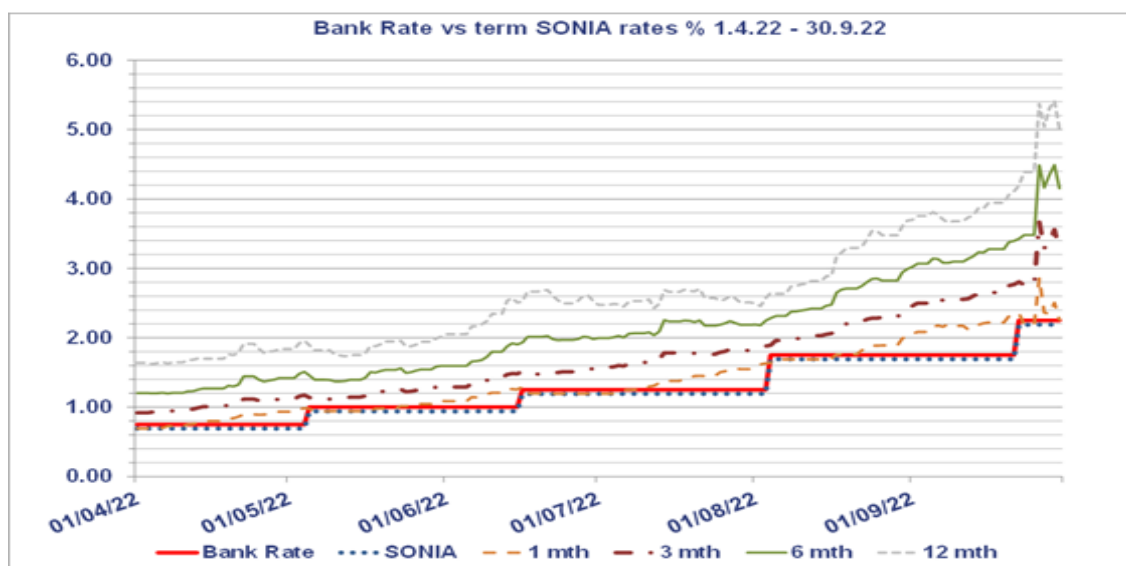
During the financial year the Council has made investments in line with the agreed Treasury Management Strategy.

The table below provides details of the cash investments held by the Council at 30 September 2022.

Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of East Lindsey District Council's own resources.

Financial Institution	Amount (£)	Start Date	Maturity Date	Yield
Barclays Bank Current Account	63,894	30/09/22	01/10/22	0.00%
Barclays Bank	2,197,462	30/09/22	01/10/22	2.00%
Handelsbanken Plc	174	30/09/22	01/10/22	1.50%
CCLA Money Market Fund	7,500,000	30/09/22	01/10/22	1.96%
UK Debt Management Office	13,000,000	30/09/22	07/10/22	1.87%
Qatar National Bank	5,000,000	14/07/22	14/10/22	1.97%
Standard Chartered Bank	5,000,000	18/05/22	18/11/22	1.61%
First Abu Dhabi Bank	2,500,000	15/06/22	15/12/22	2.11%
National Bank of Kuwait	5,000,000	15/06/22	15/12/22	1.92%
National Bank of Canada	5,000,000	17/06/22	16/12/22	2.13%
Credit Industriel et Commercial	5,000,000	01/09/22	01/03/23	3.20%
Helaba Bank	5,000,000	16/08/22	16/05/23	2.95%
Australia & New Zealand Bank	5,000,000	16/08/22	16/05/23	2.98%
Rabobank	5,000,000	31/08/22	31/05/23	3.53%
First Abu Dhabi Bank	2,500,000	28/07/22	28/07/23	2.93%
DNB Bank ASA	5,000,000	31/08/22	31/08/23	3.90%
TOTAL	72,761,530			

The graph below shows that longer term investment rates have been on a rising trend during the first half of the financial year.



The Council has purchased property fund units and the following table provides a breakdown in relation to the purchase of these units:

Fund	Net Asset Value at Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Federated Hermes Property Unit Trust	3,893,003	106,948	2.75	3,999,951
Schroder UK Real Estate Fund	4,819,418	(19,381)	(0.40)	4,800,037
Threadneedle Property Unit Trust	4,653,444	145,543	3.13	4,798,987
BlackRock UK Property Fund	4,734,550	65,482	1.38	4,800,032
M&G Investments UK Property Fund	1,029,800	105,707	2.25	1,135,507
AEW UK Core Property Fund	4,505,538	294,462	6.54	4,800,000
TOTAL	23,635,753	698,761	2.54	24,334,514

The following table provides details in relation to the performance and valuation of these funds as at 30 September 2022.

	Purchase Cost (£)	Estimated Revenue Received 2022/23 (£)	Projected Annualised Distribution Yield 2022/23	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£)	2022/23 Quarterly Gain/(Loss) (£)	2022/23 Annualised Fund Capital Gain/(Loss) Since 1/4/22	2022/23 Estimated Combined Return	Voluntary Revenue Provision
Federated Hermes Property Unit Trust	3,999,951	62,080	3.10% Estimate	4,717,582	717,631	(280,823)	(2.72%)	0.38%	0
Schroder UK Real Estate Fund	4,800,037	93,945	3.90% Estimate	5,758,352	958,315	(223,839)	(4.41%)	(0.51%)	0
Threadneedle Property Unit Trust	4,798,987	87,644	3.65% Estimate	4,958,584	159,597	(277,479)	(2.95%)	0.70%	0
BlackRock UK Property Fund	4,800,032	64,267	2.75% Estimate	5,294,000	493,968	(281,015)	(5.73%)	(2.98%)	0
M&G Investments UK Property Fund	1,135,507	14,042	1.10% Estimate	1,302,339	166,832	(23,649)	N/A	N/A	(360,649)
AEW UK Core Property Fund	4,800,000	94,964	3.95% Estimate	4,857,597	57,597	(177,222)	(0.86%)	3.09%	0
TOTAL	24,334,514	416,942		26,888,454	2,553,940	(1,264,027)			(360,649)

The Projected Annualised Distribution Yield is the projected yield for the year based on dividends already received during the current financial year.

The 2022/23 Annualised Fund Capital Gain/Loss is the projected gain/loss in the capital value of the fund since the start of the financial year calculated by reference to the change in the Net Asset Value from 31 March 2022 to the period end.

The estimated combined return is the total of the Projected Dividend Distribution Yield and the Annualised Fund Capital Gain/Loss.

Please note that this is the position as of 30 September 2022 and the capital values will fluctuate year on year.

An analysis of dividend distributions received since the purchase of the property funds to 30 September 2022 can be found in the table below:

Financial Institution	Actual Dividend Distributions Received Pre 2022/23	Original Budgeted Distribution for 2022/23	Estimated Dividend Distributions Received 2022/23	Total Distributions Received Since Purchase
Federated Hermes Property Unit Trust	727,525	64,576	62,080	789,605
Schroder UK Real Estate Fund	779,317	77,492	93,945	873,262
Threadneedle Property Unit Trust	703,245	107,792	87,644	790,889
BlackRock UK Property Fund	531,654	79,417	64,267	595,921
M&G Investments UK Property Fund	581,963	89,525	14,042	596,005
AEW UK Core Property Fund	742,212	108,055	94,964	837,176
Total Revenue	4,065,916	526,857	416,942	4,482,858

10 Other

10.1 Changes in Risk Appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

There has been no change in risk appetite since the Treasury Management Strategy Statement for 2022/23 was approved on 2 March 2022.

During the period ended 30 September 2022 the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement.

Investment balances and market rates will continue to be monitored with a view to lengthening the duration of the investment portfolio and maximising investment returns.

2022/23 Capital Programme and Q2 Forecast Outturn

Project (all figures in £'000)	Original 2022/23	Revised Budget 2022/23	Actuals 2022/23	Forecast 2022/23
Capitalised Planned Enhancements	199	518	2	518
Car Park Resurfacing	250	250	69	250
Gibraltar Rd Wall Collapse		153		153
London Road Astro Turf	175	175		175
Disabled Facilities Grants	1,562	1562	633	1,562
Pride in East Lindsey		64		64
Fitness Suite Refurbishment		276	322	322
Changing Places Toilets		300		300
IT Investment	794	1,187	480	1,187
Pumping Works on Foreshore		146		146
Vehicle Purchases		27		27
Community Housing Fund		653		653
Traveller Site Purchase	165	690		690
PSPS Investment		249		249
Horncastle Land Purchase	2,088	4006	2333	4,006
Green Homes Grant		2031	908	2,031
Kingfisher Enhancement		109	3	109
Green Homes Grant - Phase 2		-52	120	52
INVEST			750	750
Sustainable Warmth - BEIS	7,255	7321	202	7,321
Non Towns Fund Project Total	12,488	19,665	5,822	20,461

Towns Fund - Station Sports Investment				
Towns Fund - Sutton on Sea Colonnade	5,035	6015	81	6,015
Towns Fund - Skegness Foreshore	2,250	4726	105	100
Towns Fund - Skegness Railway Station	2,105	2099		1,811
Towns Fund - Skegness Town Centre Transfomation	612	661	61	661
Towns Fund - Skegness Police Training Centre	8	2105		2,105
Towns Fund - Skegness Multi User Trail		1427	292	1,427
Towns Fund - Skegness Learning Campus	10,860	11854	720	1,397
Towns Fund - Skegness Cultural	1,000	1401	31	1,401
Towns Fund - Mablethorpe Campus for Future Living	6,200	6035		3,462
Towns Fund - Mablethorpe Leisure and Learning Hub	7,925	8853	119	2,258
Towns Fund - Mablethorpe Sandilands	2,980	2974		1,980
Towns Fund - Mablethorpe Mobihub	1,410	1401		
Towns Fund - Mablethorpe High Street	289	319		319
Towns Fund Total	40,674	49,870	1,409	22,936
GRAND TOTAL	53,162	69,535	7,231	43,397



REPORT TO:	Audit and Governance Committee
DATE:	23 rd November 2022
SUBJECT:	Annual Update Information Governance
PURPOSE:	To provide an Annual Update
KEY DECISION:	No
PORTFOLIO HOLDER:	Councillor Leyland
REPORT OF:	Alison Sparks, Legal Adviser and Deputy Data Protection Officer Alison Sparks Alison.Sparks@e-lindsey.gov.uk 01507 613409
REPORT AUTHOR:	Date: 24 October 2022
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

This report provides members of the Audit and Governance Committee with an overview of activity in relation to information governance, including data protection for the Authority and highlights any changes or risks for the forthcoming year.

RECOMMENDATIONS

Members are asked to note the report's content.

REASONS FOR RECOMMENDATIONS

It is a requirement under the UK GDPR that an annual report is provided by the Data Protection Officer.

OTHER OPTIONS CONSIDERED

N/A

1. BACKGROUND

1.1 This report provides members of the Audit and Governance Committee with an overview of activity within the Corporate Compliance service area in regard to information governance and highlights any changes or risks for the forthcoming year. In 2013 the Council underwent a voluntary audit of its information governance arrangements by the Information Commissioner's Office (ICO). Following the audit a report was produced detailing a number of improvements and this report was considered by the Audit and Governance Committee at its meeting of 25 September 2013.

1.2 One outcome of the review was that the Audit and Governance Committee would provide oversight of the Council's information governance arrangements.

1.3 The General Data Protection Regulation (GDPR) became law in the UK on the 25th May 2018 along with the Data Protection Act 2018 thereby bringing data protection legislation up to date for the modern digital world. The Council continues its work to ensure compliance. The Data Protection Officer is required by the UK GDPR to report to the highest level of management and it does so with Adrian Sibley, Deputy Chief Executive as this Council's responsible officer.

2. REPORT

2.1 For the period 1 April 2022 to 13th October 2022 there has been a slight increase, overall, in requests for information from customers.

The following data relates to 1 April 2022 – 13th October 2022:

2.2 Non-disclosure exemptions e.g. Police requests

The Council has received 71 requests for disclosure of personal data under the Data Protection Act, compared to 83 requests during the same timeframe in 2021.

2.3 Data Subject Access Requests

The Council has received 12 valid requests for personal data under the Data Protection Act compared to 12 requests during the same timeframe in 2020.

2.4 FOIA / EIR

The Council received 384 requests for information under the Freedom of Information Act and Environmental Information Regulations. At this point last year the number of requests stood at 358.

Efficiencies have been created by working flexibly as part of the South & East Lincolnshire Councils Partnership. This can be demonstrated via Information management processes where East Lindsey and Boston Borough Council can access casefiles and case registers for both teams. This approach enables us to save time by avoiding duplicated responses and can allow case management during times of staff absence.

2.5 Local Government Ombudsman (LGO)

The Council was notified of 4 new complaints to the LGO, 1 of which has yet to be determined. This is compared to 5 cases in the same period in 2021.

2.6 Information Commissioner's Office (ICO)

The Council has not been notified of any matters reported to the ICO. No data breaches have been reported to the ICO. Internally 23 matters have been reported to the Data Protection Officer and closed after internal investigation. This is slightly lower than the same point last year which was 29 matters.

2.7 Transparency

Information is published in line with the Transparency Code including Procurement Card transactions over £500 and any other spend over £250.

There is a need going forward to make more information available to the public and the Council's Transparency programme is under review. As the Council continues to invest in technology to improve the way it does business, this will provide further reporting capabilities to improve transparency.

2.8 Records Management

A significant part of ensuring good practice in terms of information governance is making sure that our information is processed in a structured and accountable way. We do this by working with all departments within the Council to ensure that their Records Management arrangements are robust and compliant with the Data Protection Act and UK GDPR.

Information Asset Registers and Retention Schedules are in place in all service areas and all Service Managers review and identify all information that is held and to continue to delete personal data that is no longer necessary. Records Management processes will be key in ensuring the organisation remains compliant with the legislation and the DPO advises on this as necessary when engaging with the services.

The Council's Data Protection Policy and Breach Reporting Guidance documents have been updated in line with the new legislation and a Record of Processing Activities is in place as required, which is updated as necessary.

As part of the Council's move from Tedder Hall to the Horncastle Hub, the data protection team have been fully engaged in ensuring the safe reduction of accumulated paper records.

3. CONCLUSION

- 3.1** The Council continues to review its Data Protection arrangements and work towards compliance. As the new legislation becomes entrenched and case law and further guidance from the ICO emerges, the Council will adapt and improve its practices accordingly. Matters will need a further review when the Data Protection and Digital Information Bill becomes law.
- 3.2** The ICO self-assessment tool is used as a guide to ensure that any areas of weakness are addressed as a priority.
- 3.3** With the further merging of services under the Partnership reviews will be undertaken to ensure there is no loss of control of citizen data and that rights are protected. Loss of control of data – not knowing what systems it is held on, who it has been shared with etc. presents a risk to the Council and makes working towards compliance more difficult. Therefore, there is a balance to be struck between meeting strict compliance controls whilst allowing services to be operational with the data that they hold and use each day to enable the effective provision of services. At present, with separate systems used it is more difficult to map where data is flowing/being held between the shared workforce and there is a risk that loss of control will lead to a lack of compliance. The DPO assists in pointing out risks and ensuring that data is managed correctly within the legislation as far as possible whilst services operate on different systems and the DPO and Deputy are working together in this area. There are no current areas of concern and data is in the process of being managed appropriately.
- 3.4** The Council is working towards replacing any outdated systems that store unnecessary data and this is a known risk. Paper stores have been assessed and work is ongoing to clear archives before the Council moves to its new offices.
- 3.5** Agile working (most staff working from home) continues and staff are reminded to complete their annual data protection refresher training via the training portal and work in accordance with the Agile Working policy which was refreshed in August 2020.

EXPECTED BENEFITS TO THE PARTNERSHIP

SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

None

CORPORATE PRIORITIES

None

STAFFING

None

CONSTITUTIONAL AND LEGAL IMPLICATIONS

None

DATA PROTECTION

The Information Governance framework sets out the way in which our organisation handles information, in particular the personal and special category data relating to our customers and employees.

The framework determines how we collect and store data and specifies how the data is used and when it can be shared.

The Corporate Compliance Service provides guidance to the Council and individuals to ensure personal information is processed lawfully, securely, efficiently and effectively.

The Information Governance framework includes:

- Data Protection Act 2018
- UK General Data Protection Regulation
- Freedom of Information Act 2000 and Environmental Information Regulations 2004
- Records Management
- Information Security
- IT Security and data protection training
- Local Government Transparency Code 2015
- Privacy and E-Communications Regulations 2003

FINANCIAL

None

RISK MANAGEMENT

Risk has been considered as part of this report and any specific risks are included in the table below:

Category Risk – State if high medium or low	Action / Controls
N/a	N/a

STAKEHOLDER / CONSULTATION / TIMESCALES

No consultation undertaken.

REPUTATION

None

CONTRACTS

None

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

None

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Whilst there is an impact on the environment for the disposal of legacy paper documents going forward digital only files, with only the minimum being retained in hard copy, will help to minimise impact.

ACRONYMS

ICO: Information Commissioner's Office

APPENDICES

None

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.'

CHRONOLOGICAL HISTORY OF THIS REPORT

CHRONOLOGICAL HISTORY OF THIS REPORT	
Name of body	Date

Audit & Governance Committee	24 November 2021

REPORT APPROVAL	
Report author:	Alison Sparks Alison.Sparks@e-lindsey.gov.uk 01507 613409
Signed off by:	Adrian Sibley, SIRO Adrian.Sibley@e-lindsey.gov.uk
Approved for publication:	Name of Councillor (if required)

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REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	23 RD NOVEMBER 2022
SUBJECT:	PROPOSED AMENDMENTS OF THE COUNCIL'S CONTRACT PROCEDURE RULES AND FINANCIAL PROCEDURE RULES
PURPOSE:	TO INTRODUCE A NEW UPDATED VERSION OF THE CONTRACT PROCEDURE RULES AND AN AMENDMENT TO THE FINANCIAL PROCEDURE RULES
KEY DECISION:	N/A
PORTFOLIO HOLDER:	COUNCILLOR RICHARD FRY
REPORT OF:	SAMANTHA KNOWLES – ASSISTANT DIRECTOR FOR FINANCE AND DEPUTY S151 OFFICER AND JOHN MEDLER – ASSISTANT DIRECTOR FOR GOVERNANCE AND MONITORING OFFICER
WARD(S) AFFECTED:	ALL
EXEMPT REPORT?	NO

SUMMARY

The purpose of this report is to present to the Committee a revised draft set of Contract Procedure Rules with appropriate delegations that provide additional clarity around the procedures to be followed and reflect the Council's management structure. There is also a recommended change to the Financial Procedure Rules which will allow alignment with the new finance system used across all 3 councils when authorising payments.

The Committee is asked to review the revised set of Contract Procedure Rules and to consider recommending them for adoption to the Council.

RECOMMENDATIONS

That the Audit & Governance Committee :

1. Recommends to Council the revised Contract Procedure Rules at **Appendix 1** to this report to be adopted, without amendment, as the Contract Procedure Rules (CPR);
2. Agrees that the Monitoring Officer be authorised to make the necessary changes to update the Council's Constitution, accordingly, including delegation to amend where inconsistencies arise, noting that the CPR will take primacy;

3. Approves the revised financial procedure rule for Banking arrangement and cheques as detailed in Paragraph 1.12 of the report.

REASONS FOR RECOMMENDATIONS

- To ensure that the Council has robust, up-to-date Contract Procedure Rules that provide clarity to officers, members, and potential contractors.
- In addition to the above, to ensure compliance with audit requirements as some of the Partner Councils have had audit recommendations to update their Contract Procedure Rules.
- To ensure a clear and consistent approach in the award of contracts and safeguard the public's trust and confidence and promote public accountability and good procurement practice.
- To help avoid governance failures in the Council's procurement activity.

OTHER OPTIONS CONSIDERED

To do nothing - which would result in the retention of the existing Contract Procedure Rules.

1. BACKGROUND

1.1. In accordance with section 135 of the Local Government Act 1972 every local authority must adopt standing orders with respect to the making by them or on their behalf of contracts for the supply of goods or materials or for the execution of works.

1.2. The basic principles in relation to public procurement require all procurement and disposal procedures must:

- Achieve Best Value for public money spent
- Be consistent with the highest standards of integrity
- Ensure fairness in allocating public contracts
- Comply with all legal requirements
- Ensure that non-commercial considerations do not influence any contracting decision
- Support the Council's corporate and departmental aims and policies with the Council's corporate Procurement Strategy and other relevant policies

1.3. The draft Contract Procedure Rules at **Appendix 1** to this report seek to ensure, as a minimum, the Council meets these basic principles.

The Council's current Contract Procedure Rules were approved by Council in May 2017. The Council's Contract Procedure Rules (CPR) form part of the Constitution and govern the way in which the Council procures goods, services, and works. The current CPR can be found here: [ELDC Council Constitution](#)

- 1.4. The Rules were reviewed in March 2018, but procurement best practice has developed significantly since that time along with updated legislation (particular since the United Kingdom left the European).
- 1.5. The intention is to seek adoption of the amended CPR (shown at **Appendix 1**) and the Delegations to Officers across the three Councils that make up the South & East Lincolnshire Councils Partnership (SELCP) so collaboration and shared working on procurement activities can be maximised (such as all the partners adopting the same procurement thresholds). The adoption of the proposed Rules ensure the Council has Rules that reflect the current procurement legislation, providing clarity to procurement officers and ensuring there is consistency across service areas. The CPR also set out clarity of the appropriate authority aligned to the value of the contract and are reflected in the Delegated Decisions (shown at **Appendix 2**).
- 1.6. These decision-making proposals provide greater clarity and transparency and will ensure those strategic procurement decisions are taken at the appropriate level of management within the Council. The recent Peer Review also highlighted the importance of robust procurement practices, and these changes help to address this across the Partnership.
- 1.7. The key changes being proposed are explained fully at **Appendix 3** of this report.
- 1.8. In addition to the above, the council's financial procedure rules have the following rules regarding banking arrangements and cheques, found at Section 35 of the Financial Procedure Rules, concerning banking arrangements and cheques:
- Payments in excess of £100,000 shall be countersigned by two designated signatories and authorised by the Section 151 Officer/Deputy S151 Officer.
- 1.9. In April 2021, the Council implemented a new finance system known as Unit 4, which is uses an automated workflow system for the raising and authorisation of orders and invoices. Within Unit4 there are 2 ways an invoice can be paid:
- Purchase orders are raised by a requisitioner and approved by the relevant approver in Unit4 in line with the approved scheme of delegation. Where an invoice is matched to the purchase order, along with the appropriate Goods Receipt Note (GRN), the invoice is processed for payment.
 - Where a purchase order is not applicable, the invoice is approved in Unit4 in line with the approved scheme of delegation.
- 1.10. The automation and workflow controls within the new unit 4 system provides the assurance that purchase orders and invoices are appropriately approved, before payment is made. This has led to us considering the purpose and practical application of the current financial procedure rule requirement for payments in excess of the limits for each council.
- 1.11. Following a review of the system controls of Unit 4, the current rule for Banking arrangements and cheques has been considered and the following amendment is proposed:
- Supplier payments in excess of £100,000 shall be countersigned by 2 approved bank signatories. Prime documents must be produced for checking at the time of countersigning

EXPECTED BENEFITS TO THE PARTNERSHIP

As alluded to above with the proposed adoption across the SELCP, it will provide greater flexibility and greater collaboration across the partnership, with the potential for increased economies of scale, for greater efficiencies and value of money in its procurement activity.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

The opportunity to work more collaboratively across the Partnership and realise increased opportunities to achieve best value in its procurement activity.

CORPORATE PRIORITIES

Contract and Financial Procedure Rules are essential components of the Council's governance framework which underpins delivery of its corporate strategy priorities.

STAFFING

None

CONSTITUTIONAL AND LEGAL IMPLICATIONS

By virtue of section 135 of the Local Government Act 1972 every local authority must adopt standing orders with respect to the making by them, or on their behalf, of contracts for the supply of goods or materials or for the execution of works.

It is vital that the CPR are kept under review and reflect current legal requirements, and clear delegations are provided in the exercise of the powers set out in the CPR.

DATA PROTECTION

No direct data protection issues associated with this report.

FINANCIAL

The financial implications and specifically the procurement financial thresholds are referenced throughout the draft Contract Procedure Rules, and the Delegations to Officers.

RISK MANAGEMENT

By reviewing current CPR and updating them to reflect current best practice, the Council can seek to mitigate against the risk of acting unlawfully in respect of its procurement activity.

STAKEHOLDER / CONSULTATION / TIMESCALES

None

REPUTATION

Improper procurement activity can have a direct impact on the reputation of the Council, officers, and Members. It is important therefore, that the Council adopts up to date, robust CPR, to mitigate against this potential for adverse reputational impact.

CONTRACTS

None

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

The Equality Act 2010 introduced the Public Sector Equality Duty. This duty applies to the exercise of all public functions. The duty applies to all of the decisions made in the course of exercising public functions, not just to policy development and high-level decision-making. Those who exercise its functions must be aware of the general equality duty's requirements.

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

ACRONYMS

CPR – Contract Procedure Rules

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX 1A	Revised Contract Procedure Rules
APPENDIX 1B	Exemption Form for SELCP
APPENDIX 1C	Above PCR CCR Regulation Thresholds
APPENDIX 2	Delegated Decisions for Officers
APPENDIX 3	Key changes document

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

CHRONOLOGICAL HISTORY OF THIS REPORT

A report on the Contract Procedure Rules has been previously considered as follows:

Name of body	Date
Council	16 May 2012
Council	17 May 2017

REPORT APPROVAL	
Report author:	John Medler, Assistant Director – Governance and Monitoring Officer Samantha Knowles, Assistant Director for Finance and Deputy Section 151 Officer
Signed off by:	Christine Marshall, Deputy Chief Executive – Corporate Governance

CONTRACT PROCEDURE RULES

1. BASIC PRINCIPLES

1.1 All procurement procedures must:

- 1.1.1 realise value for money by awarding contracts that have the most economically advantageous contribution to delivering the Council's objectives,
- 1.1.2 be consistent with the highest standards of integrity,
- 1.1.3 operate in a transparent manner,
- 1.1.4 ensure fairness in allocating public contracts including managing conflicts of interest,
- 1.1.5 comply with all legal requirements including but not limited to the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 or successor legislation,
- 1.1.6 support all relevant Council priorities and policies, including the Medium-Term Financial Plan.

NB: These Rules shall be applied to the contracting activities of any partnership for which the Council is the accountable body unless the Council expressly agrees otherwise (*see the Delegations to Officers for details of Officers who may action this rule*).

- 1.2 "written" or "in writing" means any expression consisting of words or figures which can be read, reproduced, and subsequently communicated, including information transmitted and stored by electronic means.

2. OFFICER RESPONSIBILITIES

2.1 Officers

2.1.1 Officers will make sure that:

- (a) they comply with these Contract Procedure Rules (CPRs),
- (b) they comply with the Council's Constitution,
- (c) they comply with the Delegations to Officers;
- (d) the requirement to declare prior to the commencement of the procurement process any personal interest they may have in that process;
- (e) all tenders/quotations are kept confidential;
- (f) a written contract is issued and signed by both parties, or a purchase order is issued before the supply of goods, services or carrying out of works begin;
- (g) Where appropriate identify a Contract Manager with responsibility for ensuring the contract delivers as intended;
- (h) a review of each contract is carried out at an appropriate stage; and
- (i) they comply with all legal requirements.

Officers must ensure that any agents, consultants, and contractual partners acting on their behalf also comply.

2.1.2 Officers will:

- (a) keep any necessary records required by these Contract Procedure Rules,
- (b) take all necessary procurement, legal, financial, and professional advice, taking into account the requirements of these Contract Procedure Rules,
- (c) prior to letting a contract on behalf of the Council, check whether:

- (i) the Contracts Register lists an appropriate contract in place for the Council, or:
- (ii) an appropriate national, regional, or other collaborative contract is already in place.

Where the Council already has an appropriate contract in place, then this must be used unless it can be established that the contract does not fully meet the Council's specific requirements in this particular case, and this is agreed following consultation with a Contracts and Procurement Service.

Where an appropriate national, regional, or collaborative contract is available, consideration should be given to using this, provided the contract offers value for money.

- (d) ensure that when any employee, either of the Council or of a service provider, may be affected by any transfer arrangement, then any Transfer of Undertaking (Protection of Employment) issues are considered and legal and HR advice from within the Council is obtained prior to proceeding with the procurement exercise.

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

2.1.4 A contract may be let through any framework agreement to which the Council has access. Where the contract to be let is subject to the Public Contracts Regulations 2015 or the Concession Contracts 2016, use of such framework agreement shall be subject to compliance with those regulations (*see the Delegations to Officers for details of Officers who may action this rule*).

2.2 Chief Officer/Deputy Chief Officers

2.2.1 Chief Officer/Deputy Chief Officers will:

- (a) ensure their Services complies fully and are familiar with the requirements of these Contract Procedure Rules;
- (b) ensure contracts with a value over £5,000 are recorded on the Contracts Register as held and maintained by the Contracts and Procurement Service;
- (c) ensure compliance with English Law and U.K. legislation and Council policy.
- (d) ensure value for money and optimise risk allocation in all procurement matters;
- (e) ensure compliance with any guidelines issued in respect of these Contract Procedure Rules
- (f) take immediate action in the event of a breach of the Contract Procedure Rules or any Code of Practice within their directorate or service area;
- (g) ensure that all existing and new contracts anticipated during the forthcoming financial year are clearly itemised in the Budget supporting documentation;
- (h) make appropriate arrangements for the opening of tenders and their secure retention using secure electronic means;
- (i) ensure original contract documents with a total value over £5,000 are forwarded to a Contracts and Procurement Service for safekeeping;
- (j) ensure effective contract management, contract reviews and monitoring during the lifetime of all contracts in their areas;

- (k) seek and act upon advice from a Contracts and Procurement Service and Performance team where necessary to ensure compliance with these responsibilities; and
- (l) keep records of variations and exemptions of any provision of these Contract Procedure Rules.

2.2.2 Chief Officer/Deputy Chief Officers must keep a register of

- (a) contracts entered into by or on behalf of the Council, and
- (b) exemptions recorded under Rule 3 and satisfy themselves that the use of exemptions has been monitored and a record kept by a Contracts and Procurement Service.

3. EXEMPTIONS

- 3.1 Except where the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 apply, the Cabinet/Executive has the power to waive any requirements within these Contract Procedure Rules for specific projects. An exemption under this Rule 3 allows a contract to be placed by direct negotiation with one or more suppliers rather than in accordance with Rule 9.
- 3.2 These Contract Procedure Rules may be exempted where the circumstances meet any of the following criteria within 3.3. An exemption form must be completed and sent to the Head of Procurement & Contracts in the first instance to allow comments which will assist with the approval or rejection of the exemption.
- 3.3 The Head of Procurement & Contracts will then pass this through to the Section 151 Officer and Monitoring Officer for approval prior to consideration by the Chief Executive and the Portfolio Holder for the relevant area, as well as the Portfolio Holder for Finance. This process must be followed in advance of the award of contract, and in compliance with the criteria set out in the Delegations to Officers:
 - 3.3.1 for works, supplies, or services which are either patented or of such special character that it is not possible to obtain competitive prices;
 - 3.3.2 for supplies purchased or sold in a public market or auction;
 - 3.3.3 with an organisation already engaged by the Council for a similar and related procurement and where there is significant benefit to extending the contract to cover this additional requirement that does not breach legal requirements such as the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016;
 - 3.3.4 involving such urgency that it is not possible to comply with the Contract Procedure Rules and there is a significant risk to the council of not acting with urgency;
 - 3.3.5 for the purchase of a work of art or museum specimen, or to meet the specific requirements of an arts or cultural event which cannot be procured competitively due to the nature of the requirement;
 - 3.3.6 in relation to time-limited grant funding from an external body, where the time limitations will not allow a competitive procurement process to be completed and where the grant conditions allow this;
 - 3.3.7 where relevant legislation not otherwise referred to in these Contract Procedure Rules prevents the usual procurement process from being followed;
 - 3.3.8 goods, works or services contracts may be awarded directly to a legal person where that legal person meets the criteria as set out in Regulation 12 of the Public Contracts Regulations 2015 or Regulation 17 of the Concession Contracts Regulations 2016 (formerly known as "Teckal" companies);

- 3.3.9 where building development opportunities are available to the Council, and have been proven to be financially viable, and the value is under the FTS Thresholds for Works (as per Appendix 2 – Above Public Contracts Regulations 2015 / Concessions Contracts Regulations 2016 thresholds.).
- 3.4 In addition to approval by a Contracts and Procurement Service:
- 3.4.1 the Monitoring Officer must be consulted where purchases are to be made using standing arrangements with another local authority, government department, health authority, primary care trust or statutory undertaker.
- 3.4.2 The Monitoring Officer must be consulted where the contract is an extension to an existing contract and a change of supplier would cause:
- (a) Disproportionate technical difficulties
 - (b) Diseconomies
 - (c) Significant disruption to the delivery of Council services.
- 3.5 Every variation/exemption must be recorded on the Council's Procurement Exemption Form at Appendix 1 to these Contract Procedure Rules and the form will be recorded on a master register to be maintained by a Contracts and Procurement Service.
- 3.6 Where a variation/exemption is necessary because of an unforeseeable emergency involving immediate risk to persons, property or serious disruption to Council services, Chief Officer/Deputy Chief Officer may approve the exemption but must prepare a report for the next meeting of the Cabinet/Executive to support the action taken.
- 3.7 Where grant conditions require expenditure to be incurred within a financial year, and notification of grant is received so late as to prevent compliance with Rule 9, an exemption may be approved by the Chief Executive on receipt of a report from the relevant service where the Section 151 Officer and Monitoring Officer have been consulted.
- 3.8 A Contracts and Procurement Service must monitor the use of all exemptions.

4. RELEVANT CONTRACTS

- 4.1 All Relevant Contracts must comply with these Contract Procedure Rules. A Relevant Contract is any arrangement made by, or on behalf of, the Council for the carrying out of works, supplies, goods, materials, or services. These include arrangements for:
- 4.1.1 the supply or disposal of goods or materials,
 - 4.1.2 the hire, rental or lease of goods or equipment,
 - 4.1.3 execution of works,
 - 4.1.4 the delivery of services, including (but not limited to) those related to:
 - (a) the recruitment of staff
 - (b) land and property transactions
 - (c) financial and consultancy services
 - (d) the supply of staff by employment agents, consultants, or any other companies
- 4.2 Relevant Contracts do not include:
- 4.2.1 contracts of employment which make an individual a direct employee of the authority,
 - 4.2.2 agreements regarding the acquisition, disposal, or transfer of land (to which the Financial Procedure Rules apply),

- 4.2.3 the payment of grants to third parties
- 4.2.4 The lending or borrowing of money by the Council.
- 4.2.5 Contracts between Local Authorities as defined by Clause 12 of the Public Contracts Regulations 2015.
- 4.2.6 Contracts between Local Authorities as defined by Clause 17 of the Concession Contracts Regulations 2016
- 4.2.7 Contracts between Local Authorities as defined by Clause 1 of the Local Authorities (Goods and Services) Act 1970.
- 4.2.8 Section 75 NHS Act 2006 arrangements (although details must be recorded on the Council's Contract Register).

NB: While grants are not covered by these Contract Procedure Rules, there are rules on the awarding of grants which do need to be observed. The Council cannot simply choose to treat procurement as a grant in order to avoid conducting a competitive process.

5. RECORDS

- 5.1 The Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 require contracting authorities to maintain the following comprehensive records of procurement activities:
 - 5.1.1 contract details including value
 - 5.1.2 selection decision
 - 5.1.3 justification for use of the selected procedure
 - 5.1.4 names of bidding organisations, both successful and unsuccessful
 - 5.1.5 reasons for selection
 - 5.1.6 reasons for abandoning a procedure
- 5.1A Most contracts and extensions to contracts will be awarded by Officers making a decision under delegated authority (see Delegations to Officers). All such Officer decisions must be published unless the decision is administrative, minor, or not closely connected to the discharge of an executive function. Some decisions will be subject to Call-in. Where Call-in applies, the winning contractor must be advised that the award of contract is subject to Call-in and will not be confirmed until the Call-in period has expired.
- 5.2 A Contracts and Procurement Service should be made aware of any procurement requirements at the earliest opportunity to assist with this process. Where advertising is required by these rules, competitive procurement processes must be advertised on the Council's e-Tendering portal. Where the total value is greater than £40,000.00 but less than £85,000.00 for works, supplies of goods materials or services, the following records must be kept:
 - 5.2.1 invitations to quote/tender;
 - 5.2.2 all communication with suppliers;
 - 5.2.3 all tenders/quotes returned;
 - 5.2.4 a completed evaluation sheet with scores and comments justifying the score awarded;
 - 5.2.5 feedback letters to the unsuccessful bidders;
 - 5.2.6 all communications with the successful contractor;

- 5.2.7 the contract;
 - 5.2.8 a written record of:
 - (a) any exemptions and reasons for it; and
 - (b) the reasons if the lowest price is not accepted
 - 5.2.9 written records of communications with the successful contractor.
- 5.3 For contracts up to £40,000 records should be kept following the principles as above but the actual record kept should be proportionate to the value of the contract.
- 5.4 Where the total value exceeds £85,000.00 for works, supplies of goods, materials or services, the Officer must record the same details as in Rule 5.2 above and any further records as advised by a Contracts and Procurement Service.
- 5.5 Written records required by this Rule 5 must be kept for six years (twelve years if the contract is under seal) after the final settlement of the contract. All documents which relate to unsuccessful candidates (tender responses, feedback letters etc.) must be kept for 12 months from award of contract provided there is no dispute about the award or where there is a dispute, once the dispute is resolved, 12 months from resolution of the dispute.
- 5.6 Prospective candidates must be notified simultaneously in writing and as soon as possible of any contracting decision. If a candidate requests in writing the reasons for a contracting decision, the officer must give the reasons in writing within 15 days of the request.
- 5.7 The Freedom of Information Act 2000 gives a general right of public access to all types of 'recorded' information held by public authorities, sets out exemptions from that general right, and places a number of obligations on public authorities with regard to the disclosures of information. The Council will, as a general rule, allow public access to recorded information where possible and the contractor shall agree to the Council making any disclosures in accordance with the Act.

6. RISK ASSESSMENT

- 6.1 Officers must consider any risks in the procurement process including the skills and capacity within the Council to manage the procurement process. Where any risk assessment identifies a need for further specialist advice that specialist advice must be procured in accordance with these rules.

7. ADVERTISING

The Contracts and Procurement Service will ensure that the minimum advertising requirements in the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 and as outlined in Rule 9 are met.

8. FRAMEWORK AGREEMENTS

- 8.1 **Framework Agreements** (*see the Delegations to Officers for details of Officers who may action this rule*):
- 8.1.1 Framework Agreement has the same meaning as in the Public Contracts Regulations 2015 - "Framework Agreement means an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.

- 8.1.2 The term of a Framework Agreement must not exceed four years.
- 8.1.3 Contracts based on Framework Agreements may be awarded in one of two ways, as follows:
- (a) where the terms of the agreement are sufficiently precise to cover the particular call-off, by applying the terms laid down in the Framework Agreement without re-opening competition, or
 - (b) where the terms laid down in the Framework Agreement are not precise or complete enough for the particular call-off, by holding a further competition in accordance with the following procedure:
 - (i) inviting the organisations within the Framework Agreement, that are capable of executing the subject of the contract, to submit bids, with an appropriate time limit for responses, taking into account factors such as the complexity of the subject of the contract,
 - (ii) awarding each contract to the bidding organisation who has submitted the most economically advantageous tender on the basis of the relevant Award Criteria set out in the Framework Agreement.

Where a Framework Agreement is used and the arrangements under that Agreement include further competition, the Delegations to Officers details which Officers may seek, receive, and evaluate quotations/tenders.

- 8.1.4 Most contracts will then be awarded by Officers making a decision under delegated authority. All such Officer decisions must be published unless the decision is administrative, minor, or not closely connected to the discharge of an executive function. Some decisions will be subject to Call-in. Where Call-in applies the winning contractor must be advised that the award of contract will not be confirmed until the Call-in period has expired.

9. COMPETITION REQUIREMENTS / ASSETS FOR DISPOSAL

9.1 Competition Requirements

- 9.1.1 Chief Officers/Deputy Chief Officers must establish the total value of the procurement including whole life costs and incorporating any potential extension periods which may be awarded. Where the Public Contracts Regulations 2015 or the Concession Contracts Regulations 2016 rules apply, Chief Officers/Deputy Chief Officers must also ascertain the value of a contract in accordance with those rules.
- 9.1.2 Contracts must not be artificially under or over-estimated or divided into two or more separate contracts where the effect is to avoid the application of Contract Procedure Rules, the Public Contracts Regulations 2015, or the Concession Contracts Regulations 2016.
- 9.1.3 Where the estimated total value for a purchase or concession is within the values in the first and second columns of the table below, the tendering procedure in the third column must be followed (*see the Delegations to Officers for details of Officers who may action this rule*).

Works and Concessions	Supply of Goods, Materials and Services	Tendering Procedure
£0 to £5,000	£0 to £5,000	One quote - this should be a local provider wherever possible. A purchase order must be raised.

£5,001 - £10,000	£5,001 - £10,000	Two quotes – one should be a local provider wherever possible. A purchase order must be raised.
£10,001 to £40,000	£10,001 to £40,000	At least three quotes shall be sought and two must be received. Local providers must be given an opportunity to provide a quote, wherever possible. A purchase order must be raised
£40,001 to £85,000	£40,001 to £85,000	At least five written quotations shall be sought via a Request for Quotation via e-Tendering Portal. Local providers must be given an opportunity to provide a quote, wherever possible. A purchase order must be raised.
£85,001 up to Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*)	£85,001 up to Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*)	Open tender via E-Tendering Portal including Contracts Finder. A social value clause must be built into the specification and contract. (Public Service (Social Value) Act 2012). A purchase order must be raised
Above Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*)	Above Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*)	UK Public Procurement Procedure – via E-Tendering Portal & Find a Tender notice. Local social value clause must be built into the specification of the contract. (Public Service (Social Value) Act 2012). A purchase order must be raised

* As per Appendix 2 – Above Public Contracts Regulations 2015 / Concessions Contracts Regulations 2016 thresholds.

- 9.1.4 Where it can be demonstrated that there are insufficient suitably qualified candidates to meet the competition requirements, all suitably qualified candidates must be invited (*see the Delegations to Officers for details of Officers who may action this rule*).
- 9.1.5 Where services are currently purchased internally, i.e., from within the Council, for internal provision, the requirement to obtain other quotations or tenders does not apply. However, the purchaser may choose to seek alternative quotations/tenders for the purpose of market testing.
- 9.1.6 Where the Public Contracts Regulations 2015 or the Concession Contracts 2016 apply, the procuring Officer shall consult a Contracts and Procurement Service to determine the procedure for conducting the procurement exercise.

9.2 Assets for Disposal (*see the Delegations to Officers for details of Officers who may action this rule*):

- 9.2.1 Assets for disposal must be dealt with in accordance with the Council's Financial Procedure Rules.
- 9.2.2 Assets for disposal must be sent to Public Sale except where better value for money is likely to be obtained by inviting quotations and tenders. In the latter event, the method for disposal of surplus or obsolete stocks/stores or assets other than land must be determined as follows:

Total Value	Procedure
Where the cost of disposal is likely to outweigh the value of the asset for disposal	By (in order of preference) <ol style="list-style-type: none"> 1. gifting to a local organisation if they can make use of the asset; 2. disposal for recycling; or 3. disposal by the most environmentally friendly option possible.
Up to £10,000	Two written quotations or public sale
£10,000.01 and above	At least three written quotations or public sale, or an invitation to tender

10. PRE-TENDER MARKET TESTING AND CONSULTATION

- 10.1 The Council may consult potential suppliers, prior to the issue of the Invitation to Tender or Request for Quotation, in general terms about the nature, level and standard of the supply, contract packaging and other relevant matters, provided this does not prejudice any potential organisation (*see the Delegations to Officers for details of Officers who may action this rule*).
- 10.2 When engaging with potential suppliers, the Council may use any advice in the planning and conduct of the procurement procedure, provided that it does not have the effect of distorting competition and does not result in a violation of the principles of non-discrimination and transparency.
- 10.3 The council shall take appropriate measures to ensure that competition is not distorted by the participation of a candidate or tenderer who has provided any advice by ensuring all other candidates and tenderers are provided with all of the information the advising candidate or tenderer has received or given and that all candidates or tenderers are given sufficient time to respond to the tender or quote.
- 10.4 In undertaking any market testing activities, the Officer responsible must seek advice from a Contracts and Procurement Service.

11. EVALUATION CRITERIA AND STANDARDS (*see the Delegations to Officers for details of Officers who may action this rule*):

11.1 Evaluation Criteria

11.1.1 In any procurement exercise the successful bid should be the one which:

- (a) offers the lowest price where payment is to be made by the Council, or offers the highest price if payment is to be received, or:
- (b) offers the most economically advantageous balance between quality and price. In the latter case, the Council will use criteria such as qualitative, environmental and/or social aspects, linked to the subject matter of the contract to determine that an offer is the most economically advantageous. Such criteria may include:
 - (i) quality, including technical merit, aesthetic and functional characteristics, accessibility, design for all users, social, environmental, and innovative characteristics and trading and its conditions;
 - (ii) organisation, qualification, and experience of staff assigned to performing the contract, where the quality of the staff assigned can

- have a significant impact on the level of performance of the contract;
or
- (iii) after-sales service and technical assistance, delivery conditions such as delivery date, delivery process and delivery period or period of completion.

- 11.1.2 Issues that are important to the Council in terms of meeting its corporate objectives can be used to evaluate bids. The criteria can include, for example sustainability considerations, support for the local economy, or the use of sub-contractors. The bidding organisations' approaches to continuous improvement and setting targets for service improvement or future savings could also be included. All criteria must relate to the subject matter of the contract, be in line with the Council's corporate objectives and must be objectively quantifiable and non-discriminatory.
- 11.1.3 The procurement documentation should clearly explain the basis of the decision to bidding organisations, making clear how the evaluation criteria specified in the process will be applied, the overall weightings to be attached to each of the high-level criteria, how the high-level criteria are divided into any sub-criteria and the weightings attached to each of those sub-criteria.
- 11.1.4 The evaluation criteria must not include:
 - (a) Non-commercial considerations
 - (b) Matters which discriminate against suppliers who are signatories to the *Government Procurement Agreement*.

11.2 Standards

- 11.2.1 Relevant British and International standards which apply to the subject matter of the contract, and which are necessary to properly describe the required quality must be included within the contract.
- 11.2.2 Officers should refer to the Procurement and Contracts Service if they have any queries or require further guidance.

12. INVITATION TO TENDER / REQUEST FOR QUOTATION *(see the Delegations to Officers for details of Officers who may action this rule)*

- 12.1 Invitations to Tender/Requests for Quotation must be issued in accordance with the requirements of these Contract Procedure Rules.
- 12.2 The Invitation to Tender shall state that no tender will be considered unless it is received by the date and time stipulated in the Invitation to Tender, subject to 15.5.3. No tender delivered in contravention of this Rule 12 shall be considered.
- 12.3 All Invitations to Tender shall include the following:
 - 12.3.1 A specification that describes the Council's requirements in sufficient detail to enable the submission of competitive offers, together with the terms and conditions of contract that will apply.
 - 12.3.2 A requirement for candidates to declare that the tender content, price or any other figure or particulars concerning the tender submitted by the candidate has not been disclosed by the candidate to any other party (except where such disclosure is made in confidence for a necessary purpose).
 - 12.3.3 A requirement for candidates to complete fully and sign all tender documents including a form of tender and certificates relating to canvassing and non-collusion.
 - 12.3.4 Notification that tenders are submitted to the Council on the basis that they are compiled at the candidate's expense.

- 12.3.5 A description of the award procedure and, unless defined in a prior advertisement, a definition of the award criteria in objective terms and the percentage weighting of each criterion in the evaluation.
 - 12.3.6 The method by which arithmetical errors discovered in the submitted tenders are to be dealt with. In particular, whether the overall price prevails over the rates in the tender or vice versa.
- 12.4 The Invitation to Tender or Requests for Quotation must state that the Council is not bound to accept any tender or quotation.
- 12.5 All candidates invited to tender, or quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis. Where a candidate asks a clarification question regarding the tender or quote, the question and the answer will be provided to all candidates.
- 12.6 Under the Public Contract Regulations 2015, the Council is required to request an explanation of the price or costs proposed in a tender where that price or those costs appear to be **abnormally low** in relation to the requirement.
- 12.7 Advice should be sought from the Contracts & Procurement Service during this investigation process to ensure that the requirements of the Public Contract Regulations 2015 are complied with.

13. **SHORTLISTING**

Any shortlisting (i.e., supplier selection or pre-qualification) must have regard to the economic and financial standing and the technical and professional ability of the candidates to deliver the required goods, services or works.

14. **SUBMISSION, RECEIPT AND OPENING OF TENDERS / QUOTATIONS** *(see the Delegations to Officers for details of Officers who may action this rule):*

14.1 **Tenders**

- 14.1.1 Bidding organisations must be given an adequate period in which to prepare and submit a proper quotation or tender, consistent with the complexity of the contract requirements.
- 14.1.2 Tender Contents:
 - Each tender must contain, where relevant:
 - (a) An undertaking signed by the tenderer that to the best of their knowledge and belief they have complied with all the relevant provisions of the Health and Safety at Work Act 1974 and regulations made under it or where they have not complied, an explanation of the remedial action they have taken to ensure compliance;
 - (b) A statement that the tenderer will comply with all current relevant British Standard Specification or Code of Practice or equivalent international standards offering guarantees of safety, reliability, and fitness for purpose;
 - (c) A statement by the tenderer that they will not try to obtain or receive by whatever means any information which gives or is intended to give the tenderer or another party any unfair advantage over any other tenderer (including the Council's own workforce) in relation to the tendering for and award of any contract;
 - (d) A statement that the Council shall not be liable for expenses incurred in the preparation of tenders; nor shall the Council be bound to accept the lowest or any tenders submitted; and shall have reserved to them the right to invite fresh tenders should they consider that course desirable.

14.2 Electronic Arrangements

- 14.2.1 Tenders, Quotations, Further Competition bids and Selection Questionnaires will be received electronically and will be opened by a Contracts and Procurement Service. The system will not allow any quotations to be opened until the allocated return date / time has passed. *(See the Delegations to Officers for details of Officers who may action this rule).*

14.3 Hard Copy Arrangements

- 14.3.1 In the limited circumstances where a Quotation, Further Competition bid or Tender cannot be received electronically, a Contracts and Procurement Service will consult with the Monitoring Officer to agree a suitable way to receive the Quotation, Further Competition bid or Tender.

15. CLARIFICATION PROCEDURES AND POST TENDER NEGOTIATIONS

- 15.1 Seeking clarification of a tender received whether in writing or by way of a meeting is permitted. However, any such clarification must not involve changes to the basic features of the bidding organisation's submission and all tenderers must be treated equally *(see the Delegations to Officers for details of Officers who may action this rule).*
- 15.2 Post tender negotiation means negotiations with any tenderer after submission of a tender and before the award of the contract with a view to obtaining an adjustment in price, delivery, or content. *Where the value of the Tender is above the threshold in the Public Contracts Regulations 2015, or the Concession Contracts Regulations 2016 advice must be sought from a Contracts and Procurement Service. Where post tender negotiation results in a fundamental change to the specification (or contract terms) the contract must not be awarded but re-tendered (see the Delegations to Officers for details of Officers who may action this rule).*
- 15.3 If post tender negotiations are necessary after a single stage tender or after the second stage of a two-stage tender, then such negotiations shall only be undertaken with the tenderer who has previously been identified as submitting the best tender. Tendered rates and prices shall only be adjusted in respect of a corresponding adjustment in the scope or quantity included in the tender documents. Officers appointed by the Chief Officer/Deputy Chief Officer to carry out post tender negotiations should ensure that there are recorded minutes of all negotiation meetings and that both parties agree actions in writing.
- 15.4 Post tender negotiation must only be conducted in accordance with guidance given by the Monitoring Officer and a Contracts and Procurement Service.
- 15.5 The Monitoring Officer and a Contracts and Procurement Service must be consulted and agree:
- 15.5.1 Wherever it is proposed to enter into post tender negotiation;
 - 15.5.2 About whether negotiation is with all tenderers;
 - 15.5.3 To either accept or reject late submissions before opening any of the responses. Late submissions must only be accepted in exceptional circumstances.
- 15.6 Negotiations must be conducted by a team of at least two officers, one of whom must be from a section independent to those leading negotiations *(see the Delegations to Officers for details of Officers who may action this rule).*

16. EVALUATION, AWARD OF CONTRACT, AND DEBRIEFING OF ORGANISATIONS

16.1 **Evaluation** (see the *Delegations to Officers for details of Officers who may action this rule*):

- 16.1.1 The evaluation of bids must be conducted in accordance with the evaluation criteria set out in the procurement documents provided to bidding organisations, and in line with any guidance given by a Contracts and Procurement Service.
- 16.1.2 The arithmetic in compliant tenders must be checked. If arithmetical errors are found they should be notified to the tenderer, who should be requested to confirm or withdraw their tender. Alternatively, if the rates in the tender, rather than the overall price, were stated within the Invitation to Tender as being dominant, an amended tender price may be requested to accord with the rates given by the tenderer.
- 16.1.3 Deputy Chief Officers must ensure that submitted tender prices are compared with any pre-tender estimates and that any discrepancies are examined and resolved satisfactorily.

16.2 **Award of Contract and Contract Extensions** (see the *Delegations to Officers for details of Officers who may action this rule*):

- 16.2.1 The Council is required to notify successful and unsuccessful bidders of the outcome of a procurement process, in writing, in as timely a fashion as possible.
- 16.2.2 Where a contract was advertised with an extension option and that extension option forms part of the contract, the decision to extend the contract may be made after ensuring that taking up the extension option delivers value for money.
- 16.2.3 Decisions on award of contract and contract extensions must be made in accordance with the Delegations to Officers.

16.3 **Debriefing**

- 16.3.1 The debriefing of organisations will be sent by a Contracts and Procurement Service, in line with the relevant Officer's evaluation comments.

17. CONTRACT DOCUMENTS

17.1 **Format of Contract Documents**

17.1.1 Every Relevant Contract/must be in writing and must state clearly:

- (a) what is to be supplied (description and quality)
- (b) payment provisions (amount and timing and seeking electronic invoices)
- (c) when the Council will have the right to terminate the contract
- (d) that the contract is subject to the law as to prevention of corruption

The Council's standard terms and conditions must be used where possible.

17.1.2 In addition, every Relevant Contract for purchases over £25,000.00 for works, supplies of goods, materials or services must also as a minimum state clearly:

- (a) that the contractor may not assign or sub-contract without prior written consent
- (b) any insurance and liability requirements
- (c) health and safety requirements
- (d) ombudsman requirements
- (e) data protection requirements if relevant
- (f) that charter standards are to be met if relevant
- (g) requirements under the Equalities Act 2010
- (h) obligations under the Care Act 2014 in safeguarding adults and children

- (i) a right of access to relevant documentation and records of the contractor for monitoring and audit purposes, including obligations under the FOI Act 2000 and 2015 Transparency Code
- (j) requirements under the Counter-Terrorism and Security Act 2015 and Prevent Strategy where applicable
- (k) obligations under the Public Interest Disclosure Act 1998 including employee whistleblowing.
- (l) Statement requirements under the Modern Slavery Act 2015.

17.1.3 All contracts must be concluded formally in writing before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written consent of the Monitoring Officer. An award letter is insufficient.

17.1.4 All contracts must include the following paragraph:
 'The Contractor recognises that the Council is under a duty to act in a manner which is compatible with the Convention rights as defined by Section 1(1) of the Human Rights Act 1998 ('Convention Rights'). This duty includes a positive obligation on the Council to ensure that contractors providing services on the Council's behalf act in a way which is compatible with the Convention Rights. The Contractor therefore agrees to provide the Services and comply with its other obligations under this contract in a manner which is compatible with the Convention Rights.'

17.1.5 The Officer responsible for securing the signature of the contractor must ensure that the person signing for the contracting party has authority to bind it.

17.2 Contract Signature *(see the Delegations to Officers for details of Officers who may action this rule):*

17.2.1 A contract entered into by or on behalf of the Council must:

- (a) Where the contract is in the form of a deed (see below), be made under the Council's seal and attested as required by the Constitution, or:
- (b) Where the contract is in the form of an agreement, either:
 - (i) be signed by at least two officers of the Council authorised as required by the Constitution, or:
 - (ii) be formalised by the sending of an award letter and the subsequent issuing of a purchase order.

17.2.2 A contract must be in the form of a deed (see below) and sealed where;

- (a) The Council wishes to enforce the contract for more than six years after it ends; or
- (b) The price paid or received under the contract is a nominal price and does not reflect the value of the goods or services; or
- (c) Where there is any doubt about the authority of the person signing for the contracting party.

A contract in the form of a deed must state in the signature pages that the Contractor and the Council are executing the contract as a deed. Where an Officer is unsure whether a Contract should be signed under hand, or sealed, they must contact the Procurement & Contracts service to seek advice.

17.3 Legal Services Review of Tenders and Contracts

17.3.1 To ensure the integrity of the procurement process:

- (a) All proposed Invitations to Tender, where they are not in compliance with the Council's harmonised contract documentation or standard terms and conditions

issued by a relevant professional body, will be reviewed by the Deputy Chief Officer.

- (a) Any proposed Invitations to Tender which are subject to the Public Contracts Regulations 2015 or the Concession Contracts Regulations 2016, or which are deemed to be of high risk, must be reviewed by the Deputy Chief Officer.
- (b) Any proposed contract where there is any deviation from the contract terms included in the invitation to tender must be reviewed by the Deputy Chief Officer

18. LIQUIDATED DAMAGES, BONDS AND PARENT COMPANY GUARANTEES

18.1 Every formal written contract which exceeds £85,000.00 in value or amount and is for the execution of works shall provide for liquidated damages to be paid by the contractor in case the terms of the contract are not duly performed.

18.2 The Officer must consult the Deputy Chief Officer when a tenderer is a subsidiary of a parent company and the officer does not think that a parent company guarantor is necessary, and:

18.2.1 The total value exceeds £85,000.00.

18.2.2 Award is based on evaluation of the parent company, or

18.2.3 There is some concern about the stability of the tenderer.

18.3 The officer must consult the Deputy Chief Officer about whether a bond is needed:

18.3.1 Where the total value exceeds £85,000.00.

18.3.2 Where it is proposed to make stage payments or other payments in advance of receiving the whole of the subject matter of the contract.

19. PREVENTION OF CORRUPTION

19.1 Rules and regulations pertaining to the prevention of corruption are outlined in the Council's Financial Procedure Rules and must be adhered to.

19.2 The following clauses must be put in every written Council contract:

'The Council may terminate this contract and recover all its loss if the Contractor, its employees, or anyone acting on the Contractor's behalf do any of the following things:

19.2.1 Offer, give, or agree to give anyone any inducement or reward in respect of this or any other Council contract (even if the Contractor does not know what has been done); or

19.2.2 Commit an offence under the Bribery Act 2010 or Section 117(2) of the 1972 Act; or

19.2.3 Commit any fraud in connection with this or any other Council contract whether alone or in conjunction with Council members, contractors, or employees.

Any clause limiting the Contractor's liability shall not apply to this cause.'

19.3 Any suspected irregularity shall be referred to the Audit Manager who shall notify the Monitoring Officer where necessary. Any examination of contractors' or tenderers' books and records as a result of any such suspected irregularity shall be conducted by the Audit Manager. If, in the investigation of any irregularity, the Monitoring Officer considers that disciplinary procedures may need to be invoked, the appropriate Chief Officer/Deputy Chief Officer shall also be notified.

20. DECLARATION OF INTERESTS

Rules and regulations pertaining to the Declaration of Interests are outlined in the Code of Conduct for Employees within the Constitution and must be adhered to.

21. CONTRACT MANAGEMENT / MONITORING

21.1 All contracts must have an appointed Contract Manager for the entirety of the contract. The responsible Deputy Chief Officer must ensure a Contract Manager is designated prior to award.

22. POST CONTRACT MONITORING AND EVALUATION

22.1 During the life of the contract the Contract Manager must monitor in respect of:

- 22.1.1 performance
- 22.1.2 compliance with specification and contract
- 22.1.3 cost
- 22.1.4 any Best Value requirements
- 22.1.5 user satisfaction and risk management
- 22.1.6 social value or any other contractual obligations to deliver additional value arising from the contract

22.2 Where the Total Value of the contract exceeds £85,000.00 the Officer must make a written report evaluating the extent to which the purchasing need and contract objectives were met by the contract. This should be done normally when the contract is completed. Where the contract is to be re-let, a provisional report should also be available early enough to inform the approach to re-letting of the subsequent contract.

22.3 For contracts awarded under £85,000, if, at any point during the delivery of the contract, the cost looks likely to exceed £85,000 the Contract Manager must notify a Contracts and Procurement Service. A Contracts and Procurement Service and the Contract Manager will consider the following options:

Where the amount by which the total contract value exceeds £85,000 is not significant, allow the contract to run to its natural conclusion;

Where the amount by which the total contract value exceeds £85,000 is significant and the contract allows termination, terminate the existing contract, and retender.

Where the amount by which the total contract value exceeds £85,000 is significant and the contract does not allow termination, or continuing with the contract represents value for money, allow the contract to run to its natural conclusion

23. INTERNAL PROVIDERS

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

24. EXTERNAL BODY GRANT FUNDING

24.1 Where a procurement process is funded, in whole or part, by grant funding which has been awarded to the Council by an external funding body, a Contracts and Procurement

Service must ensure that any rules or conditions imposed by the funding body are adhered to, in addition to the requirements of these Contract Procedure Rules.

24.2 Where there is any conflict between these Contract Procedure Rules and the rules or conditions imposed by the funding body, the stricter requirement should be followed.

25. APPOINTMENT OF CONSULTANTS

25.1 The engagement of consultant architects, engineers and surveyors or other professional consultants including Counsel shall be subject to completion of a formal letter, contract of appointment or brief.

25.2 Consultants shall be required to provide evidence of and maintain professional indemnity policies to the satisfaction of the relevant Deputy Chief Officer for the periods specified in the respective agreement.

25.3 Consultants shall be selected, and commissions awarded in accordance with the values and procedures recorded in the table in Rule 9.1.3 above for services.

25.4 Records of consultancy appointments shall be maintained in accordance with Rule 5.

26. REVIEW AND AMENDMENT OF CPR

These Contract Procedure Rules shall be reviewed and updated, as necessary.

27. TERMINATION OF CONTRACTS *(see the Delegations to Officers for details of Officers who may action this rule)*

The Delegations to Officers details which Officers may terminate a contract. Any termination must be strictly in accordance with the terms of the contract and subject to consultation with the Monitoring Officer and Section 151 Officer and in some cases with the relevant Portfolio Holder.

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**REQUEST FOR EXEMPTION FROM CONTRACT AND PROCUREMENT
PROCEDURE RULES**

You must use existing corporate contracts set up by the Council where possible. If there is no existing contract you should check if a “framework” contract exists for that service.

Contract Procedure Rules may be waived or varied where the circumstances meet any of the following criteria, subject to approval by the Chief Executive, Section 151 Officer, and the Portfolio Holder for Finance in advance of the award of contract, and in compliance with the criteria set out in the Log of Delegations to Officers.

NOTE: If the total value of the contract is over the Procurement Threshold, then an exemption cannot be granted.

Describe your requirements			
Supplier name		Market Testing undertaken?	
If no, why?			
Total contract value			
Contract Start Date		Contract End Date	

Exemption as at paragraph 3 at page XXX of the Council’s Constitution.	Tick below as appropriate
3.3.1 for works, supplies, or services which are either patented or of such special character that it is not possible to obtain competitive prices;	
3.3.2 for supplies purchased or sold in a public market or auction;	
3.3.3 with an organisation already engaged by the Council for a similar and related procurement and where there is significant benefit to extending the contract to cover this additional requirement that does not breach legal requirements such as the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016;	
3.3.4 involving such urgency that it is not possible to comply with the Contract Procedure Rules and there is a significant risk to the council of not acting with urgency	
3.3.5 for the purchase of a work of art or museum specimen, or to meet the specific requirements of an arts or cultural event which cannot be procured competitively due to the nature of the requirement	

3.3.6 in relation to time-limited grant funding from an external body, where the time limitations will not allow a competitive procurement process to be completed and where the grant conditions allow this	
3.3.7 where relevant legislation not otherwise referred to in these Contract Procedure Rules prevents the usual procurement process from being followed;	
3.3.8 goods, works or services contracts may be awarded directly to a legal person where that legal person meets the criteria as set out in Regulation 12 of the Public Contracts Regulations 2015 or Regulation 17 of the Concession Contracts Regulations 2016 (formerly known as "Teckal" companies);	
3.3.9 where building development opportunities are available to the Council, and have been proven to be financially viable, and the value is under the FTS Thresholds for Works (as per Appendix 2 – Above Public Contracts Regulations 2015 / Concessions Contracts Regulations 2016 thresholds.).	
In addition to approval by the Contracts and Procurement Service:	
3.3.1 the Monitoring Officer must be consulted where purchases are to be made using standing arrangements with another local authority, government department, health authority, primary care trust or statutory undertaker.	
3.3.2 The Monitoring Officer must be consulted where the contract is an extension to an existing contract and a change of supplier would cause: <ul style="list-style-type: none"> (a) Disproportionate technical difficulties (b) Diseconomies (c) Significant disruption to the delivery of Council services. 	
Explain the justification for the exemption and attach any relevant documents	
We Confirm the supplier has quoted against the Councils Standard terms and conditions <input type="checkbox"/>	
If you are using the supplier's terms and conditions, please supply a copy as part of this exemption.	
Tick box if you require assistance to finalise agreement or negotiate further	
Name of Officer requesting approval:	
Department:	

Signature: Date:			
Expenditure approved by Authorised Officer (see Delegations to Officers)			
Name: Position:			
Signature: Date:			
Completed Forms should be sent to Head of Procurement & Contracts martin.gibbs@pspsl.co.uk			
For Procurement & Contracts Service		Date	
Comments:			
Approved by Chief Executive:			
Signature: Date:			
Approved by Section 151 Officer:			
Signature: Date:			
Approved by Portfolio Holder for XXXX :			
Signature: Date:			
Approved by Portfolio Holder for Finance:			
Signature: Date:			

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APPENDIX 2 TO THE CONTRACT PROCEDURE RULES – ABOVE PUBLIC CONTRACTS
REGULATIONS 2015 / CONCESSIONS CONTRACTS REGULATIONS 2016
THRESHOLDS

Summary of Threshold Levels from 1st January 2022 (all values are inclusive of VAT)

The Public Contracts Regulations 2015

Supplies & Services: £213,477

Works: £5,336,937

Light Touch Regime for Services: £663,540

The Utilities Contracts Regulations

Supplies & Services: £426,955

Works: £5,336,937

Concessions Contracts Regulations 2016

Concessions Contracts: £5,336,937

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Amended Delegations to Officers in relation to Contracts

(Amended delegations approved by Cabinet/Executive.
Amended CPRs approved by full Council)

Abbreviation	Meaning
CX	Chief Executive
DCX	Deputy Chief Executive
AD	Assistant Director
SM	Service Manager
MO	Monitoring Officer

Officer(s)	Subject	Delegation From	Power
CX, DCXs and ADs following consultation with the MO or S151 Officer	Contracts - contracting activities of any partnership for which the Council is the accountable body	Cabinet/Executive	(Note to Contract Procedure Rule 1) Authority to agree that Contract Procedure Rules do not apply to contracting activities of any partnership for which the Council is the accountable body
CX, DCXs, ADs and SMs subject to consultation with the appropriate portfolio holder (consultation is not required for (i) routine contracts (e.g. routine ongoing or annual maintenance contracts, routine purchasing of goods and equipment; routine servicing of vehicles etc); (ii) contracts for 1-off schemes where the scheme has been formally approved and where sufficient money has been allocated within the budget for the contract; and (iii) indirect services such as legal services or consultants for schemes which have been formally approved and where sufficient money has been allocated within the budget for the contract as such contracts are not closely connected	Contracts – letting (awarding) of contracts through framework agreement	Cabinet/Executive	(Contract Procedure Rules 2.1.4 and 8) Authority to let (award) a contract through any framework agreement to which the Council has access where considered expedient by a CO or a DCO subject to the scheme falling within the approved budget which includes the approved 5-year capital programme. (A decision notice must be published for each award of contract unless administrative or minor or not closely connected to discharge of function.) (The signing of contracts is dealt with separately below.)

to the discharge of the function.)			
Approval by the CX, S151 Officer and the Portfolio Holder for finance in advance of the award of contract	Contracts - variation or waiver (exemption) of Contract Procedure Rules	Cabinet/Executive	(Contract Procedure Rule 3.3) Authority to vary or waive any Contract Procedure Rules subject to complying with all relevant requirements of Rule 9, and subject to the scheme falling within the approved budget which includes the approved 5-year capital programme.
CX, DCXs, ADs and SMs	Contracts - assets for disposal	Cabinet/Executive	(Contract Procedure Rule 9.2) Authority to dispose of obsolete stocks, stores, or assets, other than land, subject to complying with Contract Procedure Rule 9.2.
CX, DCXs, ADs, SMs and any other officer with the written approval of the CX/DCXs/ADs/SM (any sub-delegations lasting more than 6 months must be reported to the MO)	Contracts - pre tender market testing and consultation	Cabinet/Executive	(Contract Procedure Rule 10.1) Authority to consult potential suppliers prior to issue of the Invitation to Tender or Request for Quotation subject to the scheme falling within the approved budget which includes the approved 5-year capital programme
CX, DCXs, ADs, SMs and any other officer with the written approval of the CX/DCXs/ADs/SM (any sub-delegations lasting more than 6 months must be reported to the MO)	Contracts – all values – seeking, receiving, and evaluating quotations/tenders for contracts for works, goods materials, and services, and hiring of consultants	Cabinet/Executive	(Contract Procedure Rules 7 (where a competition is required), 9.1.3 and 9.1.4, 11.0, 12.0, 14.0, 14.3, 16.1). Authority to request and receive tenders and quotations, and to evaluate tenders and quotations subject to compliance with the Contract Procedure Rules (as amended by any authorised

			variation or waiver) and subject to the scheme falling within the approved budget which includes the approved 5-year capital programme. (The awarding and the signing of contracts are dealt with separately.)
CX, DCXs, ADs and SMs following consultation with the relevant portfolio holder (consultation is not required for (i) routine contracts (e.g. routine ongoing or annual maintenance contracts, routine purchasing of goods and equipment; routine servicing of vehicles etc); (ii) contracts for 1-off schemes where the scheme has been formally approved and where sufficient money has been allocated within the budget for the contract; and (iii) indirect services such as legal services or consultants for schemes which have been formally approved and where sufficient money has been allocated within the budget for the contract as such contracts are not closely connected to the discharge of the function.)	Contracts - awarding of contracts	Cabinet/Executive	(Contract Procedure Rules 5.1A,16.2) Authority to award contracts subject to compliance with the Contract Procedure Rules (as amended by any authorised variation) and subject to the scheme falling within the approved budget which includes the approved 5-year capital programme (Decision notices must be published for each award of contract unless administrative or minor or not closely connected with discharge of function.) (The signing of contracts is dealt with separately.)
CX, DCXs and ADs SMs – up to £85,000	Contracts – signing of contracts which are <u>not under seal</u>	Cabinet/Executive	(Contract Procedure Rule 17.2) Authority to sign contracts which are not under seal, and which come within the jurisdiction of the officer concerned. (Contracts under seal must be signed only by officers who have specific

			authority to do so – set out in the Council's Constitution
Officers of the Contracts team	Contracts - Authorised Officer of relevant team	Cabinet/Executive	(Contract Procedure Rules 14.2) Officers appointed as "Authorised Officer of relevant team"
CX, DCXs, ADs, SMs and any other officer with the written approval of the CX/DCXs/ADs/SM (Any sub-delegations lasting more than 6 months must be reported to the MO)	Clarification of an invitation to tender	Cabinet/Executive	(Contract Procedure Rule 15.1) Authority to provide clarification of an Invitation to tender
CX, DCXs, ADs, and SMs	Post tender negotiations	Cabinet/Executive	(Contract Procedure Rules 15.2 to 15.6) (at least 2 officers are required – see rule 15.6) Authority to undertake post tender negotiations
CX, DCXs, ADs and SMs In consultation with the relevant portfolio holder (consultation is not required for termination of low value or minor contracts (£15,000 or less))	Authority to terminate contracts	Cabinet/Executive	(Contract Procedure Rule 27) Authority to terminate contracts subject to consultation with the MO and S151 Officer

Current rule	New rule	Reason for change
Contract and Procurement Procedure Rules	Contract Procedure Rules	Alignment across the 3 councils
<p>3.1.2 All exemptions, and the reasons for them, must be recorded on the Council’s Procurement Exemption Request Form at Appendix 1 to these Contract Procedure Rules and be approved by the Chief Executive, Section 151 Officer, and the Portfolio Holder for Finance, in advance of the award of contract.</p> <p>3.1.3 All exemption forms must be kept on file as evidence of compliance with the Council’s Contract Procedure Rules and all Exemptions must be recorded on the Contracts Register and reported to the Executive Board for noting at the earliest opportunity.</p>	<p>3.5 Every variation/exemption must be recorded on the Council’s Procurement Exemption Form at Appendix 1 to these Contract Procedure Rules and the form will be recorded on a master register to be maintained by a Contracts and Procurement Service.</p> <p>3.2 These Contract Procedure Rules may be exempted where the circumstances meet any of the following criteria within 3.3. Any exemption form must be completed and sent to the Head of Procurement & Contracts in the first instance to allow comments which will assist with the approval or rejection of the exemption.</p> <p>3.3 The Head of Procurement & Contracts will then pass this through to the Section 151 Officer and Monitoring Officer for approval prior to consideration by the Chief Executive and the Portfolio Holder for the relevant area, as well as the Portfolio Holder for Finance. This process must be followed in advance of the award of contract, and in compliance with the criteria set out in the Delegations to Officers</p>	<p>Changed approval process for exemptions to allow for more robust scrutiny before an exemption is approved.</p> <p>To ensure the council follows a robust procedure for all exemptions</p> <p>To follow recommendations from Peer Review and audit on aligning procurement and contract procedures across the partnership</p>
No current comparable rule	3.8 A Contracts and Procurement Service must monitor the use of all exemptions.	To ensure procurement processes are scrutinised and followed correctly by officers
(9) The Chief Executive, S151 Officer and Leader of the Council believe a contract to represent Value for Money for the taxpayer and the evidence of this is sufficient to withstand scrutiny.	No new comparable exemption	To ensure proper use of exemptions and robust scrutiny of the process
<p>Exemption (10) Where the contract is an extension to an existing contract, where a change of supplier would cause:</p> <ul style="list-style-type: none"> • disproportionate technical difficulties; 	No new comparable exemption instead it is to be dealt with via the MO - 3.4.2 The Monitoring Officer must be	Change of process to ensure correct procurement processes are being followed

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<ul style="list-style-type: none"> • dis-economies; or • significant disruption to the delivery of Council services 	<p>consulted where the contract is an extension to an existing contract and a change of supplier would cause:</p> <ul style="list-style-type: none"> (a) Disproportionate technical difficulties (b) Diseconomies (c) Significant disruption to the delivery of Council services. 	
<p>No current comparable exemption</p>	<p>3.3.9 where building development opportunities are available to the Council, and have been proven to be financially viable, and the value is under the FTS Thresholds for Works (as per Appendix 2 – Above Public Contracts Regulations 2015 / Concessions Contracts Regulations 2016 thresholds.).</p>	<p>Added to allow reasonable exemption for this reason to assist with the development of housing, where appropriate.</p>
<p>No current comparable exemption</p>	<p>3.3.2 for supplies purchased or sold in a public market or auction;</p>	<p>Added to allow reasonable exemption for this reason</p>
<p>Finance procedure rule - Payments in excess of £100,000 shall be countersigned by two designated signatories and authorised by the Section 151 Officer/Deputy S151 Officer.</p>	<p>Supplier payments in excess of £100,000 shall be countersigned by 2 approved bank signatories. Prime documents must be produced for checking at the time of countersigning.</p>	<p>The automation and workflow controls within the new Unit 4 finance system provides the assurance that purchase orders and invoices are appropriately approved, before payment is made.</p>
<p>£0 - £5,000 one verbal quotation, local supplier to be used where appropriate, officer to record details</p>	<p>£0 - £5,000 - One quote - this should be a local provider wherever possible. A purchase order must be raised.</p>	<p>To align processes across the partnership, including changes to rules following EU exit.</p>
<p>£5,000 - £10,000 minimum of two written quotations One of the Quotations must be from a local supplier and a local supplier should be used where they provide the most economically advantageous offer. Bids should be submitted via an electronic tendering process</p>	<p>£5,001 - £10,000 - Two quotes – one should be a local provider wherever possible. A purchase order must be raised.</p>	<p>A new appendix with the Public Contracts Regulations / Concessions Contracts Regulations thresholds will be used to allow changes to be made in line with new legislation without the need to bring the CPR back to committee every time</p>
<p>£10,000 - £25,000 minimum of 3 written quotations - One of the Quotations must be from a local supplier and a local supplier should be used where they provide the most economically advantageous offer. Bids should be submitted via an electronic tendering process</p>	<p>£10,001 - £40,000 - At least three quotes shall be sought and two must be received. Local providers must be given an opportunity to provide a quote, wherever possible. A purchase order must be raised.</p>	
<p>£25,001 - £75,000 Three Written Quotations based on a RFQ document with simplified Terms & Conditions (T&Cs) web-</p>	<p>£40,001 - £85,000 - At least five written quotations shall be sought via a Request for Quotation via e-Tendering Portal.</p>	

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<p>based publications may be used documentation Must be based on a written specification provided to the Economic Operators by the Council which should be submitted via an electronic tendering process.</p>	<p>Local providers must be given an opportunity to provide a quote, wherever possible. A purchase order must be raised.</p>	
<p>£75,001 - < EU threshold full tender process Web based publications may be used. Place on Contracts Finder in line with Public Contract Regulations 2015 Invitation to Tender (ITT) documentation as relevant with sealed bids which may be submitted via an electronic tendering process.</p>	<p>£85,001 up to Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*) Open tender via E-Tendering Portal including Contracts Finder. A social value clause must be built into the specification and contract. (Public Service (Social Value) Act 2012). A purchase order must be raised</p>	
<p>EU threshold > full tender process and if above £500,000 the Key Decision process Official Journal of the European Union (OJEU), Web based publications may be used. documentation - consult with the Council's Procurement Advisor</p>	<p>Above Public Contracts Regulations 2015/Concessions Contracts Regulations 2016 threshold*) UK Public Procurement Procedure – via E-Tendering Portal & Find a Tender notice. Local social value clause must be built into the specification of the contract. (Public Service (Social Value) Act 2012). A purchase order must be raised</p>	

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