

Agenda

Audit and Governance Committee

Date: Monday 25 July 2022

Time: **11.00 am**

Place: The Conference Room, Herefordshire Council Offices,

Plough Lane, Hereford, HR4 0LE

Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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Agenda for the meeting of the Audit and **Governance Committee**

Membership

Chairperson

Councillor Nigel Shaw Vice-chairperson Councillor Jenny Bartlett

> **Councillor Polly Andrews Councillor Christy Bolderson Councillor Dave Boulter Councillor Clare Davies Councillor Peter Jinman**

Herefordshire Council 25 JULY 2022

Agenda

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. NAMED SUBSTITUTES (IF ANY)

To receive details any details of members nominated to attend the meeting in place of a member of the committee.

3. DECLARATIONS OF INTEREST

To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.

4. MINUTES 11 - 22

To approve and sign the minutes of the meeting held on 27 June 2022. The action log for the committee is also attached.

HOW TO SUBMIT QUESTIONS

Deadline for receipt of questions is 5.00 pm on Tuesday 19 July 2022.

Questions must be submitted to councillorservices@herefordshire.gov.uk. Questions sent to any other address may not be accepted.

Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at https://www.herefordshire.gov.uk/getinvolved

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

To receive questions from members of the public.

6. QUESTIONS FROM COUNCILLORS

To receive any questions from councillors.

7. 2021/22 DRAFT STATEMENT OF ACCOUNTS

To ask the Audit and Governance Committee to note, and comment on as appropriate, the draft, unaudited, Statement of Accounts for 2021/22.

8. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

To review the progress of audit recommendations implementation.

[Note: This report was deferred at the previous meeting. The report is the same but updates have been made to elements of Appendix A – Recommendations; changes are shown in a different font colour]

9. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22

The purpose of this report is to enable the committee to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.

Pages

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10. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

225 - 254

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan. To assure the committee that action is being taken on risk related issues identified by internal audit.

11. UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES

255 - 356

To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes appended to this report.

12. WORK PROGRAMME

357 - 360

To consider the committee's work programme.

13. DATE OF NEXT MEETING

Monday 19 September 2022, 2.00 pm

The public's rights to information and attendance at meetings

In view of the continued prevalence of Covid-19, we have introduced changes to our usual procedures for accessing public meetings. These will help to keep our councillors, staff and members of the public safe.

Please take time to read the latest guidance on the council website by following the link at www.herefordshire.gov.uk/meetings and support us in promoting a safe environment for everyone. If you have any queries please contact the governance support team on 01432 261699 or at governancesupportteam@herefordshire.gov.uk

We will review and update this guidance in line with Government advice and restrictions.

Thank you for your help in keeping Herefordshire Council meetings safe.

You have a right to:

- Attend all council, cabinet, committee and sub-committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
 Agenda and reports (relating to items to be considered in public) are available at www.herefordshire.gov.uk/meetings
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting (a list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees.
 Information about councillors is available at www.herefordshire.gov.uk/councillors
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title. The council's constitution is available at www.herefordshire.gov.uk/constitution
- Access to this summary of your rights as members of the public to attend meetings of the council, cabinet, committees and sub-committees and to inspect documents.

Recording of meetings

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Members of the public are advised that if you do not wish to be filmed or photographed you should let the governance services team know before the meeting starts so that anyone who intends filming or photographing the meeting can be made aware.

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Public transport links

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The location of the office and details of city bus services can be viewed at: www.herefordshire.gov.uk/downloads/file/1597/hereford-city-bus-map-local-services-



The Seven Principles of Public Life

(Nolan Principles)

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.



Guide to the Audit and Governance Committee

The Audit and Governance Committee comprises seven members of the council and may also include an independent person who is not a councillor but is appointed by council and has the same voting rights as other members of the committee.

Councillor Nigel Shaw (Chairperson)	Conservatives
Councillor Jenny Bartlett (Vice-Chairperson)	The Green Party
Councillor Polly Andrews	Liberal Democrats
Councillor Christy Bolderson	Conservatives
Councillor Dave Boulter	Independents for Herefordshire
Councillor Clare Davies	True Independents
Councillor Peter Jinman	Independents for Herefordshire

The Audit and Governance Committee is responsible for proving assurance on the council's audit, governance (including risk management and information governance) and financial processes in accordance with the functions scheme.

The committee shall:

- (a) review and examine, and where required in depth examine, matters relating to internal audit, external audit, risk management, governance, assurance statement, anti-fraud and anti-corruption arrangements as well as any other function to meet the Council's audit committee requirements
- (b) enhance and promote the profile, status and authority of the internal audit function and to demonstrate its independence
- (c) contribute towards making the authority, its committees and departments more responsive to the audit function
- (d) review compliance with the relevant standards, code of conduct, codes of practice and corporate governance policies
- (e) act within the Council's Constitution.



Minutes of the meeting of the Audit and Governance Committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Monday 27 June 2022 at 2.00 pm

Committee members present in person and voting:

Councillors: Jenny Bartlett (Vice-Chairperson), Christy Bolderson, Dave Boulter, Clare Davies, Peter Jinman and Nigel Shaw (Chairperson)

Others in attendance:

P Barber (Key Audit Partner, Grant Thornton), B Baugh (Democratic Services Officer), S Cann (Democratic Services Officer), A Lovegrove (Director of Resources and Assurance), A McAlpine (Senior Lawyer), J Moore (Interim Head of Corporate Finance) and J Nelson (Counter Fraud Manager)

1. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Polly Andrews. Apologies were also noted from Gail Radcliffe-Turner (Audit Manager, Grant Thornton).

2. NAMED SUBSTITUTES

There were no named substitutes.

3. DECLARATIONS OF INTEREST

No declarations of interest were made.

4. MINUTES

The minutes of the previous meeting were received. Due to not being present for the whole of the previous meeting, the Chairperson abstained from voting on the minutes.

The action log for the committee was attached to the minutes and an updated version was tabled at the meeting. The matters arising included:

- i. Corporate Performance: In response to a question, the Director of Resources and Assurance advised that an interim Head of Corporate Performance was in place and an offer of employment had been made to a permanent appointee. With reference made to November 2022 due dates, it was requested that consideration be given to the earlier completion of the relevant actions; September 2022 was suggested.
- ii. There was a discussion about the implications of significant slippage in the completion of actions. The Key Audit Partner for Grant Thornton commented on the need to be realistic given the resources available but also to revisit actions to ensure that sufficient progress was being made. A committee member suggested that actions which slipped more than six months should be reviewed to ensure that they were still important.
- iii. Action 94: It was requested that an example of a service business plan, including internal audit recommendations, be provided in order to evidence completion.

- iv. Action 97: As the work of the Re-thinking Governance Working Group had concluded, this action (on performance and budget reporting) would need to be referred to the Scrutiny Management Board.
- v. Actions 101: The need for an external provider to deliver training in relation to Section 106 was questioned given the need to understand the processes within Herefordshire Council.
- vi. Action 102: The reason for the delay in the review of the Section 106 spreadsheet was questioned.
- vii. The Director of Resources and Assurance, noting that Cabinet had considered an item on 'Section 106 portfolio of works delivery proposals' at the meeting on 25 November 2021 (minute 74 of 2021/22 refers), commented on the challenges in relation to Section 106, the measures to clear the backlog, the need to improve the information available on the council's website, and the engagement of consultants to examine the council's approach to developer contributions.
- viii. The Chairperson considered that an information session for councillors on Section 106 was overdue and undertook to write to the Chief Executive to expedite this. The Chairperson commented on the important roles of local ward members and of town and parish councils. There was a brief discussion about developer contributions for smaller developments and the authority's position in respect of Community Infrastructure Levy.
- ix. Action 122: It was noted that the Director of Transformation position had been removed from the organisation chart and the Chairperson undertook to write to the Chief Executive to seek clarification.
- x. Action 125: The Director of Resources and Assurance said that an update would be provided on who within the Council undertakes the Carbon Audit.
- xi. Action 126: The Senior Lawyer confirmed that two skills matrixes were being developed, a specific one for the Audit and Governance Committee (as considered by the committee at the meeting on 27 October 2022 (minute 43 of 2021/22 refers)), and a broader one for all councillors. It was requested that the matrix for the committee be circulated to committee members.
- xii. Action 129: It was requested that consideration be given to the earlier completion of the action (to establish a process for relevant internal audit recommendations to be circulated regularly to scrutiny committee members), given that there were interim officers in place for the Head of Corporate Performance and the Statutory Scrutiny Officer positions. The Vice-Chairperson noted the use of the word 'relevant' was in the context of the remit of the relevant committee. A committee member said that a variety of information sources, including risk registers, were informing the work programming for the scrutiny committees currently.
- xiii. Action 140: An update was requested on the schedule for the development of the Health and Wellbeing Strategy.

[Note: there was an adjournment for fifteen minutes to address a technical issue with the live streaming of the meeting]

A committee member reminded the Director of Resources and Assurance of an undertaking given at the last meeting to contact them outside the meeting about the scope of the internal audit in relation to the South Wye Transport Package.

RESOLVED:

That the minutes of the meeting held on 10 May 2022 be confirmed as a correct record and be signed by the chairperson.

Action(s):

Action 163: That the Chairperson write to the Chief Executive to request an

information session for all councillors on Section 106.

Action 164: That the Chairperson write to the Chief Executive to request clarification

on the Director of Transformation position.

Action 165: That the Director of Resources and Assurance contact Councillor Jinman

about the scope of the internal audit in relation to the South Wye

Transport Package.

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

6. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

7. EXTERNAL AUDITOR'S DRAFT ANNUAL PLAN 2021/22

The Key Audit Partner for Grant Thornton presented the external auditor's draft plan; the 'Audit Plan for the year ending 31 March 2022' was provided in Appendix A and the 'Informing the audit risk assessment for Herefordshire Council 2021/22' was provided in Appendix B to the report.

The key points of the 'Audit Plan for the year ending 31 March 2022' included:

- i) External audit had determined planning materiality to be £7.864m for the group and £7.7m for the Council, with any figure over this to be subject to detailed testing.
- ii) The risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error were identified as: management of override of controls; valuation of land and buildings and investment properties; and valuation of pension fund net liability.
- iii) The risk assessment regarding arrangements to secure value for money (VFM) had identified the following risks of significant weakness for the council: the failure to meet the statutory needs of children in its care; the lack of effective contract management arrangements for its public realm and facilities management contracts; the contract appointment and management arrangements; and a repeated history of not learning from past events. External audit would work with the officers to understand how each of these areas had been progressed and continue to be progressed.
- iv) Attention was drawn to audit logistics (agenda page 54), noting that the draft financial statements for 2021/22 were due to be provided to the external auditor on 1 July 2022, and to audit fees (agenda page 55), noting that this reflected the need

to undertake additional and more robust testing and the quantity of work required on VFM.

The Key Audit Partner responded to questions and comments from committee members, including:

- 1. In terms of the audit fees, the role of the external auditor was becoming more involved, there was a shortage of skilled auditors, and the baseline fee may increase in future years.
- 2. The purpose of VFM in the context of the public sector was outlined; this focussed on financial sustainability, governance, and improving economy, efficiency, and effectiveness.
 - Referring to Action 109, the Chairperson noted that the committee had requested training on the changes to the regulations, particularly in relation to VFM.
- 3. It was recognised that the 'Auditor's Annual Report 2020/21', presented to the committee at the meeting on 10 May 2022 (minute 95 of 2021/22 refers), had taken longer to prepare than expected due to it being the first year of the new VFM arrangements. The aspiration to present the 2021/22 report before the end of the 2022 was noted.
- 4. The statement 'No specific work is planned as the presumed risk has been rebutted' was explained in relation to 'Presumed risk of fraud in revenue recognition ISA (UK) 240' and 'Presumed risk of fraud in expenditure recognition ISA (UK) 240', and the committee was assured that external audit would look at all areas of key expenditure.
- 5. It was confirmed that work on IT systems involved a substantive audit approach and experts were brought in to support this activity.
- 6. An overview was provided of the approach to the valuation of land and buildings and investment properties.
 - The Director of Resources and Assurance advised that the council did not have an impairment reserve, but the valuers were instructed to consider impairments.
- 7. It was noted that references to Torridge District Council were erroneous.
- 8. In relation to the identified risk about the management override of controls, the Director of Resources and Assurance confirmed that the council had not made any fundamental changes; it was noted that the external auditor had made a valid observation, but it was choice how the council operated given the resources allocated.
- 9. It was reported that the group audit scope and risk assessment considered the financial impact of the subsidiary upon the single entity.
 - Referring to Action 153, a committee member noted that the committee had requested further details on the governance and oversight arrangements for Hoople Limited.

The Chairperson said that the committee would be interested in any comment from external audit in relation to Hoople Limited.

10. With reference made to the appendices, the committee was advised that it was usual practice for Grant Thornton to label its reports as 'Commercial in confidence'.

It was confirmed that senior officers within the council reviewed reports and appendices prior to publication.

The key points of the 'Informing the audit risk assessment for Herefordshire Council 2021/22' included:

- v) As part of the risk assessment procedures, Grant Thornton was required to obtain an understanding of management processes and the authority's oversight of the following areas: general enquiries of management; fraud; laws and regulations; related parties; going concern; and accounting estimates.
- vi) Appendix B was a version complete with management responses and the committee was invited to identify any other matters it wished to bring to the attention of the external auditor.

Responses were provided to questions and comments from committee members, including:

- 11. The Director of Resources and Assurance clarified that the 'advisors consulted during the year' (general enquiries of management, question 10, agenda page 68) related to advisors paid for specific advice on financial elements.
- The Key Audit Partner provided further details about the approach to VFM work which included the review of documents, supplemented by interviews with key personnel.
- 13. The Key Audit Partner said that it was difficult to compare local authorities, but Grant Thornton was keen to identify and share best practice.
- 14. The Director of Resources and Assurance commented that the quicker production of the accounts meant that there was increasing emphasis on accounting estimates.

The Key Audit Partner added that a change to the International Standard on Auditing (ISA) 540 required auditors to dig deeper into accounting estimates, and there was a responsibility on those charged with governance to understand and challenge how officers had produced the accounts.

Resolved: That

- a) The proposed external audit plan 2021/22, Appendix A to the report, be approved;
- b) The 'Informing the Audit Risk Assessment' document, Appendix B to the report, be noted; and
- c) The committee did not determine any further recommendations it wished to make to maximise the value of the combined internal and external audit process at this time.

8. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The Chairperson noted that the Performance Team Lead was unexpectedly unavailable and recommended that the item be deferred until the next scheduled meeting. It was

requested that any issues or queries be forwarded to the Performance Team Lead or to the Democratic Services Officer in the intervening period.

Resolved:

That the 'Update on Internal Audit Recommendations' item be deferred until the next scheduled meeting.

9. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

The Counter Fraud Manager presented the updated Anti-Fraud, Bribery and Corruption Policy; the policy was provided in Appendix A to the report. The following key points were highlighted:

- i. The policy had been brought into line with the council's Counter Fraud and Corruption Strategy; the purpose of the policy was to provide a clear framework alongside the strategy.
- ii. The policy had been re-written, with attention drawn to the sections on 'Tax Evasion' (agenda page 150) which reflected the Criminal Finances Act 2017, 'Reporting, Advice, Support', and the 'Fraud Response Plan'.

The key points of the discussion included:

- 1. The accessibility of the document was welcomed.
- 2. To avoid any potential for confusion about the quantification of high value/high risk area payments, it was suggested that paragraph 11.7 of the strategy (agenda page 151) be amended to read 'In the council, reasonable due diligence is exercised when processing all transactions particularly high value/high risk area payments.'
- 3. In relation to the section on 'Training and Awareness', the Vice-Chairperson questioned whether councillors should be required to complete annual fraud awareness training. The Senior Lawyer noted that officers were required to undertake annual fraud awareness training in view of the delegated decisions made by officers. A committee member suggested that the Members' Development Working Group be invited to consider the most appropriate means to raise the awareness of councillors to the policy and the strategy.
- 4. It was noted that the policy made references to other documents, e.g. the section on 'Supporting Policies' (agenda page 155), and some of these documents may only be accessible to internally employed staff. It was requested that a link to the policy on the council's website be provided in due course.
- Further to point 3 above and in response to a question about the completion of mandatory training by officers on 'Fraud Awareness and Prevention 2021', the Senior Lawyer advised that the deadline had been extended by two months.
- 6. It was recommended that the inclusion of a section on intelligence sharing and collaboration should be included in the policy, as well as in the strategy.
- 7. With attention drawn to the Fraud Response Plan flowchart (agenda page 157), a committee member noted that the Crown Prosecution Service would need to be involved between the 'Management Decision' and 'Prosecution', consequently it was recommended that reference should be made to 'Fraud suspected?' rather than to 'Fraud?' in Phase 3. It was also recommended that the 'Consider Lessons

Learned' step should apply to both successful and unsuccessful outcomes in Phase 4.

Resolved: That

- a) The updated Anti-Fraud, Bribery and Corruption Policy, Appendix A to the report, has been reviewed and the committee makes the following recommendations to ensure its effectiveness:
 - Paragraph 11.7 of the report be reconsidered to remove reference to high value/high risk area payments;
 - That a section on intelligence sharing and collaboration be included in the policy;
 - In the Fraud Response Plan flowchart, reference should be made to 'Fraud suspected?' rather than 'Fraud?' in Phase 3; and
 - In the Fraud Response Plan flowchart, the 'Consider Lessons Learned' step should apply to both successful and unsuccessful outcomes in Phase 4.
- b) Subject to the above, the updated Anti-Fraud, Bribery and Corruption Policy be approved and be recommended for adoption by the Cabinet Member Finance, Corporate Services and Planning.

Action(s):

Action 166: The Members' Development Working Group be invited to consider the most appropriate means to raise the awareness of councillors to the Anti-Fraud, Bribery and Corruption Policy and to the Counter Fraud and Corruption Strategy.

Action 167: A link to the Anti-Fraud, Bribery and Corruption Policy on the council's website be provided in due course.

Action 168: That figures on the completion of mandatory training by officers on 'Fraud Awareness and Prevention 2021' be circulated after the relevant deadline.

10. WORK PROGRAMME UPDATE

The work programme for the committee was considered. It was noted that the deferred 'Update on Internal Audit Recommendations' item would considered at the 27 July 2022 meeting and the 'Draft Annual Governance Statement' item was now expected at the 19 September 2022 meeting.

RESOLVED: That the updated work programme be agreed.

11. DATE OF NEXT MEETING

Monday 25 July 2022, 11.00 am

The meeting ended at 4.35 pm

Chairperson

COMPLETED ACTIONS WILL BE MOVED TO 'REPORTED COMPLETE' ONCE THEY HAVE BEEN NOTIFIED AT AUDIT AND GOVERNANCE COMMITTEE MEETING

RED TEXT INDICATES UPDATES MADE SINCE THE LAST MEETING
BLUE TEXT INDICATES NEW ACTIONS ADDED AT THE LAST MEETING

Action	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update		Reported
Number 91	16 March 202	Corporate risk register	·	Head of Corporate Performance	Corporate Services	A process to define the approach to aggregation of risks, both horizontal and vertical, needs further definition and testing. This was planned as part of the annual refresh of the Risk Management Plan, which has been delayed due to staffing issues and the desire to incorporate any findings from the RIsk Management Maturity Assessment. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022.	01/11/2021 31 May 2022 November 2022 September 2022	complete
94	04 May 202	1 Update on internal audit recommendations	deputy monitoring officer agreed to look at the	Head of Corporate Performance and interim DMO	Corporate Services	Internal audit recommendations are now included in service business plans, which are updated on a regular basis. Reports will be presented quarterly to directorate leadership teams, commencing from July. This should remove the potential for recommendations to be 'missed' in the event of a lead officer leaving, as well as increasing visibility of progress. At the meeting on 27 June 2022, it was requested that an example of a service business plan be provided in order to evidence completion. An example will be displayed at the next committee briefing.	01/09/21 30 April 2022 July 2022	
95	04 May 202	Update on internal audit recommendations	internal audit take place at the next meeting with	Corporate	Corporate Services	SWAP advise 'Internal Audit follow up the significant findings priority 1 and 2. Priority 3 are through self-assessment from officers. The Council provides a report every 6 months on progress against all actions which includes priority 3 actions'. At the meeting on 12 April 2022, the committee requested that the Head of Corporate Performance / Corporate Performance Team review this action and report back in the November 2022 update on internal audit recommendations. Head of Corporate Performance / Corporate Performance Team to report to the committee in November 2022.	30 September 2021 November 2022	
97	7 04 May 202	Corporate risk register	The deputy S151 officer also explained that performance and budget were reported to Cabinet on a quarterly basis but that consideration would be given to the role of the audit and governance committee.	Section 151 Officer	Corporate Services	To be considered as part of rethinking governance work stream referred to the Scrutiny Management Board.	3 May 2022 June 2022 [Update requested]	
99	04 May 202	Corporate risk register	The committee agreed that there would be need	Head of Corporate Performance	Corporate Services	Discussed at the Risk Management Plan review session with committee on 25 June 2021. To be confirmed as part of Risk Management plan review. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022.	25/06/2021 30 April 2022 November 2022 September 2022	
101	28 June 202	Progress report on internal audit activity	That training be arranged for councillors in	Lead Development Manager	Environment and Economy	A meeting was held with senior management on 27 June 2022 to agree the training requirements and which external provider may deliver this training. It was agreed that external training would be provided. Competitive quotes are now being sourced from Chambers for the training as well as availability of Counsel to provide the training. The availability of Council members is being considered with Governance Support. The council Section 106 processes are currently undergoing a review with a consultancy firm having been appointed to review the processes. They are due to report by the end of July.	31/12/2024 June 2022 31 August 2022	
102	28 June 202	Progress report on internal audit activity	Information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members.	Lead Development Manager	Environment and Economy	The review of the spreadsheet is ongoing and will be shared with committee members once completed. At the meeting on 27 June 2022, the reason for the delay in completing this action was questioned. The spreadsheet has been reviewed by members of the Programme Management Office with finance. There has been a comprehesive review of the spreadsheet which has taken time given the historic data involved (i.e different financial systems over years). Final queries on the data are being processed.	30/09/2021 30 April 2022 31 July 2022	
106	3 28 June 202	Progress report on internal audit activity		Head of Corporate Performance	Corporate Services	As per Action 94 above.	24/11/2021 30 April 2022	
109	30 July 202	21 2019/20 external audit findings report	Training be arranged for committee members on the changes to regulations, particularly in relation to the value for money audit		Corporate Services	It is intended that a training session for committee members be held in June October 2022.	24/11/2021 01/07/22 September 2022 October 2022	
110	30 July 202	2019/20 external audit findings report	0	Interim Head of Property Services	Corporate Services	At the meeting on 12 April 2022, the committee noted the linkage to the Annual Governance Statement action plan (i.e. 'Produce the estates strategy for the use of council buildings'). A report is being prepared for Cabinet on the Strategic Asset Management Plan.	30 April 2022 Report to Cabinet in Autumn 2022	
115	27 September 202	Corporate risk register	The Head of Corporate Performance to consider the increase of housing developments in rural areas and the impact these may have on the risk register	Performance	Corporate Services	Feedback on potential impact on rural housing provided to the service for their consideration. This will also feed in to the Strategic Risk sessions due for Management Board. This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022.	24/11/2021 November 2022 September 2022	

Action	Meeting Date Agenda item	Action	Owner	Directorate	Progress Update		Reported
Number 12		meet with the Audit and Governance Committee to discuss where and how efficiencies following internal audit processes are being applied to Council working.	Head of Corporate Performance	Corporate Services	Potential for attendance at a future meeting when internal audit recommendations are considered. At the meeting on 27 June 2022, it was noted that the position of Director of Transformation had been removed from the organisation chart; see Action 164 below.	[Date to be confirmed]	complete
12	5 27 October 2021 Progress report on internal audit activity	The S151 Officer to explore and report back to the Committee on who in the Council undertakes the Carbon Audit.	Section 151 Officer	Corporate Services	At the meeting on 12 April 2022, it was noted that SWAP did not carry out this audit. [Update requested]	28/02/2022 July 2022	
12	6 27 October 2021 Audit and governance - committee effectiveness and performance, skills matrix	e A date to be set for a workshop after the full Council meeting seeking agreement for the new constitutional changes.	Director of Governance and Legal Services	Corporate Services	At the meeting on 12 April 2022, it was noted that it would be appropriate to action this following Annual Council on 20 May 2022. Discussed at Group Leaders meeting on 8 June 2022 and agreed this would be implemented as soon as possible. Training to be scheduled. At the meeting on 27 June 2022, it was confirmed that two skills matrixes were being developed, a specific one for the Audit and Governance Committee and a broader one for all councillors. It was requested that the matrix for the committee be circulated to committee members (to be circulated with other action updates, week commencing 18 July 2022). A Members' Development Working Group meeting is to be scheduled for September 2022.	May 2022 July 2022 September 2022	
12	9 24 November 2021 Update on internal audit recommendations		Head of Corporate Performance	Corporate Services	In progress to be aligned to proposed new arrangements for scrutiny committees. This will be picked up following the appointment of a new Head of Corporate Performance with the Interim Statutory Scrutiny Officer. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action given that there were interim officers in place for the Head of Corporate Performance and the Statutory Scrutiny Officer positions. Due date now identified as September 2022.	September 2022	
13	8 25 January 2022 Progress report on internal audit activity	An update be provided on the 'longstanding issues with the reconciliation of the holding accounts.', particularly in the context of previous internal update progress reports.	SWAP internal audit services	SWAP Internal Audit Services	The Payroll follow up fieldwork is currently in progress. An update will be provided once this is completed.	June 2022 July 2022	
14	25 January 2022 Annual governance statement 2020-21 actions	With reference to Action 13, an update be provided on how the Covid Recovery Plan will link to wider resilience plans, particularly in terms of adult social care.	Director of Public Health	Corporate Services	A Covid recovery plan is still In development and will likely form part of the new and emerging economic strategy and Health and Wellbeing Strategy. In terms of the health and wellbeing, an informal workshop was held with members of the Health and Wellbeing Board on 6 May 2022 where they were consulted on the scope and process for development the new Health and Wellbeing Strategy. This is now being taken forward. In terms of economic strategy, the council is in the process of developing a new Big Economic Plan for the county. Consultants have been appointed to help lead this work, including the development of the UK Shared Prosperity Investment Plan (required by government to access funding). The Big Economic Plan is due to be completed by December, to be considered by Cabinet at the start of 2023. An external Stakeholder Group has been formed to oversee the development of both plans. At the meeting on 27 June 2022, the committee requested an update on the schedule for the development of the Health and Wellbeing Strategy. The Health and Wellbeing Board is to receive a briefing on the strategy on 21 July 2022; this identifies various milestones, including 'Cabinet approval to consult on draft strategy - December 2022' https://councillors.herefordshire.gov.uk/documents/s50102504/Appendix%201%20-%20HWB%20Strategy%20Briefing%20v2.4.pdf	31 May 2022 29 July 2022 December 2022	
14	code of conduct	The number of complaints referred to the police, even if nil, be included in the complaints received table in future reports.	Governance and Legal Services	Corporate Services	Information will be included in the next annual report which will be due in September 2022.	September 2022	
14	5 12 April 2022 Internal audit 1st quarter plan 2022-23 and internal audit charter	A forward pipeline of future audits, as anticipated by the internal audit team for the next twelve to eighteen months, be provided in each quarterly plan report.	SWAP internal audit services	SWAP internal audit services	The pipeline document has been drafted and is in included in the July 2022 progress report.	June 2022 July 2022	Yes 15 July 2022
14	6 12 April 2022 Corporate risk register	Where corporate or departmental risks have an integral component supplied by partnerships, consideration be given to identifying those partnerships in the relevant risk entries.	Head of Corporate Performance	Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance. At the meeting on 27 June 2022, it was requested that consideration be given to the earlier completion of this action. Due date now identified as September 2022.	November 2022 September 2022	
14	7 12 April 2022 Corporate risk register	A workshop be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.		Corporate Services	This will be picked up following the appointment of a new Head of Corporate Performance.	November 2022	
14	9 10 May 2022 Re-thinking governance	In the further review of the constitution and for the purposes of clarity, the presentation of the audit and governance functions be considered, in order to separate them from the 'Other functions'.	Director of Governance and Legal Services	Corporate Services	To be included alongside other amendments to Planning Functions as set out in the constitution	October 2022	

Action	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported
lumber	-							complete
151	10 May 2022	Code of Conduct	Clarification be provided as to whether an occupation as a social influencer should be included in the list of 'Other Registerable Interests – 'Table 2' Interests'.	Director of Governance and Legal Services	Corporate Services	Clarification will be provided at the next meeting. If a member could be considered to use social media to influence or sway opinion on a specific subject/topic and has or could be perceived to have specialist knowledge on a matter/topic that they regularly raise or discuss on social media then this should be included as a Table 2 Interest. If a member is in doubt as to whether they could be considered to be a social influencer this should be discussed with the Monitoring Officer or Democratic Services. Where a member uses their social media presence to promote or endorse goods or services this should be disclosed as a Table 1 Interest.	July 2022	Yes 15 July 2022
152	·	Auditor's Annual Report 2020/21	That management be asked to comment further on the key recommendation made by the external auditor on major contracts and how the council intends to ensure improvement going forwards.	Director of Resources and Assurance	Corporate Services	There is a major contract improvement board overseeing the changes, the action plan is published on the council's website.		Yes Update tabled 2 June 202
153		Auditor's Annual Report 2020/21	That further details be provided on the governance and oversight arrangements for the boards referenced in the report (e.g. Hoople Ltd), with an indication of a timeline for any updated arrangements.	Director of Governance and Legal Services / Director of Resources and Assurance	Corporate Services	Proposals for the review of arrangements and suggested new arrangements have been drafted by Legal Services for discussion with the Director of Resources and Assurance	October 2022	
154	10 May 2022	Progress report on internal audit activity	In view of the ongoing work on grant certification, the Section 151 officer consider the potential to carry forward any remaining internal audit budget into the new financial year to enable other work to be undertaken.	Director of Resources and Assurance	Corporate Services	There is no underspend from 2021/22.		Yes Update tabled 27 June 202
155	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on unspent grant funding in relation to the Green Homes Grant.	SWAP internal audit services	SWAP internal audit services	The unspent funding has now been signed off and repaid to BEIS (9 June), however, internal audit have not yet signed off the grant as there are still four Trustmark certificates outstanding. The contractor has provided a final invoice, but this has not yet been paid owing to the outstanding documentation from contractors. The Council now need to make a decision as to how they will proceed.	July 2022	
156	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members in relation to the Oral Health Needs Assessment Plan advisory audit and the next steps.	SWAP internal audit services	SWAP internal audit services	The overview and key findings will be circulated to committee members.	July 2022	Pending to be circulate w/c 18 Ju 2022
158	•	Progress report on internal audit activity	A briefing note be provided on Disaster Recovery, including issues around ICT business continuity and cyber security resilience.	Director of Resources and Assurance	Corporate Services	The Council has appointed a new IT client officer, starting on the 4 July 2022, who will prepare a paper for committee.	[Date to be confirmed]	
159	10 May 2022	Progress report on internal audit activity	The member development team be invited to consider opportunities to enhance training for all members on raising concerns with statutory officers and on initiating call-ins and other scrutiny activity.	Director of Governance and Legal Services	Corporate Services	A Members' Development Working Group meeting is to be scheduled for September 2022.	September 2022	
160	10 May 2022	Progress report on internal audit activity	Further information be provided to committee members on the timeline for moving non-capital items onto the Verto system.	Director of Resources and Assurance	Corporate Services	A paper will be presented to the September 2022 meeting.	September 2022	
161	10 May 2022	Progress report on internal audit activity	The findings in relation to the Blueschool House refurbishment investigation be recirculated to councillors.	SWAP internal audit services	SWAP internal audit services	The previous findings will be circulated to committee members.	July 2022	Pending: to be circulated w/c 18 Jul 2022
162	10 May 2022	Work programme update	Further to Action 103 (relating to the treatment of Section 106 monies for transport / highways being circulated to committee members), clarification be sought from the Programme Management Office about the timeline for members to be contacted about projects in their wards and parishes.	and Assurance	Corporate Services	Meetings are being scheduled for September 2022.	September 2022	
163	27 June 2022	Minutes and action tracker	That the Chairperson write to the Chief Executive to request an information session for all councillors on Section 106.	Chief Executive	Chief Executive's Office	The Chairperson wrote to the Chief Executive about this matter on 7 July 2022.	July 2022	
164	27 June 2022	Minutes and action tracker	Further to Action 122, the Chairperson write to the Chief Executive to request clarification on the Director of Transformation position.	Chief Executive	Chief Executive's Office	The Chairperson wrote to the Chief Executive about this matter on 7 July 2022.	July 2022	
165	27 June 2022	Minutes and action tracker	That the Director of Resources and Assurance contact Councillor Jinman about the scope of the internal audit in relation to the South Wye Transport Package.	Director of Resources and Assurance	Corporate Services	[Update requested]	[Date to be confirmed]	

Audit and governance committee action log, as at 15 July 2022

Action	Meeting Date	Agenda item	Action	Owner	Directorate	Progress Update	Due date	Reported
Number								complete
16	66 27 Jur	e 2022 Anti-Fraud, Bribery	The Members' Development Working Group be	Director of	Corporate	A Members' Development Working Group meeting is to be scheduled for September 2022.	September 202	<u>.</u> 2
		and Corruption Policy	invited to consider the most appropriate means	Governance and	Services			
			to raise the awareness of councillors to the Anti-	Legal Services				
			Fraud, Bribery and Corruption Policy and the					
			Counter Fraud and Corruption Strategy.					
16	37 27 Jur	e 2022 Anti-Fraud, Bribery	·	Counter Fraud	Corporate	The Counter Fraud Service external webpage is under development. Upon completion of the webpage, the Anti-	19 September 202)2
	27 001		The state of the s	Manager	Services	Fraud, Bribery and Corruption Policy will be available and accessible on the main counter fraud homepage.	10 00010111201 202	-
		and Corruption Folicy		Manager	OCI VICES	Tradu, Bribery and Condition Folicy will be available and accessible on the main counter hadd nonlepage.		
			due course.					_
16	58 27 Jur		,	Counter Fraud	Corporate	The Herefordshire Council deadline for completion of internal training is the 31 August 2022. This was extended by	19 September 202	.2
		and Corruption Policy	training by officers on 'Fraud Awareness and	Manager	Services	the training department. Once the completion date has passed, the figures will be made available.		
			Prevention 2021' be circulated after the relevant					
			deadline.					



Title of report: 2021/22 Draft Statement of Accounts

Meeting: Audit and Governance Committee

Meeting date: Monday 25 July 2022

Report by: Interim Chief Accountant

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To ask the Audit and Governance Committee to note, and comment on as appropriate, the draft, unaudited, Statement of Accounts for 2021/22.

Recommendation(s)

That:

a) Audit and Governance Committee to note, and comment on as appropriate, the draft, unaudited. Statement of Accounts for 2021/22.

Alternative options

To not provide a statement of accounts. This is not an option. The Local Audit and Accountability Act 2014 requires the council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the final accounts to be approved by the Audit and Governance Committee. This report presents the draft, unaudited Statement of Accounts for noting and commenting on as appropriate.

Key considerations

2. The Statement of Accounts sets out the council's financial position as at the 31 March 2022 along with a summary of its income and expenditure for the year to 31 March 2022. The financial statements are the main method of demonstrating financial accountability and stewardship. This is the draft unaudited Statement of Accounts.

- 3. The most significant matters in the 2021/22 draft accounts and a summary of the council's financial position are set out in the introductory narrative report within the accounts. Key points include the following:
 - i. The impact of the pandemic on council finances remains a national issue for all local authorities. The council has been working closely with partner authorities to assess the present and ongoing financial impact and to look for ways to mitigate these effects together with government support.
 - ii. The council delivered a small underspend, in the management accounts, for the year of £0.5m due to £4.8m of direct COVID additional grant being provided by central government.
 - iii. Community Wellbeing Directorate delivered a significant net underspend of £6.9m which was largely the result of the pandemic, either because monies couldn't be spent due to restrictions, or because budgets we would have spent were offset by COVID grants.
 - iv. There was a net overspend in Children and Young People Directorate of £3.6m due to the cost of residential placements for children in council care which are all provided by private sector operations, these continue to cause significant cost pressures for the service.
 - v. Economy & Environment Directorate's net overspend of £0.4m reflects pressure on income targets as a direct or indirect result of COVID restrictions e.g. reduced parking revenue and reduced income from planning applications.
 - vi. The central, treasury management, capital financing and reserves underspend reflects the delayed need to borrow from a combination of high cash balances and slippage in the delivery of the capital investment programme.
 - vii. The capital budget was re-profiled in year. There was an underspend of £31.5m on the 2021/22 revised budget of £69.1m which related to some projects that were no longer required, or projects and programmes that have been rolled forward to 2022/23.
 - viii. During the year a new Chief Executive was appointed and a council wide restructure took place, the draft 2021/22 accounts were restated to reflect this.
 - ix. At year end there was a small net deficit on Dedicated Schools Grant reserves. Following discussions with DfE, work is underway to produce a DSG Deficit Management Plan for the £345k deficit reserve which will be discussed at Schools Forum later this year. By comparison both nationally and with our statistical neighbour authorities, the council is managing the continuing pressures on the DSG effectively and the future very much depends on the council providing more local provision to avoid the need for expensive out of county placements.
 - x. The main risks identified are inflation across all council services, increasing demand for children and young people and adults' social care, and the likely costs of the reforms to social care fees and charging.
 - xi. Counter fraud work across the council continued to be highly successful improving corporate fraud maturity across the organisation and the ability to effectively manage the risk of fraud,
 - xii. The 2021/22 draft accounts have been produced on a going concern basis irrespective of the challenges posed by the COVID pandemic and any other perceived threats to sustainability. The issues of sustainability and liquidity are critical for the council and its ability to:
 - a) manage its budget within available resources
 - b) maintain adequate reserve balances to shield it from unexpected cost pressures, and difficulties in achieving savings programmes

These risks are monitored throughout the year by the S151 Officer.

2021/22 statement of accounts

4. The financial statements are prepared in accordance with international financial reporting standards. These comprise: a narrative report, the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet, a cash flow statement and supporting explanatory notes. Once finalised, the S151 officer has to state that he is satisfied that the statement of accounts presents a true and fair view of the financial position of the council and its group as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Reconciliation between the Management Accounts Out-turn and the Income and Expenditure Account

- 5. The Income & Expenditure account for the year ended 31 March 2022 is showing a surplus of £46.9m compared to a £0.5m underspend reported in the management accounts as the final outturn for the year.
- 6. In the Narrative section of the draft accounts on page 14, the Revenue Outturn 2021/22 shows net cost of services of £165.2m against a budget of £ 160.9m. COVID service grants totalling £4.8m were allocated and this resulted in a net underspend of £0.5m for the year
- 7. In the draft accounts, this £165.2m net cost of services is then transferred to the Expenditure and Funding Analysis (EFA) on page 50 and, together with other income and expenditure and adjustments, this results in a surplus of £14.7m.
- 8. This £14.7m surplus is then transferred to the Comprehensive Income and Expenditure Statement (CIES) on page 28 which presents income and expenditure more fully under generally accepted accounting practices.
- 9. In the CIES on page 28 the £14.7m is shown as a surplus on the provision of services which is then added to other income adjustments to reconcile back to the £46.9m as follows:

Reconcilation – reported final 2021/22 budget outturn £0.5m surplus to draft accounts reported surplus of £46.9m

	Net £m	Draft Accounts Reference
(Surplus)/ deficit per the management accounts (Revenue Outturn) (0.5m) based on net cost of services of £165.2m	(0.5)	Revenue Outturn page 14

Net expenditure chargeable to the General Fund	165.2m	Revenue outturn page 14 and EFA page 50
Other adjustments	11.4m	EFA page 50
Net cost of services (Net expenditure in CIES)	176.6m	EFA page 50

Other income and expenditure	(191.3)m	EFA page 50
Total (Surplus) / deficit on the provision of services	(14.7)	EFA page 50 and CIES page 28
(Surplus) / deficit in revaluation of non-current assets	(8.7)	CIES page 28
Re-measurement of net defined Benefit Liability (Local Government Pension Scheme)	(23.5)	CIES page 28
Total comprehensive (income) / expenditure for the year in the 2021/22 draft accounts	(46.9) (Surplus)	CIES page 28

Movement in reserves statement

10. The movement in reserves statement shows the movements in reserves during the year, analysed into the different funds held by the council and classified as either "usable" reserves, which can be used to fund future expenditure, or "unusable" reserves which are maintained to meet specific statutory responsibilities.

Usable reserves

11. Total usable reserves as at 31 March 2022 were £165.2m, an overall decrease of £8.5m from 31 March 2021. Earmarked reserves are reviewed annually by Cabinet, the last review was on 30 September 2021 and the next review is scheduled for 28 July 2022.

Unusable reserves

- 12. Unusable reserves are not available to be spent. They are maintained to meet specific statutory responsibilities and include the pension reserve, revaluation reserve and capital adjustment account.
- 13. The unusable reserves totalled £177.6m at 31 March 2022 compared to £122.4m at 31 March 2021.

Comprehensive income and expenditure statement (CIES)

14. This statement shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure and Funding Analysis, note 2 to the accounts, compares the CIES with the outturn reported to Cabinet, showing the adjustments made between the management and statutory reports.

Balance Sheet

15. The balance sheet summarises the council's assets, liabilities and reserve position at the end of the financial year. Net assets are matched by reserves which may be 'usable' or 'unusable', see above.

- 16. At 31 March 2022 long term assets totalled £763.7m, compared to £730.8m at 31 March 2021. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital spend during the year.
- 17. Current assets totalled £122.3m at 31 March 2022, compared to £119.3m at 31 March 2021. The main increase representing an increase in short term investments held at the year-end, representing the receipt of COVID funding carried forward into 2021/22.
- 18. Long term liabilities totalled £455.9m at 31 March 2022 compared to £468.7m at 31 March 2020. This is mainly due to a decrease in the pension's liability as provided by the external actuary, Mercer Limited.
- 19. Current liabilities totalled £87.3m at 31 March 2022, compared to £85.3m at 31 March 2021.

Impact of Covid-19 on asset valuations

- 20. The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors. All Council assets requiring an independent professional valuation have been valued in 2020/21 or 2021/22 therefore the risk of a value misstatement is considered to be low.
- 21. The COVID pandemic created a large uncertainty in financial markets and the market for other assets. As at 31 March 2022 material valuation uncertainty was contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by COVID and an absence of relevant/sufficient market evidence on which to base critical judgements.

Cash flow statement

22. The cash flow statement shows how the council generates and uses cash and cash equivalents, and explains the reasons for changes in cash balances during the year. During 2021/22 there was a net increase in cash and cash equivalents of £19.0m.

Group accounts

23. The group accounts consolidate the performance of the council with its subsidiary Hoople Limited in 2021/22. The impact of the consolidation increases the council's reserves position by £3.3m (£2.7m in 2020/21) which includes a minority interest reserve balance of £0.5m (£0.4m in 2020/21).

The collection fund

- 24. The collection fund demonstrates how income raised from local taxpayers has been redistributed to the council and to other precepting authorities for the provision of services. Collection fund income from council taxpayers and business ratepayers totalled £178.3m in 2021/22 compared to £156.9m in 2020/21.
- 25. Expenditure includes precept payments to West Mercia Police (£16.4m), Hereford and Worcester Fire Authority (£6.5m) and parishes (£4.9m). These are paid from income collected from taxpayers on their behalf.

Community impact

26. Publication of the statement of accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity,

demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Environmental Impact

- 27. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
- 28. This is a review of the draft 2021/22 Statement of Accounts so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit on the draft accounts will be completed remotely, reducing travel impact and paper usage.

Equality duty

- 29. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- 30. A public authority must, in the exercise of its functions, have due regard to the need to
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 31. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a statement of factual information, we do not believe that it will have an impact on our equality duty.

Resource implications

32. Contained in the report.

Legal implications

- 33. Regulation 9 of the Accounts and Audit Regulations 2015 requires the following:
 - a. The S151 officer to sign and date the statement of accounts, and confirm that he is satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year.
 - b. A period of time to allow the public to inspect the accounts. This will be prior to 31 July 2022 and last for 6 weeks.

- 34. Once there has been a period of public inspection, the committee must approve the statement of accounts by a resolution and ensure that the statement of accounts will need to be signed and dated by the person presiding at this committee.
- 35. The Accounts and Audit (Amendment) Regulations 2021 for local authorities the publication date for audited accounts moved from 31 July 2021 to 30 September 2021.

Risk management

36. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the chief financial officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources which Grant Thornton provide a value for money opinion, this report will follow at a later date.

Consultees

37. The statement of accounts will be made available for a six week public inspection period commencing prior to 31 July 2022.

Appendices

Appendix 1 Draft Statement of Accounts 2021/22

Background papers

None identified.



Appendix 1

Herefordshire Council Statement of Accounts 2021/22





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Narrative Report 2021/22

Introduction

Welcome to Herefordshire Council's Statement of Accounts for 2021/22. The accounts have again been prepared as the world continues to struggle with the challenges and changes posed by the effects of the global Covid-19 pandemic.

As with the previous year, the Council's finances for 2021/22 have been impacted by the pandemic. The aim of this Narrative Report is to provide an overview of that impact alongside the key issues for the year as contained within the Statement of Accounts.

An Introduction to Herefordshire

Herefordshire lies in the far south-west corner of the West Midlands Region, sandwiched between Worcestershire and the breath-taking Brecon Beacons of Powys to the west. The county is known for its beautiful, unspoilt countryside its black and white villages, wooded valleys, meandering rivers, its many castles and ancient churches, its rich agricultural traditions and world famous food and drink producers. The county is also home to many high tech, security, engineering, computing and creative industry businesses as well as many artists and craftspeople, musicians and writers. The county's numerous, diverse and distinctive communities each have their own distinct character and special charms which, together make Herefordshire an exemplar of 21st century rural living.

The city of Hereford lies in the middle of the county and is surrounded by a ring of five distinct and very different market towns: Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington. As of mid-2020, Herefordshire's resident population was estimated to be 193,600, with roughly a third of the population living in the city, a third living in the market towns and a third scattered throughout the rural areas.

The county has a good track record of its residents living longer than the national average. It is also attractive to people as a retirement location. Consequently Herefordshire has a large population of older residents with almost a guarter (24%) of the population aged 65 or over. Forecasts indicate that the numbers of older people are set to continue growing at a higher rate than other demographic age groups which has an impact on the capability of our communities and on demand for current and planned future public services.

Despite its deeply rural nature, or perhaps because of it, Herefordshire has a lot of roads. In fact, when considering road length per head of population, the county is the second highest in England and cycling is a popular and growing mode of transport in urban areas and for recreation. However, with only four railway stations serving the whole county, residents are particularly dependent on road transport in their daily lives. In remote rural areas the frequency of bus services can be an issue for those who are reliant upon public transport, and parts of rural Herefordshire are among those at the highest risk nationally of transport poverty.





Herefordshire Council was formed in 1998 as a unitary authority. Meaning that there are only two levels of local government here - the county council and over 160 parish councils serving their distinctive local communities. The county council's responsibilities are wide ranging and include education, adult social care, children's services, road maintenance and waste collection/disposal services.

The council comprises 53 elected members, each being the sole representative of their county ward, although each ward can comprise a number of parishes. The members of the council are each paid an allowance to assist in the performance of their council duties. Councillors were paid the following amounts in allowances during the last year:

Members Allowances	2020/21	2021/22
Members Anowances	£m	£m
Basic allowances	0.4	0.4
Special allowances	0.2	0.2
Total	0.6	0.6

Impact of the pandemic on council finances

During 2021/22, the Covid pandemic continued to impact on the council's finances and this remains a national issue for all local authorities.

The council has been working closely with partner authorities to assess the present and ongoing financial impact and to look for ways to mitigate these effects.

Whilst the focus of the council has been on safeguarding and supporting local residents and the business community through multiple Covid lockdowns, the pandemic continues to affect our financial position primarily in two ways: by creating additional costs and by reducing council income. This compounding squeeze has made it very difficult to confidently forecast in-year income and expenditure and to plan for the longer term.

Like all local authorities, this council has welcomed the range of new and continuing funding packages provided by central government in 2021/22. Together these have sent an important signal that the Government recognises the



financial challenges facing the sector, and shows understanding that these pressures will continue for the foreseeable pressure.

Looking beyond the ongoing impact of the pandemic, the local government sector continues to grapple with a mountain of other unprecedented challenges - increasing economic uncertainty, significant levels of growth in the demand for Adult's and Children's social care, the uncertainty around the implementation and impact of the local government fair funding review and the economic and social impact of UK's departure from the EU, to name but a few.

These challenges follow more than a decade during which local authority funding has reduced whilst demand for the core services councils are legally obliged to provide has risen. These challenges require a whole new way of thinking and since 2019 this Council has moved at pace to ensure that essential services have continued – including throughout the pandemic - and new services have been developed in response to new and emerging needs. All this has been achieved by working in a flexible way and using imaginative and innovative approaches to support our residents, businesses, communities and partners.

We want to continue to be ambitious and creative in our approach, whilst meeting the challenges and embracing the opportunities which the pandemic continues to present us with. We want to build on digital and technological advancements, be more commercial in our approach, empower our workforce to work in more agile and flexible ways, continuing to deliver responsively and to play our part in ensuring the council and the county can enjoy a strong and healthy recovery from the pandemic, or at the very least a managed transition to whatever is to be our 'new normal'.

For example, as was the case last year, the council has passed on grants under the various central government schemes including business rates relief of around £15m in 2021/22 (£30m in 2020/21). In doing so we have also offered some of that grant funding in the form of cash payment cards to all local households to encourage spending with local businesses. This in turn has enabled that money to recycle many times in the local economy benefitting business and households much more than would have been the case if it had been provided in direct grants alone.

Free bus travel at weekends has also been provided to encourage return to public transport post-Covid and free access to leisure facilities and swimming pools has been provided to young people to encourage exercise and improve mental wellbeing. We have been working very hard with our leisure provider, Halo Leisure, and conversations are ongoing around how to work better together.

The Council's financial strategy seeks to ensure that the Council remains financially resilient in the delivery of its own responsibilities and provides active support to develop and maintain a strong and healthy recovery from the pandemic, for our residents, communities, businesses, partnerships and staff.

Organisation and Governance

Our Chief Executive, Paul Walker, was appointed in May 2021 following the retirement of Alistair Neill.

Since his appointment, Paul has brought a new approach to the Council's organisation structure which now consists of six directorates: three delivering services and three providing corporate support. These are set out below, together with a brief overview of their main functions:

- Corporate Wellbeing (Social Care Delivery, All ages commissioning, Talk Community, Public Health)
- Children and Young People (Education, Skills and Learning, Children and Families)
- Economy and Environment (Economic Development and Regulatory Services, Highways, Environment and Waste)
- Governance and Legal Services (Legal services, Democratic services, Governance, Monitoring Officer, Elections, Registrars, Coroners service)
- **Resources and Assurance** (Finance, Corporate Services)
- HR & OD (Human resources, Organisational development, Recruitment/ retention, Staff engagement, Learning and Development, Payroll, Workforce equality, Health and safety, Hoople delivery)

As this restructure took place in-year, for continuity going forward the 2021/2022 accounts have been compiled, and the previous year's accounts re-stated, based on the new organisational structure.

Since the elections in 2019 the council has been conducting a comprehensive governance review which has included



consideration of a move away from a Cabinet-based decision-making model for the council. However, at the full Council meeting on 9th October 2020, they considered the work undertaken by the 'Rethinking Governance' working group and the recommendations of audit and governance committee and took the decision instead to implement a hybrid cabinet model of governance. The hybrid model allows for a greater degree of councillor involvement in policy development, decision-making and oversight without a break from the legal structure of the Cabinet system. This new governance system was implemented with effect from May 2022.

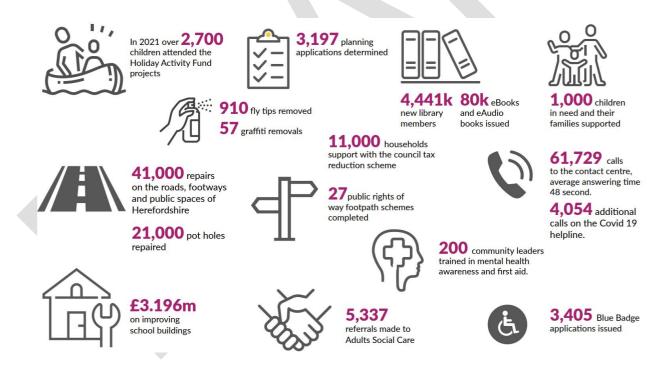
The council's corporate governance arrangements play a key role in achieving its strategic objectives and in securing value for money in service delivery. The Council carries out an annual review of its corporate governance arrangements and the results of the review are set out in the Annual Governance Statement, which accompanies these accounts.

Performance

In February 2020 Council approved its new corporate plan, The County Plan for 2020/24. This will shape the future of Herefordshire with the overall aim to improve the sustainability, connectivity and wellbeing of the county by strengthening communities, creating a thriving local economy and protecting and enhancing our environment.

Each year the council agrees a corporate delivery plan that details the actions which will be taken in the coming year to deliver incrementally the overarching plan. This plan also sets out how progress will be measured through a number of agreed performance measures. These are selected on the basis that they demonstrate progress towards achievement of the council's stated priorities and also provide assurance of the council's performance for residents.

Performance against this plan is regularly reported to Cabinet and is structured around the three interconnected themes of Economy, Environment and Community. During 2021/22 these updates included the following (more details can be found on the council's website):



- Approved council investment of a further £11.49 m to support the ongoing delivery of the Children's Services Improvement Plan
- Invested £6m in Covid-19 recovery programmes supporting economic and wellbeing support
- Introduced the Shop Local Card, so far benefitting over 1,500 local businesses
- Progressed the delivery of net carbon zero affordable housing across the county with key partners including Homes England
- Established a countywide climate and nature partnership

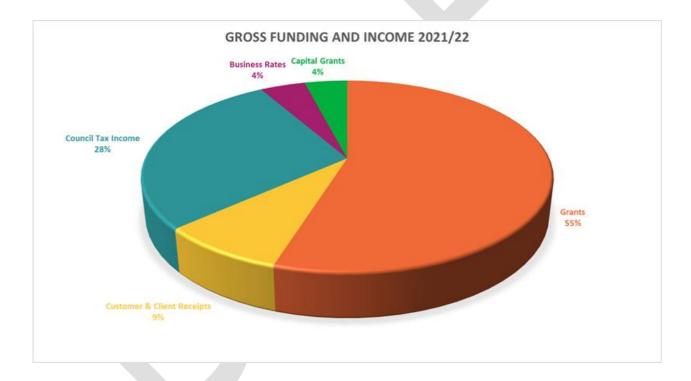


- Engaged local residents in a citizens' climate assembly and allocated £1.33m to the climate reserve to deliver new initiatives
- Commissioned our first TV advert for Herefordshire reaching more than 8.3 million people and promoted over 450 businesses through a new Visit Herefordshire website
- Shell Store opened with 2,000 square metres of space for new and growing businesses
- Approved new Integrated Waste Management Strategy
- Progressed the new Herefordshire Transport Strategy
- Opened the new student accommodation at Station Approach in Hereford with 178 rooms
- Bus-It provided more than 62,000 free journeys at weekends with many new routes
- 46 Talk Community Hubs opened, and Talk Community kitchen providing healthy meals
- Approved investment in and the development of the council's own care facility in Herefordshire to meet future demand

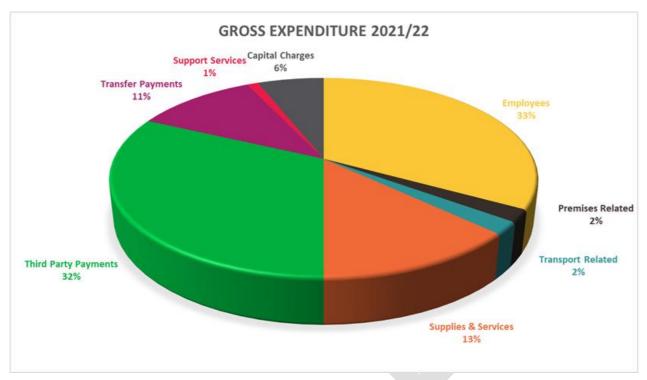
Financial performance

For 2021/22, the council delivered a revenue budget underspend of £541k against a budget set to make in-year savings of £11.2m. This end of year underspend was assisted by £4.8m of direct additional Covid-19 costs being funded by ring-fenced in-year central government service support grants.

The main categories of council expenditure and sources of funding for the year are as shown in the charts below:







The Herefordshire Council element of the Council Tax Band D equivalent was set at £1,652.30 in 2021/22 and an explanatory breakdown of this charge was provided to residents against their monthly payments to assist with local understanding of the range of council services these charges are needed to support as shown below.



Herefordshire Council

What your money is spent on - Council Tax 2021/22 (average band D property)



Revenue Outturn 2021/22

The detail of the council's financial performance for the year is summarised in the table below.

The 2021/22 outturn is a £4,248k overspend before the allocation of the ring-fenced covid service grants, resulting in the reported end-of-year net underspend of £541k.

Service	Outturn Budget £m	Outturn Actual £m	Covid-19 related £m	Outturn over/(under) £m
Children and Young People	40.2	44.8	1.0	3.6
Community Wellbeing	63.9	58.1	1.1	(6.9)
Economy and Environment	24.8	27.0	1.8	0.4
orporate	24.6	28.9	0.9	3.4
Directorate outturn	153.5	158.8	4.8	0.5
Central, treasury management, capital financing and reserves	7.4	6.4	-	(1.0)
Total	160.9	165.2	4.8	(0.5)

The forecast underspend in Community Wellbeing reflects a combination of savings achieved to date (some of which



are non-recurrent) reductions in the number of care packages (mostly within homecare) and also the impact of the 'discharge to assess' process resulting in a proportion of client expenditure being funded via that process. There are also underspends in Commissioning and Operational Service Delivery due to continued vacancies within the Homefirst service and in some of the operational teams.

The overspend in Children and Young people is due to the cost of residential placements for children in council care which are all provided by private sector operations and these continue to cause significant cost pressures for the service.

The overspend in the remaining portfolios reflects pressure on income targets as a direct or indirect result of covid restrictions (e.g. reduced car parking revenue and less income received as a consequence of receiving fewer than normal planning applications), and savings targets that have not been achievable in year. Some of these costs have been offset by the council not being able to recruit into staff vacancies during covid.

The central, treasury management, capital financing and reserves underspend reflects the delayed need to borrow from a combination of high cash balances and slippage in the delivery of the capital investment programme.

The detailed performance outturn for 2021/22 was reported to Cabinet on 26 May 2022 and can be found here: (Public Pack) Agenda Document for Cabinet, 26/05/2022 14:30 (herefordshire.gov.uk)

Principal risks and uncertainties

Herefordshire Council approved a Medium Term Financial Strategy, Treasury Management Strategy and Capital Strategy in February 2022 for the period ahead. Following the pandemic, significant saving targets were set for 2021/22 at £11.205m. Further consequential savings for 2022/23 are targeted to achieve £2.602m. Historically, Herefordshire Council has risen to the financial and demand challenges it faces by developing strategies and plans to continue to provide valued services to its residents. This successful track record was continued in 2021/22.

As part of managing delivery of its plans, the council maintains both corporate and directorate risk registers. The corporate risk register is published routinely as part of the regular corporate budget and performance reporting. In addition, areas for identified improvement are addressed in the accompanying Annual Governance Statement.

As at the Balance Sheet date, the Medium Term Financial Strategy identifies a range of financial risks with the potential to significantly affect the council's financial sustainability over the next few years. The main risks that have been identified are anticipated to arise from:

- Economic instability and in particular significant increases in inflation
- A further significant outbreak of Covid-19, linked to different variants of the disease, with the capacity to significantly affect the national and local economy, increase the demand for local services, and put pressure on the council's income streams
- The impact of major changes in government funding
- The impact of demand pressures in Children's social care
- The delivery of budget savings and efficiencies in a challenging environment
- Managing the Capital Programme to achieve policy objectives
- The economic impact of Brexit

The council has provided significant additional funds to the children and young people directorate to support the necessary improvements to our children's services. Demand management for children's services continues to be key in ensuring future financial resilience.

To mitigate risk across its operation, the council has maintained a General Fund reserve, has increased Earmarked Reserves, has used prudent assumptions in its Medium Term Financial Strategy and has reduced reliance on grant funding in all directorates. At the same time the council is supporting increased investment in local economic and social projects (e.g. the building of council-owned care facilities and a commitment to build additional affordable homes) to reduce future demand and to broaden its core income sources.



Significant provisions, contingencies and write-offs

The council held provisions of £7.3m as at 31 March 2022 (£8.1m at 31 March 2021) and three main provisions within this were as follows:

- The business rates appeal provision of £2.6m, based on an independent assessment of the council's liability in relation to business rate appeals at 31 March 2022. This assessment considers the appeals both lodged with the Valuation Office Agency and those yet to be registered
- A provision of £1.6m for independently assessed outstanding insurance commitments including expected costs relating to insurance cover excess liabilities
- A new Legal Provision of £2.6m relating to legal/counsel's expert estimations of the known obligations in key legal litigation areas.

There are no contingent liabilities set out in the Statements and there were no significant general fund income write-offs in the year.

Pensions

In accordance with International Accounting Standard 19 on Retirement Benefits (IAS 19), the pension's note, note 36, sets out the council's assets and liabilities in respect of the Local Government Pension Scheme (LGPS).

Herefordshire Council's non-teaching staff are members of the Worcestershire County Council Pension Fund.

Herefordshire's proportion of the net deficit on the Worcestershire County Council Pension Fund as at 31 March 2022 is £272.6m. Whilst this deficit does not have to be met immediately, it requires recovering over a period of future years. In addition the balance sheet deficit also includes £0.6m relating to ex Hereford and Worcester teachers' unfunded benefits.

The council has agreed with the Actuary contributions to recover the deficit over a number of years, a deficit repayment of £4.4m (including schools) will be paid in 2022/23.

The pension fund position is reviewed every three years and was last revalued as at 31 March 2020, where the inservice contribution rate increased to 17.6% (previously 15.6%) and the deficit contribution decreased to 10.4% (previously 16.6%). These changes have been reflected in the medium term financial strategy.

Capital Expenditure and Capital Investment

The council manages its capital investment plans through its capital programme, the original capital budget for 2021/22 was £97.870m. In quarter 2 a number of capital programme budgets were re-profiled into future years which led a reduction of £69.436m in the 2021/22 programme. However, budgets carried over from 2020/21 were also added to the budget and this led to a revised net capital budget for 2021/22 of £69.067m as shown in the summary table below.

	2021/22	2022/23	2023/24	2024/25	Total
	Budget	Budget	Budget	Budget	
	£'000	£'000	£'000	£'000	
February 2021 Council Approved Budget	97,870	66,634	21,179	10	185,693
Reprofiled	(69,436)	6,440	41,861	21,135	-
20/21 Carry Forwards	33,296	•	ı	-	33,296
Use of Reserves	56	•	ı	-	56
Additional Grants	7,311	17,964	18,661	18,661	62,597
Revised Capital Budget	69,097	91,038	81,701	39,806	281,642



The final capital spend position at 31/3/2022 was £37.607m which is an underspend of £31.490m on the 2021/22 revised budget of £69.097m and the explanation for this underspend is set out in the table and the detail is provided listed against the Delivery Boards who oversee capital expenditure performance and delivery. Full details of all capital schemes were reported to Cabinet on 26 May 2022 in the Quarter 4 Budget & Performance Report, which detailed the final capital budget outturn for the year by scheme in Appendix B.

This underspend consists of £4.793m projects that have delivered below the project budget and projects that may no longer be required such as the car park fire suppression system. The remaining £26.697m are budgets that were not committed in this financial year, but have been rolled forward to 2022/23 as they are funded by grants, or are for land for housing which may not be acquired in this financial year but the budgets need to be retained for those projects to deliver in future years.

2021/22 Capital Budget Outturn Position		2021/22		
	Original Budget £000s	Updated Budget £000s	Actual Spend £000s	Variance £000s
Total Housing Delivery Board	15,813	7,565	2,403	-5,162
Total Corporate & Digital Delivery Board	8,604	8,935	1,629	-7,306
Total Schools & Corporate Property Delivery Board	22,814	13,168	5,309	-7,859
Total Highways Maintenance Delivery Board	16,321	23,759	21,147	-2,612
Total Environment & Sustainability Delivery Board	2,361	4,016	1,079	-2,937
Total Economic Development Delivery Board	17,804	6,822	3,257	-3,565
Total Transport & Place Making Delivery Board	14,153	4,832	2,783	-2,049
Total	97,870	69,097	37,607	-31,490

The council delivered significant capital investment projects including:

- Fastershire this is a partnership tasked with bringing faster broadband to the county. Phase 1 aimed to provide 90 per cent of Gloucestershire and Herefordshire with fibre broadband with a minimum speed of 2Mbps by 2016 and Phase 2 will extend fibre coverage further across the counties. The ultimate aim is that by the end of 2022/23 there will be access to fast broadband for all who need it.
- The development of Shell Store site on the Hereford Enterprise Zone commenced in summer 2019 and completed in 2020 following a delay in construction related to Covid-19. The £7.3m redevelopment will establish the first purpose built business incubator facility in the county. The Shell Store will provide employment space for up to 40 dynamic and innovative businesses, driving economic growth through the generation of new jobs. The building opened during 21/22 for tenants and continues to have a number of businesses interested in the few remaining units.
- The construction of a £9m Midlands Centre for Cyber Security on the Hereford Enterprise Zone completed in 2020 following a delay due to Covid-19. The Joint Venture with the University of Wolverhampton will create a range of opportunities in the growing cyber security sector in Herefordshire, providing business accommodation alongside product testing, specialist research and educational facilities, benefitting the local economy through investment, job creation and skills development. Due to Covid delays the first tenants are moving in during May 2022 and the centre has been providing online training which will now expand to onsite training in the computer labs and real-time simulation suites.
- In July 2019 construction commenced on the first bespoke student accommodation development in Hereford. Developing higher education in the county is critical to establishing higher-level skills,



retaining/attracting a younger generation to learn, live and work in Herefordshire, and to attracting employers offering higher value job opportunities. The site was handed over to Cityheart in September 2021 to enable occupation for the 21/22 academic year.

Basic Needs Grant funded an expansion of a new teaching block at John Kyrle High School of £2.08m in 21/22, the block has completed just after the end of the financial year so that it will be ready to welcome new students for the 22/23 academic year.

Capital Investment Budget

Capital investment set out in the capital programme will support the corporate plan priorities by:

- Improving schools
- Enhancing infrastructure
- Supporting housing delivery and
- Creating job opportunities

Capital investment for 2021/22 totalled £37.60m. This was financed by capital grants £22.31m, prudential borrowing £12.04m and capital receipts £3.25m. The investment included the following corporate priority schemes:

- Hereford City Centre Improvements £1.79m
- Fastershire broadband rollout £0.7m
- Integrated Wetlands £0.6m
- Hereford Enterprise Zone £1.79m
- Schools Capital Maintenance Grant £0.4m
- Basic Needs Grant John Kyrle High School £2.02m
- Disabled Facilities Grant £1.2m
- PC Replacement £0.6m
- Highway asset management & major infrastructure investment (including flood works) £5.3m
- Local transport plan road improvement works £15.47m

Future years' capital programme

The council maintains a rolling capital programme reflecting commitments, links to strategic plans and estimated sources of capital funding. The council's capital strategy was approved at the same time as the capital programme. The capital programme budget approved at Council February 2022 is detailed in the table below, including the sources of funding. The 2022/23 budget has increased by the under-spend carried forward from 2021/22 and some further recent grants awarded before the end of April 2022.

Scheme Name	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts	Grant & funding	Prudential borrowing
				£m	£m	£m
Hereford City Centre Transport Package	2.7	2.9	-	-	-	5.6
Hereford City Centre Improvements (HCCI)	3.1	1.0	-		1.5	2.6
Hereford ATMs and Super Cycle Highway	1.0	-	-	-	_	1.0
Emergency Active travel Fund	0.1	-	-	-	0.1	-
Passenger Transport Fleet (Electric)	7.8	15.6	15.6	-	35.0	4.0
Local Transport Plan (LTP)	15.5	15.5	15.5	-	46.4	-
Priority Flood Repair Works	2.2	-	-	-	-	2.2
E & P's S106	0.4	-	-	-	0.4	-



Scheme Name	2022/23	2023/24	2024/25	Capital	Grant &	Prudential
	£m	£m	£m	receipts £m	funding £m	borrowing £m
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	2.3	-	-	-	-	2.3
Public Realm Maintenance - Mitigating Risk on the Network	3.7	1.3	-	_	_	5.0
Winter Resilience	0.5	0.1	0.7	_	_	1.4
Highways Equipment	0.5	-	- 0.7	_		0.5
Investment in Infrastructure Assets	0.1			_		0.1
Integrated Wetlands	1.3				1.3	0.1
Solar Photovoltaic Panels	1.4			_	1.5	1.4
SEPUBU Grant	0.4	-	-		0.4	1.4
Warm Homes Fund	0.4	-		-		
	0.4	-	-	-	0.4	
Air Quality Monitoring Station Resource Improvements	0.2	-	_	-	-	0.2
Green Homes Grant - Local Authority Delivery	1.8	-	_	-	1.8	-
Home Upgrade Grant	1.7	-	-	-	1.7	-
Hereford Enterprise Zone	1.9	-	-	1.9	-	-
Marches Business Investment						
Programme	1.3	0.2	-	-	1.5	<u>-</u>
Employment Land & Incubation Space in Market Towns	9.3	10.4	0.7	7.2	2.1	11.1
Leominster Heritage Action Zone	3.1	0.4		1.8	1.7	-
Safer Streets / CCTV	0.2	-		-	0.2	-
Herefordshire Hoard	1.5	-		1.5	-	-
Development Partnership activities	4.8	5.4	-	0.1	-	10.0
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	1.0	6.7	7.3	_	10.0	5.0
Stronger Towns Fund - Greening the City	0.2	0.2	-	-	0.4	-
Stronger Towns Fund - Maylord Orchard Redevelopment and Learning Resource Centre	0.8	2.2	_	_	3.0	
Fastershire Broadband	13.6		_	_	4.5	9.0
PC Replacement	0.1	_	_	_	-	0.1
Electronic Document Management Storage	0.2	_	_	_		0.2
Capital Development Fund	1.0	_	_	_	1.0	-
Technology Enabled Communities	1.5				1.5	
Key Network Infrastructure (Core Data	1.0	-			1.5	
Centre Switches & Corporate Wi-Fi)	0.5	-	-	_	-	0.5
Primary Data Storage Area Network (Plough Lane)	0.3	-	-	-	_	0.3
Flexible Futures	0.7	-	_	_	_	0.7
My Account	0.3	0.1	_			0.4
Schools Capital Maintenance Grant	3.3	1.2	1.2		5.7	
Peterchurch Area School Investment	3.3	7.4	1.2	5.4	0.1	5.2
Brookfield School Improvements	3.7	1.4		1.2	0.6	1.9
High Needs Grant	2.2	1.9	-	1.2	4.1	1.9
C & F's S106	0.1	1.9	-	-	0.1	



Scheme Name	2022/23 £m	2023/24 £m	2024/25 £m	Capital receipts £m	Grant & funding £m	Prudential borrowing £m
Basic Needs Funding	3.5	11.5	1.4	-	16.1	0.3
Preliminary works to inform key investment need throughout the county	0.3	-	-	-	-	0.3
School Accessibility Works	0.1	-	-	-	-	0.1
Estates Capital Programme 2019/22	3.3	-	-	-	-	3.3
Residual property works identified in the 2019 condition reports	1.3	0.1	-	-	-	1.4
Estates Building Improvement Programme 22-25	1.5	1.3	0.3	-	-	3.0
Upgrade of Hereford West Side CCTV Cameras	-	-		-	0.0	_
Hereford Library	0.2	-	-	-	-	0.2
Disabled facilities grant	3.3	2.0	2.0	-	7.3	-
Hillside	0.4	-	-	0.4	-	-
Carehome & Extra Care Development	1.1	8.2	4.8	6.1	0.5	7.5
Super Hubs	2.0	_	-	2.0	-	-
Empty Property Investment & Development	1.3	-		_	-	1.3
Unified Tech Fund – Digitising Social Care Prog	0.1	_		-	0.1	_
Rough Sleepers Accommodation Programme	0.1		-	-	0.1	-
Gypsy & Traveller Pitch development	1.1	-		-	-	1.1
Strategic Housing Development	11.5	8.3		-	-	19.9
Private sector housing improvements	0.2	-	-	0.2	-	-
Total	133.2	103.7	49.50	27.8	149.4	109.2

Funding capital investment

Much of the council's investments are funded by grants however, when capital grants cannot fund a scheme in full, prudential borrowing can be used to fund the investment and the capital financing costs may be repaid from future savings generated by the investment. In 2021/22 the council utilised £12.04m of prudential borrowing to fund the capital investment budget, including:

- Hereford City Centre Transport Package £1.0m
- Priority Flood Works £0.3m
- Marlbrook Primary School Extension £0.2m
- PC Replacement £0.6m
- Electronic Document Management System £0.2m
- Better Ways of Working £0.1m
- Gypsy and Traveller Pitch Development £0.1m
- Empty Property Investment and Development £0.6m
- Property Estate Works £1.3m
- Highways Asset Management £1.8m

Council borrowing

The council's approach to borrowing is determined each year within the Treasury Management Strategy, which is



approved as part of the budget setting process. External borrowing is obtained, where necessary, to support the council's capital programme. Borrowing limits are set in accordance with the Prudential Code for Capital Finance in Local Authorities.

In 2021/22 the council secured £5.0m of new long-term borrowing. Principal debt repayments of £2.4m were paid to the Public Works Loan Board under existing maturity, annuity and EIP (equal instalments of principal) agreements. Total interest of £5.1m was paid on all council borrowing during the year.

Total borrowing at year-end, including short term loans, was £129.4m (compared to £126.8m as at 31 March 2021).

The amounts noted above relate to principal loans outstanding at the end of the year. The borrowing figures in the balance sheet are higher due to the inclusion of accrued interest and other accounting adjustments required up to 31 March.

Net borrowing (after offsetting investments) was £49.7m as at 31 March 2022, compared to £65.4m as at 31 March 2021.

Council reserves

2021/22 saw the councils general reserve balance increase to £9.6m. Herefordshire's Medium Term Financial Strategy includes a reserves policy and the reserve position is reviewed by Council on an annual basis. Specific earmarked reserves are set aside to deal with expenditure commitments in future years, these totalled £96.8m (this includes £9.3m school balances.

An explanation of the financial statements

The 2021/22 statement of accounts which follow set out the council's income and expenditure for the year and its financial position as at 31 March 2022. The format and content of the statements is prescribed by CIPFAs Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. This is based on International Financial Reporting Standards adapted for use in a public sector context. The statement of accounts comprises:

	Explanation of the financial statements
Movement in reserves	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either "usable" reserves, which can be used to fund future expenditure, or "unusable" reserves which are maintained to meet specific statutory responsibilities.
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services when calculated in line with generally accepted accounting practice. The Expenditure Funding Analysis compares the CIES with levels of income and expenditure which are taken into account setting the annual budget and council tax requirement, since certain amounts are disregarded by statute. Note 6 also provides a subjective analysis of the CIES.
Balance Sheet	The Balance Sheet shows the councils assets and liabilities as at the year end. Net assets are matched by reserves which may be "usable" or "unusable", see above.
Cash flow statement	This shows how the Council generates and uses cash and cash equivalents, and explains the reasons for changes in cash balances during the year.
Statement of accounting policies	Sets out the accounting policies that have been followed in preparing the statements and how Code requirements have been met in practice.
Disclosure notes	These provide more detail about individual transactions and balances.
Statement of group	The group financial statements consolidate the accounts of the
accounts	Council with those of its subsidiary undertaking, Hoople Limited.
Collection Fund	This account demonstrates how income raised from local taxpayers

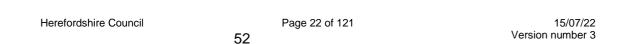


Explanation of the financial statements
has been re-distributed to the Council and to other precepting authorities for the provision of services.

A glossary of terms is included at the end of the statements.

Annual governance statement

The Council is required by statute to provide an Annual Governance Statement which is a formal statement that covers all significant corporate systems, processing and controls, spanning the whole range of its activities. It is approved by the Audit and Governance Committee and signed by the Councils Chief Executive and the Leader of the Council. A copy is provided at the end of this publication.





Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Section 151 Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts

The Section 151 Officer - Responsibilities

The Section 151 Officer is responsible for the preparation of the council's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Section 151 Officer has:

- a. Selected suitable accounting policies and then applied them consistently
- b. Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code of Practice C.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date; and a.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities. b.

Certificate of the Chief Finance Officer (Section 151 Officer)

I confirm that the draft unaudited Statement of Accounts gives a true and fair view of the financial position of Herefordshire Council and its group as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Andrew Lovegrove, Director of Resources & Assurance and Section 151 Officer



Independent Auditors Report

To be included following the completion of the audit

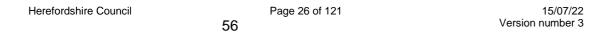


Core Financial Statements and Explanatory Notes



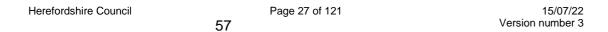
Movement in Reserves Statement

2021/22	Notes	به General Fund E Balance	Earmarked B Reserves	Total General Fund Balance	க Capital Receipts B Reserve	க Capital Grants B Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
Balance brought forward		(9.1)	(105.6)	(114.7)	(44.6)	(14.3)	(173.6)	(122.4)	(296.0)
(Surplus) / deficit on the provision of services		(14.7)	-	(14.7)		-	(14.7)	-	(14.7)
Other comprehensive income and expenditure		-	-	-	-	-	-	(32.1)	(32.1)
Total comprehensive income and expenditure		(14.7)	-	(14.7)	-	-	(14.7)	(32.1)	(46.8)
Adjustments between accounting basis and funding basis under regulations		23.3		23.3	1.3	(1.5)	23.1	(23.1)	-
Net (increase)/decrease before transfers to earmarked reserves		8.6		8.6	1.3	(1.5)	8.4	(55.2)	(46.8)
Transfers (to) or from earmarked reserves	5	(9.1)	9.1	-	-	-	-	-	-
(Increase) / decrease for the Year		(0.5)	9.1	8.6	1.3	(1.5)	8.4	(55.2)	(46.8)
Balance carried forward	3 & 4	(9.6)	(96.5)	(106.1)	(43.3)	(15.8)	(165.2)	(177.6)	(342.8)



Movement in Reserves Statement 2020/21 comparative

2020/21 Comparative	Notes	க General Fund Balance	Earmarked B Reserves	Total General Fund Balance	ക Capital Receipts B Reserve	ക Capital Grants B Unapplied	Total Usable	Unusable Reserves	ت Total Reserves
Balance brought forward		(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)
(Surplus) / deficit on the provision of services		(17.5)	-	(17.5)	-	<u> </u>	(17.5)	-	(17.5)
Other comprehensive income and expenditure		-	-	-	-	-	-	(2.7)	(2.7)
Total comprehensive income and expenditure		(17.5)	-	(17.5)	-	-	(17.5)	(2.7)	(20.2)
Adjustments between accounting basis and funding basis under regulations		(8.6)	-	(8.6)	(0.4)	(5.7)	(14.7)	14.7	-
Net (increase) /decrease before transfers to earmarked reserves		(26.1)	-	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)
Transfers (to) or from earmarked reserves	5	26.4	(26.1)	-		-	-	-	-
(Increase) / decrease for the Year		-	(26.1)	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)
Balance carried forward	3 & 4	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)	(122.4)	(296.1)



Comprehensive Income and Expenditure Statement

	2020/21 (Restat				2021/22		
	ed)						
Expenditure	Income	Net		Notes	Expenditure	Income	Net
£m	£m	£m			£m	£m	£m
138.9	(103.0)	35.9	Children and Young People		158.4	(113.7)	44.7
106.0	(55.6)	50.4	Community Wellbeing		113.5	(56.0)	57.5
80.9	(22.5)	58.4	Economy and Environment		58.7	(28.1)	30.6
75.7	(45.4)	30.3	Corporate Services		81.9	(38.1)	43.8
401.5	(226.5)	175.0	Net Cost of Services		412.5	(235.9)	176.6
6.3	-	6.3	Other Operating Expenditure		5.1	(0.5)	4.6
22.9	(6.4)	16.5	Financing, Investment Income and Expenditure		18.9	(14.6)	4.3
-	(215.3)	(215.3)	Taxation and Non-Specific Grant Income		-	(200.2)	(200.2)
430.7	(448.2)	(17.5)	(Surplus) / deficit on the provision of services		436.5	(451.2)	(14.7)
		(15.7)	(Surplus) / deficit in revaluation of non-current assets	4			(8.7)
		13.0	Re-measurement of net defined Benefit Liability				(23.5)
		(2.7)	Other comprehensive (income) / expenditure				(32.2)
		(20.2)	Total comprehensive (income) / expenditure				(46.9)

Balance Sheet

31 March 2021		Notes	31 March 2022
£m			£m
648.6	Property, Plant and Equipment	10	665.8
38.7	Investment Property	10	55.5
0.1	Intangible Assets	10	0.3
3.2	Heritage Assets	10	3.2
40.2	Long Term Debtors	11	38.9
730.8	Long Term Assets		763.7
44.0	Short Term Investments	11	43.0
0.2	Inventories		0.2
52.2	Short Term Debtors	12	36.0
22.9	Cash & Cash equivalents	13	42.5
-	Assets held for Sale	10	0.6
119.3	Current Assets		122.3
(3.3)	Short Term Borrowing	11	(7.8)
(76.6)	Short Term Creditors	18	(73.4)
(3.7)	Short Term Provisions	20	(3.8)
(1.7)	Cash & Cash equivalents	13	(2.3)
(85.3)	Current Liabilities		(87.3)
(4.4)	Long Term provisions	20	(3.5)
(124.9)	Long Term borrowing	11	(123.0)
(9.6)	Capital Grants Receipts in Advance	19	(11.7)
(329.8)	Other Long Term Liabilities	11	(317.7)
(468.7)	Total Long Term Liabilities		(455.9)
296.1	Net Assets		342.8
(173.7)	Usable Reserves	3	(165.2)
(122.4)	Unusable Reserves	4	(177.6)
(296.1)	Total Reserves		(342.8)

The unaudited accounts, notes and accounting policies were authorised for issue by the Chief Finance Officer

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Cash Flow Statement

2020/21		Notes	2021/22
£m			£m
(17.5)	Net (surplus) or deficit on the provision of services		(14.7)
(66.6)	Adjust net (surplus) or deficit on the provision of services for non- cash movements	14	(32.1)
1.1	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	15	1.9
(83.0)	Net cash flows from operating activities		(44.9)
69.5	Net cash flows from investing activities	16	25.1
6.8	Net cash flows from financing activities	17	0.8
(6.7)	Net (increase) or decrease in cash and cash equivalents		(19.0)
(14.5)	Cash and cash equivalents at the beginning of the reporting period		(21.2)
(21.2)	Cash and cash equivalents at the end of the reporting period		(40.2)
(6.7)	Net decrease or (increase) in cash and cash equivalents		(19.0)



Notes to the Accounts - Accounting Policies

1.1 General Principles

The council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards. The core statements and the statement of group accounts have consistently applied the accounting policies below, where applicable, the statement of group accounts include additional accounting policies specific to the council's subsidiary undertaking, Hoople Limited.

The Accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Revenue and capital transactions are accounted for on an accruals basis where above the de-minimis thresholds, currently £5k for revenue and £10k for capital. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made. The capital de-minimis threshold means capital spend below this threshold can be treated as revenue expenditure.

Customer and client receipts are accounted for in the period to which they relate. The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Interest payable on external borrowings and interest income is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Debtors and creditors are included in the accounts on an actual basis where known, or on an estimated basis where precise amounts are not established at the year-end.

1.3 Borrowing Costs

Borrowing costs that can be directly attributed to acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Qualifying assets are assets that take a substantial period of time to get ready, which is sufficiently long enough for a material balance of borrowing to accrue. This will be applied to schemes lasting more than 12 months and with at least £10k of annual interest cost associated with the project.

1.4 Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are deemed to be 'on-call' investments, where investments can be recalled immediately.

1.5 Contingent liabilities

A contingent liability arises when an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within control of the council. Contingent liabilities are not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that an outflow of future economic benefits or service potential will be required then a provision is recognised in the year in which the probability occurs.

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Employee benefits

1.6 Benefits payable during employment

Employment benefits are accounted for according to the principles of accruals of expenditure. Short term compensated absences, such as annual leave, are recognised when employees render services that increase their entitlement to future compensated absences. These are measured as the additional amount that the council expects to pay as a result of unused entitlement at the balance sheet date, including employer's national insurance and pension contributions. The accumulated benefits are included in the balance sheet as a provision for accumulated absences. The amounts charged to the General Fund are reversed out through the Movement in Reserves Statement to the accumulated absences account in the balance sheet.

1.7 Termination benefits

Termination benefits are recognised in the surplus or deficit on the provision of services at the earlier of when the council can no longer withdraw an offer of benefits, or when the council recognises the costs of restructuring. Termination benefits are payable as a result of either:

- a) An employer's decision to terminate an employee's employment; or
- b) An employee's decision to accept voluntary redundancy.

Termination benefits are recognised immediately in the Surplus or Deficit on the Provision of Services.

1.8 Post-employment benefits

Employees of the council are members of three separate pension schemes;

- a) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- b) The NHS pension scheme (for Public Health transferred staff); and
- c) The Local Government Pension Scheme administered by Worcestershire County Council

Pension schemes are classed as either defined contribution or defined benefit plans. The above schemes provide defined benefits to members, built up during the time that employees work for the council.

The arrangements for the Teachers' scheme however mean that the liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and the education service revenue account is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

Staff transferred with an NHS pension are accounted for as members of an unfunded defined benefit scheme. Therefore, it would be extremely unlikely that local authorities would be able to identify the underlying scheme assets and liabilities for transferred staff.

The Local Government Pension Scheme is accounted for as a defined benefit scheme as follows:

- The liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method, that is, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees;
- Liabilities are discounted to their value at current prices using a discount rate of 2.1% (based on market yields and other factors);
- c) Assets are included in the Balance Sheet at their fair value determined through market or bid prices or using

professional valuations:

- d) The change in the net pension's liability is analysed into six components;
 - i. Current service cost: The increase in liabilities as a result of service earned in the year is allocated to the revenue account of the services for which the employee worked, within the Comprehensive Income and Expenditure Statement
 - ii. **Past service cost:** The increase in liabilities arising from a scheme amendment or curtailment whose effect relates to service earned in earlier years is debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.
 - iii. **Net Interest on the defined benefit liability:** The change during the period that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
 - iv. **Return on plan assets:** Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure but excludes amounts included in net interest on defined benefit liability.
 - v. **Actuarial gains and losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions previously made by the actuaries is included in Other Comprehensive Income and Expenditure.
 - vi. Contributions paid to the pension fund: Cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover amounts payable by the council to the pension fund in the year. In the Movement in Reserves Statement there is an appropriation to or from the Pensions Reserve to replace the notional costs of retirement benefits with the amounts payable to the pension fund in the year.

Further information on accounting for the pension fund is set out in the Statements.

1.9 Events after the balance sheet date

Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

There are two types;

- a) Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts; and
- b) Those that relate to conditions after the reporting period, which are not adjusted in the accounts, rather disclosed in the notes to the statements.

1.10 Extraordinary items

Where items of income and expenditure are material, the nature and amount is disclosed separately in the Comprehensive Income and Expenditure Statement or in the notes to the statements.

1.11 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise from a change in accounting policies or to correct a material error. Changes in estimates are accounted for prospectively, whereas changes in accounting policies are applied retrospectively.

Material errors in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.12 Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument, such as share capital) of another entity. They are valued in line with the requirements of IFRS 13, the fair value policy below provides more detail, the recognition and measurement of Financial Instruments is reported in accordance with IFRS 9.

1.13 Financial liabilities

A financial liability is an obligation to deliver cash (or another financial asset) to another entity.

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument and are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged is the amount payable for the year in the loan agreement. The council has two stepped interest rate loans, where the effective interest rate differs from the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

1.14 Financial assets

Following the adoption of IFRS9 in 2018/19 financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES. Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices the market price
- other instruments with fixed and determinable payments discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.17 Fair Value Measurement Policy.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The council has no equity instruments designated at fair value through other Comprehensive Income (FVOCI).

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not

1.15 Government grants and other contributions

Grants and contributions are recognised in the accounts when there is reasonable assurance that;

increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

- The council will comply with any conditions attached to them, and
- The grants or contributions will be received.

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has conditions that the council has not satisfied.

Grants and contributions funding capital expenditure that have been credited to the Comprehensive Income and Expenditure Statement are not proper income to the General Fund according to the capital control regime. These amounts are accounted for as follows;

- Where conditions of the grant are outstanding at the balance sheet date, they are recognised as Capital Grants Receipts in Advance. Once the conditions have been met the grant or contribution is transferred to the Comprehensive Income and Expenditure Statement.
- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, no conditions remain outstanding and the expenditure has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Adjustment Account. This reflects the application of capital resources to finance expenditure and is reported in the Movement in Reserves Statement.
- Where the capital grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account. When the expenditure is incurred the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure.

1.16 Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Rentals earned are recognised as income in the Comprehensive Income and Expenditure Statement on an accrued basis. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

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Management aim for a minimum return of 4% on investment assets.

Investment property value is measured at fair value in compliance with IFRS 13, the fair value measurement policy is provided below.

Gains and losses on revaluation are included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains or losses on disposal of an investment property are treated in the same way.

Gains or losses recognised in the Comprehensive Income and Expenditure Statement are not proper charges to the General Fund and are reversed out through the Movement in Reserves Statement as follows;

- a) On de-recognition of an investment property the disposal proceeds are credited to the Capital Receipts Reserve and the carrying amount of the property is debited to the Capital Adjustment Account.
- b) Gains or losses are reversed out to the Capital Adjustment Account.

1.17 Fair Value Measurement Policy

The Council measures some of its non-financial assets, such as investment properties and surplus assets, at fair value at each reporting date. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosure notes.

A definition of fair value is the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction at the measurement date under current market conditions.

A fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The concept of highest and best use applies only when determining the fair value of non-financial assets, e.g. surplus assets or investment property. They do not apply to financial assets or to financial liabilities on the basis that financial assets or financial liabilities do not have alternative uses.

Financial liabilities and assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

There are three tier levels in measuring fair value, these are:-

- Level 1 inputs quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 inputs inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs unobservable inputs for the asset or liability.

Where Level 1 inputs are not available expert valuers use valuation techniques appropriate for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Three widely used valuation techniques are: (i) market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business); (ii) cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost); (iii) income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts. There has been no change in the valuation techniques used during the year for investment properties.

For all investment properties where a fair value review is conducted, fair values are based on multiplying an estimated net income by an appropriate investment yield or having regard to the capital value of similar assets. The net income figure is based on market rent. All comparable evidence used for valuing this class of property has been ranked into three tier groups based upon the criteria below. All investment property fair value measurements have been assessed at tier level two and financial instruments have been assessed at tier level two or tier level three.

Criteria	Tier Level
Comparable evidence that is identical to the asset that is being measured in terms of:	1
Physical Location	
• Condition	
Orientation	
Levels of Natural Light	
• View	
Access and visibility	
Tenure and Covenants	
Construction Type and Cost	
Size and Layout	
• Facilities	
Lease Options	
Obsolescence	

Criteria	Tier Level
 Comparable evidence available within an active market of similar assets Comparable evidence for similar assets or liabilities in markets that are not active Non-value comparable evidence (e.g. yields) for similar asset types available Comparable evidence corroborated by observable market evidence Implied and non-implied covenants within the lease negating the need for comparable evidence Transparency of Market Data Minimal principal adjustment of comparable evidence, non-significant adjustment Comparable analysis 	2
 No comparable evidence available Unobservable inputs Comparable evidence requires significant adjustment from the principal market 	3

1.18 Leases

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards of ownership of a leased asset lie with the lessor or the lessee.

1.19 Finance leases

- a) Where the council is lessee finance leases are recognised as assets and liabilities at the fair value of the property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. Assets recognised under a finance lease are depreciated over the shorter of the lease term and the asset's useful economic life. Assets recognised under a finance lease are subject to revaluation in the same way as any other asset.
- b) Where the council is lessor assets held under a finance lease are recognised as a debtor equal to the net

investment in the lease. The lease payment receivable is treated as repayment of principal and interest. The only assets held under finance leases are Academy schools. These assets are transferred to the school under a peppercorn rent and treated as an asset disposal.

1.20 Operating leases

- a) Where the council is lessee an operating lease is recognised as an expense on a straight line basis over the lease term.
- b) Where the council is lessor the asset is recognised under the relevant category of assets. Costs, including depreciation, are recognised as an expense and income is recognised in the comprehensive income and expenditure statement on a straight-line basis over the lease term.

1.21 Arrangements containing a lease

Arrangements that do not take the legal form of a lease but convey the right to use an asset in return for payments, are assessed under IFRIC 4 to determine whether the arrangement contains a lease. This requires an assessment of whether:

- a) The arrangement depends on use of a specific asset
- b) The arrangement conveys the right to use the asset

If the arrangement contains a lease, that lease shall be reviewed and classified as a finance or operating lease.

1.22 Overheads and Support Services

Overheads and support services are represented in accordance with the council's arrangements for accountability and reporting of its financial performance.

1.23 PFI schemes

Private Finance Initiative (PFI) contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the property, plant and equipment used under the contracts on its Balance Sheet.

The original recognition of these property, plant and equipment at their fair value is balanced by the recognition of a liability for amounts due to the PFI provider.

Property, plant and equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI contractors each year are analysed into five elements:

- a) Fair value of the services received during the year debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- b) Finance cost a percentage interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement under Financing, investment income & expenditure.

- c) Contingent rent differences in the amount to be paid for the property arising during the contract, debited or credited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement.
- d) Payment towards liability applied to write down the Balance Sheet liability, current and long term, towards the PFI operator.
- e) Lifecycle replacement costs the annual payment implicit in the contract is funded and treated as a prepayment on the Balance Sheet and recognised as property, plant and equipment when the contractor incurs the expenditure.

The council has two traditional PFI contracts, one in partnership with Worcestershire County Council for the provision of waste management services and the other for the provision of Whitecross High School. The council also has one contract that falls within the definition of a similar contract to a PFI, which is the Shaw Healthcare contract for the provision of residential care services. Under the Shaw Healthcare contract the rent and service charges paid to Shaw by residents for the council's extra care flats at Leadon Bank have been treated as a contribution to the revenue costs of the units.

1.24 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use on the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used for more than a year.

1.25 Recognition

Property, plant and equipment is only recognised as an asset on the balance sheet if;

- a) it is probable that the future economic benefits or service potential will flow to the council, and
- b) the cost of the asset can be measured reliably.

Costs meeting the definition of recognition include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. The costs arising from day-to-day servicing of an asset are not capitalised as this does not add to the future economic benefits or service potential of the asset. The council does not capitalise property, plant and equipment costing less than the de-minimis thresholds, currently £10,000. The council also does not include assets on the councils asset register used to prepare the statement of accounts where the asset value is less than £100,000. Where a component is replaced or enhanced, the carrying amount of the old component is derecognised and the new component is reflected in the carrying amount on the assets valuation basis.

1.26 Schools

In line with accounting standards and the Code, schools are considered to be under the Council's control so the income, expenditure, current assets, liabilities and reserves are consolidated into the Council's accounts and included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to Academy, or Free School, status it is no longer under the control of the Council and, therefore, its income, expenditure, assets, liabilities and reserves are no longer consolidated into the Council's accounts.

The current value of schools is included using Depreciated Replacement Cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

1.27 Measurement

Assets are initially recognised at cost and accounted for on an accruals basis. The measurement of cost comprises:

- a) purchase price;
- b) any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management; and
- c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:

- a) Community assets and assets under construction historical cost.
- b) Land and buildings current value in accordance with Royal Institution of Chartered Surveyors guidelines. Where there is no market-based evidence of current value because of the specialist nature of the asset current value may need to be estimated using a depreciated replacement cost approach (DRC).
- c) Vehicles, plant and equipment depreciated historical cost (as a proxy for current value)

1.28 Revaluations

Assets included in the Balance Sheet held at current value are revalued where there have been material changes in the value in addition to a rolling programme ensuring that revaluations occur at least every five years. In addition to this an annual review of assets not revalued is completed to ensure carrying amounts are not materially different to the current fair value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve was created with a zero balance on 31 March 2007. Gains may be credited to the Provision of Services where they arise from the reversal of an impairment loss or revaluation decrease previously charged to a service revenue account.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation that is not specific to the asset the decrease is recognised in the Revaluation Reserve to eliminate the credit balance existing in respect of the asset and thereafter reflected in the Surplus or Deficit on the Provision of Services.

Revaluation gains and losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

When an asset is revalued, any accumulated depreciation and impairment is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

1.29 Depreciation

Depreciation is provided for on all assets classified as property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The valuer makes a professional assessment of the economic life remaining based on the age, condition and suitability of the asset. For the purposes of depreciation a nil residual value is assumed for all building assets. New assets are not subject to a depreciation charge in the year of acquisition.

Each part of an asset with a cost significant in relation to the total cost is depreciated separately where the useful

lives or depreciation methods of the components are different. The council reviews assets of £3m and over for componentisation and treats components of at least 20% of the asset value as being significant. This applies to enhancement expenditure and revaluations carried out from 1 April 2010. Where a component is replaced or restored, the carrying amount of the old component is derecognised.

Depreciation charged to the Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund and is transferred to the Capital Adjustment Account. This is reported in the Movement in Reserves Statement. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

1.30 Impairments

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. At the end of each financial year assets are assessed for any indications of impairment and if there are then the recoverable amount shall be estimated. Circumstances that indicate an impairment may have occurred include;

- a) A significant decline in an asset's value during the year, which is specific to the asset
- b) Evidence of obsolescence or physical damage of an asset
- c) A commitment by the council to undertake a significant re-organisation
- d) A significant adverse change in the statutory or other regulatory environment in which the council operates

General Fund service revenue accounts, central support services and trading accounts are charged with impairment losses (in excess of any balance on the revaluation reserve). An impairment on revalued assets is recognised in the Revaluation Reserve to the extent that the impairment does not exceed the amount held in the Revaluation Reserve for the same asset and thereafter in the Surplus or Deficit on the Provision of Services.

1.31 Asset held for sale

An asset is transferred to this category when the asset is available for immediate sale, an active programme to locate a buyer is initiated, the sale is highly probable within 12 months of classification as held for sale (subject to limited exceptions), the asset is being actively marketed for sale at a sales price reasonable in relation to its current value and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

At the point of transfer the asset is immediately revalued to fair value and is included within current assets at the lower of this amount or fair value less cost to sell.

1.32 Disposals

The carrying amount of an asset is derecognised on disposal and the gain or loss on disposal of the asset is included in the Surplus or Deficit on the Provision of Services. This is not a proper charge to the General Fund and is reversed out by;

- a) Crediting the Capital Receipts Reserve with the disposal proceeds; and
- b) Debiting the Capital Adjustment Account with the carrying amount of the asset on disposal.

Any balance on the Revaluation Reserve is written off to the Capital Adjustment Account on disposal of the asset.

Where appropriate the costs of disposal are financed from the capital receipts generated up to a maximum of 4% of the capital receipt.

1.33 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue Expenditure Funded from Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council. Expenditure is charged to the Surplus or Deficit on the Provision of Services as it is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

1.34 Agency arrangements

Where the council acts an agent, that is where it acts as an intermediary in the flow of funds to other parties, these transactions are included in an agency note to the accounts only, with any funds held at the year-end included in the balance sheet.

1.35 Pooled budgets

Pooled budgets exist where neither partner has sole control of the pooled fund. These arrangements meet the definition of a joint operation, where the partners have joint control over the arrangement, the rights to the arrangements assets and obligations for the arrangements liabilities.

1.36 Provisions

A provision is recognised when:

- a) An authority has a present obligation (legal or constructive) as a result of a past event;
- b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c) A reliable estimate can be made of the amount of the obligation.

Provisions are charged to the cost of services when the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are made they are charged to the provision set up in the balance sheet.

1.37 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate revenue account and included in the Cost of Services. The reserve is then appropriated back through the Movement in Reserves Statement so that there is no charge against council tax for the expenditure.

1.38 Unusable reserves

The council has a number of unusable reserves which are kept to manage the accounting processes for non-current assets, financial instruments, the collection fund, retirement and employee benefits. These are not usable resources.

1.39 Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

1.40 Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (minimum revenue provision), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

The minimum revenue provision (MRP) is calculated as follows:-

- MRP on supported borrowing is written down on an annuity basis with an annuity rate of 2%.
- MRP on unsupported borrowing incurred before 1 April 2008 will be written down on a straight line basis over the asset life.
- MRP on unsupported borrowing from 1 April 2008 onwards is written down on an annuity basis with an annuity rate of 3%.
- MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year.

1.41 Value added tax

Revenue included in the Comprehensive Income and Expenditure Statement is only the amount relating to the council on its own behalf and therefore excludes VAT that must be passed on the HM Revenue and Customs. VAT is only included in the accounts to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of creditors or debtors.

1.42 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable

The sale of goods; revenue is recognised when all the following conditions have been satisfied:

- a) the significant risks and rewards of ownership have been transferred to the purchaser
- b) the council retains neither continuing managerial involvement nor effective control over the goods sold
- c) the amount of revenue can be measured reliably
- d) it is probable that the economic benefits or service potential associated with the transaction will flow to the purchaser, and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The rendering of services; when the outcome of a transaction can be estimated reliably, associated revenue is recognised according to the percentage completed at the reporting date. The following conditions need to be satisfied;

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a. the amount of revenue can be measured reliably

- b. it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- c. the stage of completion at the balance sheet date can be measured reliably; and
- d. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest; revenue is recognised when;

- a) it is probable that the economic benefits or service potential associated with the transaction will flow to the council; and
- b) the amount of the revenue can be measured reliably.

Non-exchange transactions; occur when the council receives or gives value from another without directly giving or receiving an approximate equal value in exchange, for example council tax and business rate income. This revenue is recognised when;

- a. it is probable that the economic benefits or service potential associated with the transaction will flow to the council; and
- b. the amount of the revenue can be measured reliably.

1.43 Interests in Companies and Other Entities

An assessment of the council's interests has been carried out in accordance with the CIPFA Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the councils control and significant influence over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors, and materiality. These accounts have been prepared on a single entity basis with the Statement of Group accounts representing the position for the council and its subsidiary undertaking Hoople Limited. Interests in other entities are recorded as financial assets at cost, less any provision for losses, or at valuation as appropriate.

West Mercia Energy

West Mercia Energy (WME) operates as a joint arrangement with Herefordshire, Shropshire, Worcestershire and Telford and Wrekin councils. The Joint Agreement states that each Member Authority takes an equal share, being 25%, of any assets of the Joint Committee, at £0.3m this is considered not material. The financial advantage of bulk purchasing arrangements is reflected in the Comprehensive Income and Expenditure Statement.

South West Audit Partnership

Herefordshire Council has an internal audit function provided by the South West Audit Partnership (SWAP). SWAP is a not-for-profit organisation providing internal audit services to 24 local authorities' partner bodies. Upon joining SWAP each partner can nominate a director to the board, Herefordshire Council have done this. This represents the ability to work with other partners to provide feedback on services received. During 2021/22 Herefordshire Council paid SWAP £0.3m for their internal audit services (2020/21 £0.3m).

Cyber Quarter Limited

Cyber Quarter Limited is the company that owns and operates the Midlands Cyber Centre. On 29 March 2019 the council became a shareholder in Cyber Quarter Limited, taking a 19% shareholding, at a cost of £1 per share, the remaining shares are held by the University of Wolverhampton.

A Joint Venture with the University of Wolverhampton, the construction of a £9m Midlands Centre for Cyber Security on the Hereford Enterprise Zone completed in 2020 following a delay due to Covid-19. The Centre will create a range of opportunities in the growing cyber security sector in Herefordshire.

1.44 Tax Income (Council Tax and Non Domestic Rates (NDR))

Retained Business Rate and Top-up income included in the Comprehensive Income and Expenditure Statement for

the year will be treated as accrued income.

1.45 Council Tax

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

NDR, Top-up and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued NDR and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

NDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably.

Revenue relating to Council Tax and general rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.46 Accounting standards that have been issued but have not yet been adopted

The accounting standards the Council must follow when preparing the Statement of Accounts are now endorsed by the UK instead of the EU.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom, these are:

- Amendments to IFRS 3 Business Combinations Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2) None of these amendments are expected to have an impact on the Council's accounts in future years.

IFRS 16 Leases. This standard introduces new presentation and disclosure requirements in relation to arrangements that convey the right to use an asset. Following the outcome of the FRAB review, CIPFA LASAAC formally announced the decision to refer the implementation of IFRS 16 for local authorities until 1 April 2024. The impact of this change is expected to be immaterial in value.

1.47 Critical judgements in applying accounting policies

In applying accounting policies the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in these Statement of Accounts are:

- The council is deemed to control the services provided by Shaw Healthcare under the contract for the
 development and provision of residential homes and day care centres. The accounting policies for PFI schemes
 and similar contracts have been applied to the arrangement with the associated non-current assets included in
 the balance sheet with a corresponding finance liability.
- The council has relationships with a number of companies as detailed in the accounts and it has been determined that it will prepare group accounts to report its group position for the Council and its subsidiary, Hoople Limited.

- Herefordshire Council has committed to guarantee any deficit shortfall that may arise in Hoople Limited's Local Government Pension Scheme. For this reason both entities will be treated as a single entity for the purpose of determining contributions falling due and the council accounts report the combined deficit position.
- The council has determined that its accountable body status between the new Hereford University the New Model in Technology & Engineering (NMiTE), and the Department for Education represents an agency arrangement and has disclosed this in note 23.
- The council accounts include all transactions made by schools, and the assets utilised by these schools unless the school is an academy or a free school, these entities are excluded.

1.48 Assumptions made about the future and major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The estimations and assumptions continue to reflect the uncertainty of the global outbreak of the Covid-19 virus pandemic. There remains a significant risk of material adjustment in the forthcoming financial year for the following items in the council's Balance Sheet at 31 March 2022.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The pension fund actuary Mercer Limited is employed by the pension fund to provide expert advice about the assumptions to be applied. There is no certainty as to what effect the ongoing pandemic will have on future life expectancy. The vaccination programme and social distancing measures taken so far may reduce the prevalence of other contagious diseases, so an increase in average life expectancy could arise. However, if future variants are not able to be controlled by vaccines, average life expectancy could decrease.	Changes in any of the assumptions can have a significant effect on the pension liability shown in the accounts. An increase in the discount rate used of 0.1% would decrease the liability stated by £12.8m. An increase of 0.1% in the inflation rate used would increase the stated liability by £13.0m. An increase of 0.1% in the rate of pay growth used would increase the stated liability by £1.1m. A one year increase in the assumed life expectancy would increase the stated liability by £23.0m. However, the assumptions interact in complex ways, the re-measurement of the net liability in 2021/22 resulted in a decrease of £23.2m.
Non-current assets - depreciation	Non-current assets held on the Balance Sheet have an estimated useful life. This is based the professional judgement of officers and external valuers.	Depreciation is applied on a straight line or reducing balance basis over the useful life of the asset. Variations to the useful life will alter the amount of depreciation

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Item	Uncertainties	Effect if actual results differ from assumptions
		charged to the Comprehensive Income and Expenditure Statement. The impact of this is minimised by a review of the useful life of an asset being undertaken at each valuation.
Provisions	A reliable estimate of sums falling due in future years have been included as year-end provisions, the most significant being in relation to business rate appeals, potential legal litigation cases and potential insurance claims.	Actual settlements could differ from the independent, professionally valued estimate provided for. Where the actual settlement is less unused provisions are released to the Comprehensive Income and Expenditure Statement. Where settlements exceed the provision value earmarked reserve funding is released.
Land and Buildings	At the current time, it is not possible to accurately predict the ongoing impact of Covid-19 on the economy. As at 31 March 2022 material valuation uncertainty remains but is contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base critical judgements.	The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of Covid-19 on these sectors and the difficulty in differentiating between short term impacts and longer term structural market changes, valuations will be kept under frequent review.
Investment properties	As they are valued on a Market Value basis and can be more susceptible to valuation swings, linked to underlying market conditions and other asset specific changes; Investment Properties are subject to an annual valuation review and update to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date. At the current time, it is not possible to accurately predict the ongoing impact of Covid-19 on the economy.	A 1% movement in Investment Property valuations would result in a £0.6m movement in the valuation of Investment Properties.
Property, plant, equipment and investment properties	A full valuation of assets held is completed in accordance with the professional standards of the Royal Institution of Chartered Surveyors at least every 5 years. In addition an annual impairment and valuation review is carried out for properties not valued in the year.	There is a risk of an adjustment in the year when the property is revalued. The risk of value misstatement of a fair value to its carrying value is reviewed annually and amended where considered significant. All assets requiring an independent professional valuation were valued in 2020/21 or 2021/22 therefore the risk of a value misstatement is considered to be

Item	Uncertainties	Effect if actual results differ from assumptions
		low.
		The impact of Covid-19 on asset values is being kept under review



2. Expenditure and Funding Analysis 2021/22

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax payers how the funding available to the Council for the year (i.e. government grants, rents, council tax and business rates) has been applied in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Adjustm ar	•				
2021/22	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (1)	Net change for pension adjustments	Other adjustments (2)	Total	Net Expenditure in CIES
	£m	£m	£m	£m	£m	£m
Children and Young People	45.0	(1)	0.8	-0.1	(0.3)	44.7
Community Wellbeing	58.1	0.1	0.7	(1.4)	(0.6)	57.5
Economy and Environment	27.1	7.1	0.5	(4.1)	3.5	30.6
Corporate Services	35.0	(5.6)	6.1	8.2	8.8	43.8
Net cost of services	165.2	0.6	8.1	2.7	11.3	176.6
Other income and expenditure	(138.2)	(45.7)	5.9	(13.3)	(53.1)	(191.3)
Total (surplus) / deficit	27.0	(45.1)	14.0	(10.6)	(41.7)	(14.7)
Opening general fund balance as at 1 April 2021	(114.7)					
(Surplus) / deficit on general fund	8.6					
Closing general fund balance as at 31 March 2022	(106.1)					

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Comparative EFA 2020/21

		Adjustm ar				
2020/21	Net expenditure chargeable to the General Fund	Adjustments for capital purposes (1) (Restated)	Net change for pension adjustments (Restated)	Other adjustments (2)	Total	Net Expenditure in CIES (Restated)
	£m	£m	£m	£m	£m	£m
Children and Young People	36.8	1.3	1.0	(3.2)	(0.9)	35.9
Community Wellbeing	50.1	0.8	0.8	(1.2)	(0.4)	50.5
Economy and Environment	33.1	25.8	0.7	(1.4)	25.1	58.3
Corporate Services	47.1	(7.6)	0.6	(9.7)	(16.7)	30.3
Net cost of services	167.1	20.5	3.1	(15.6)	7.9	175.0
Other income and expenditure	(193.2)	(38.5)	6.2	33.0	0.7	(192.5)
Total (surplus) or deficit	(26.1)	(18.2)	9.3	17.5	8.6	(17.5)
Opening general fund balance as at 1 April 2020	(88.6)					
(Surplus)/deficit on general fund	(26.1)					
Closing general fund balance as at 31 March 2021	(114.7)					

Note (1) to EFA Adjustments between the funding and accounting basis for capital purposes

2021/22	۳ De- B capitalisation	B Depreciation	æ REFCUS	MRP P	m ₃ RCCO	E Loss on disposals	Revaluations	Finance lease	ക Capital grants 3	Total
Children and Young People	-	3.6	-	-	-	-	(4.6)	-	-	(1.0)
Community Wellbeing	-	0.4	0.2	-	-	-	(0.5)	-	-	0.1
Economy and Environment	-	10.4	-	-	-	-	(3.3)	-	-	7.1
Corporate Services	-	2.2	0.1	(7.9)	-	-	-	-	-	(5.6)
Net cost of services	-	16.6	0.3	(7.9)	-	-	(8.4)	-	-	0.6
Other operating expenditure	-	-	0	-	(0.3)	(0.5)	(27.7)	-	(17.1)	(45.6)
Total	-	16.6	0.3	(7.9)	(0.3)	(0.5)	(36.1)	-	(17.1)	(45.0)

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Comparative Note (1) to EFA Adjustments between the funding and accounting basis for capital purposes (Restated)

2020/21	ہے De- B capitalisation	Depreciation	REFCUS	MRP	## RCCO	ന്ന Loss on B disposals	Revaluations B	ጽ Finance lease 3	Capital grants	Total
Children and Young People	-	3.3	-	-	-	-	(2.0)	-	-	1.4
Community Wellbeing	-	0.3	0.2	-	-		0.3	-	-	0.8
Economy and Environment	-	10.2	-	-		-	15.6	-	-	25.9
Corporate Services	-	1.9	0.2	(9.7)	-	-	-	-	-	(7.6)
Net cost of services	-	15.7	0.4	(9.7)	-	-	13.9	-	-	20.3
Other operating expenditure	10.9	-	-	-	(0.4)	1.2	(7.5)	(0.3)	(42.5)	(38.5)
Total	10.9	15.7	0.4	(9.7)	(0.4)	1.2	6.4	(0.3)	(42.5)	(18.2)

Note (2) to EFA Adjustments between the funding and accounting basis for other purposes

	2020/21 (R	Restated)				202	21/22	
Total £m	PFI £m	Collection fund £m	Recharges & movements £m		Recharges & movements £m	Collection Fund £m	PFI £m	Total £m
(3.1)	(1.8)	-	(1.3)	Children and Young People	1.8	-	(1.8)	-
(1.2)	(1.0)	-	(0.2)	Community Wellbeing	(0.4)	-	(1.0)	(1.4)
(1.4)	(3.8)	-	2.4	Economy and Environment	(0.6)	-	(3.5)	(4.1)
(9.8)	-	-	(9.8)	Corporate Services	8.2	-	-	8.2
(15.5)	(6.6)	-	(8.9)	Net cost of services	9.0	-	(6.3)	2.7
33.0	6.6	17.0	9.4	Other operating expenditure	(7.9)	(11.7)	6.3	(13.3)
17.5	-	17.0	0.5	Total	1.1	(11.7)	-	(10.6)

Material Items of Income and Expense

There were no material items of income and expense included the Comprehensive Income and Expenditure Account for 2021/22.

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Events after the Balance Sheet Date

The draft unaudited Statement of Accounts was authorised for issue on 30 June 2022 by the Section 151 Officer. Events taking place after this date are not reflected in the financial statements or notes.

3. Movement in Usable Reserves Analysis

2021/22 Movements	General Fund Revenue	Earmarked Reserves	Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£m	£m	£m	£m	£m	£m
Opening balance	(9.1)	(105.6)	(114.7)	(44.6)	(14.3)	(173.6)
(Surplus)/deficit on provision of services	(14.7)	-	(14.7)		-	(14.7)
Depreciation	(16.6)	-	(16.6)	-	-	(16.6)
Decapitalisation of assets	-	-	-	-	-	-
Impairment / downwards revaluation	13.7	-	13.7	-	-	13.7
Net revenue expenditure funded by capital under statute	(0.3)		(0.3)	-	-	(0.3)
Net book value of assets sold	(1.4)	-	(1.4)	-	-	(1.4)
Capital receipts from assets sold	1.9		1.9	(1.9)	-	-
Adjustments for Council Tax and NDR Receivable	11.7		11.7	-	-	11.7
Capital Financed by Receipts	-	-	-	3.2	-	3.2
Revenue Contribution to Capital Outlay	0.3	-	0.3	-	-	0.3
Minimum Revenue Provision (MRP)	10.7	-	10.7	-	-	10.7
Short term leave adjustment	0.5	_	0.5	-	-	0.5
Reversal of IAS19 Pension Charges	(14.4)	-	(14.4)	-	-	(14.4)
Reverse finance lease liability	-	-	-	-	-	-
Capital grants unapplied	7.9	-	7.9	-	(7.9)	-
Capital Financed by Grants and Contributions	9.3	-	9.3	-	6.4	15.7
Transfer to/from reserves	(9.1)	9.1	-	-	-	-
Total movement	(0.5)	9.1	8.6	1.3	(1.5)	8.4
Closing balance	(9.6)	(96.5)	(106.1)	(43.3)	(15.9)	165.2

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Movement in Usable Reserves 2020/21 Comparative Movements

Comparative 2020/21 Movements	General Fund Revenue	Earmarked reserves	Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
On only of allows	£m	£m	£m	£m	£m	£m
Opening balance	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)
(Surplus)/deficit on provision of services	(17.5)	-	(17.5)	-	-	(17.5)
Depreciation	(15.8)	-	(15.8)	-	-	(15.8)
Decapitalisation of assets	(10.90		(10.9)	-	-	(10.9)
Impairment / downwards revaluation	(6.5)	-	(6.5)	-	-	(6.5)
Net revenue expenditure funded by capital under statute	(0.4)	-	(0.4)	-	-	(0.4)
Net book value of assets sold	(2.3)	-	(2.3)	-	-	(2.3)
Capital receipts from assets sold	1.1	-	1.1	(1.1)	-	-
Adjustments for Council Tax and NDR Receivable	(17.0)	-	(17.0)	_	-	(17.0)
Capital Financed by Receipts	-	-	-	0.7	-	0.7
Revenue Contribution to Capital Outlay	0.4	-	0.4	-	-	0.4
Minimum Revenue Provision (MRP)	9.7	-	9.7	-	-	9.7
Short term leave adjustment	(0.5)	-	(0.5)	-	-	(0.5)
Reversal of IAS19 Pension Charges	(9.3)	-	(9.3)	-	-	(9.3)
Reverse finance lease liability	0.3	-	0.3	-	-	0.3
Capital grants unapplied	9.3	-	9.3	-	(9.3)	-
Capital Financed by Grants and Contributions	33.3	-	33.3	-	3.6	36.9
Transfer to/from reserves	26.1	(26.1)	-	-	-	-
Total movement	-	(26.1)	(26.1)	(0.4)	(5.7)	(32.2)
Closing balance	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)

4. Movement in Unusable Reserves Analysis

Part	2024/22	10			10				
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Depreciation								_ `	
Depreciation	Opening balance							-	
Revaluations and Impairments					1				
Impairments									
Net revenue expenditure funded by capital under statute		-	(13.7)	-	-	-	-		(13.7)
Expenditure funded by capital under statute								-	
by capital under statute Color C									
Statute		-	0.3	-	-	-	-		0.3
Net book value of assets sold									
Adjustments for Council tax and NDR Co								-	
Adjustments for Council tax and NDR receivable Capital Financed by Receipts Provision for the Redemption of Debt Revenue Contribution to Capital Outlay Reversal of IAS 19 Pensions Charges Net movement on Revaluation Reserve Short term leave adjustment Actuarial Gain/Loss on Pensions Capital Financed by Grants and Contributions Reverse finance lease liability Reverse finance lease liability Reverse finance Revaluation Reserve Last Reverse finance Reverse finance Revaluation Revaluation Reverse finance Reve		-	1.4	-	-	-	-	_	1.4
Council tax and NDR receivable receivable - (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (3.2) (10.7) (10.7)								_	
Teceivable		_	_	(11.7)	_	_	_	_	(11.7)
Capital Financed by Receipts - (3.2) - - - - (10.7)		_	_	(11.7)		_	_		(11.7)
Receipts								_	
Provision for the Redemption of Debt Capital Frequent Contribution to Capital Outlay Reversal of IAS 19 Pensions Charges Capital Frequent Capital Outlay Capital Frequent		-	(3.2)	-	-	-	-	_	(3.2)
Redemption of Debt Revenue Contribution to Capital Outlay Contribution Charges									
Revenue Contribution to Debt Reversal of IAS 19 Pensions Charges		-	(10.7)	-	-	-	-	-	(10.7)
Contribution to Capital Outlay Reversal of IAS 19 Pensions Charges Net movement on Revaluation Reserve Short term leave adjustment Actuarial Gain/Loss on Pensions Capital Financed by Grants and Contributions Reverse finance lease liability Depreciation Revaluation Revaluation Revaluation Adjustment PFI Liability DSG Closedown 2021/22 Overspend Total movement (0.3)									
Capital Outlay - - - - 14.4 - - 14.4 Net movement on Revaluation Reserve - (1.5) - - - (7.2) - (8.7) Short term leave adjustment (0.5) - - - - - (0.5) Actuarial Gain/Loss on Pensions - - - - - (23.5) - - (23.5) Capital Financed by Grants and Contributions -			(0.0)	\				-	(0.0)
Reversal of IAS 19		-	(0.3)	-	-	-	-		(0.3)
Pensions Charges - - - - - - - - -									
Net movement on Revaluation Reserve		-	-	_	-	14.4	-	-	14.4
Revaluation Reserve									
Short term leave adjustment (0.5) (0.5) Actuarial Gain/Loss on Pensions (23.5) (23.5) Capital Financed by Grants and Contributions Reverse finance lease liability		-	(1.5)	-	-	-	(7.2)	-	(8.7)
Actuarial Gain/Loss on Pensions - - - - -			(-)				()		(- /
Actuarial Gain/Loss on Pensions		(0.5)	-	_	_	_	_	-	(0.5)
on Pensions - - - (23.5) - (23.5) - (23.5) - (23.5) - (23.5) - (23.5) - (23.5) - (23.5) - (23.5) -		(3.3)							(0.0)
Capital Financed by Grants and Contributions - (15.7)		-	-	-	_	(23.5)	_	-	(23.5)
Grants and Contributions - (15.7) (15.7) Reverse finance lease liability						(=0.0)			(====)
Contributions Reverse finance lease liability - Depreciation - Revaluation - Adjustment - PFI Liability - Move DSG Op Bal from Earmarked - Reserve to Unusable - Reserve - DSG Closedown - 2021/22 Overspend - Total movement (0.5) (27.0) (11.7) - -)					-	
Reverse finance lease liability -		- \	(15.7)	-	-	-	-		(15.7)
Lease liability									
Depreciation Revaluation			_	_	_	_	_	-	_
Revaluation Adjustment - <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>									
Adjustment (0.2)								-	
PFI Liability - (0.2) - - - - (0.2) Move DSG Op Bal from Earmarked Reserve to Unusable Reserve - - - - - - - (0.4) <td></td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td> -</td> <td> -</td> <td></td> <td>-</td>		-	-	-	-	-	-		-
Move DSG Op Bal from Earmarked Reserve to Unusable Reserve - - - - - (0.4) (0.4) DSG Closedown 2021/22 Overspend - - - - - - 0.7 0.7 Total movement (0.5) (27.0) (11.7) - (9.1) (7.2) 0.3 (55.2)			(0.0)						(0.0)
from Earmarked Reserve to Unusable Reserve DSG Closedown 2021/22 Overspend (0.4) 0.7 Total movement (0.5) (27.0) (11.7) - (9.1) (7.2) 0.3 (55.2)		-	(0.2)	-	-	-	-	-	(0.2)
Reserve to Unusable Reserve									
Reserve 10 Onusable Reserve		_	_	_	_	_	_		(0.4)
DSG Closedown 2021/22 Overspend - - - - - 0.7 0.7 Total movement (0.5) (27.0) (11.7) - (9.1) (7.2) 0.3 (55.2)								(0.4)	(01.)
2021/22 Overspend 0.7 Total movement (0.5) (27.0) (11.7) - (9.1) (7.2) 0.3 (55.2)									
Total movement (0.5) (27.0) (11.7) - (9.1) (7.2) 0.3 (55.2)		_	_	_	_	_	_		0.7
								1	
Total Reserves 2.9 (315.6) 1.9 0.4 273.3 (140.9) 0.3 (177.6)									
	Total Reserves	2.9	(315.6)	1.9	0.4	273.3	(140.9)	0.3	(177.6)

Movement in unusable reserves analysis 2020/21 comparative movements

2020/21 comparative Movements	Short Term Absences Account	Capital Adjustment Account	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Revaluation Reserve	Total Unusable Reserves
	£m	£m	£m	£m	£m	£m	£m
Opening balance	2.9	(272.0)	(3.4)	0.4	260.2	(122.5)	(134.4)
Depreciation	-	15.8	-	-	-	-	15.8
Revaluations and Impairments	-	6.5	-	-	-	-	6.5
Net revenue expenditure funded by capital under statute	1	0.4	-	-	-	-	0.4
Net book value of assets sold	-	1.7	-	-	-	0.6	2.3
Adjustments for Council tax and NDR receivable	-	-	17.0	-	-	-	17.0
Capital Financed by Receipts	-	(0.7)	-		-	-	(0.7)
Provision for the Redemption of Debt	-	(9.7)	-			-	(9.7)
Revenue Contribution to Capital Outlay	_	(0.4)	-	-	-	-	(0.4)
Reversal of IAS 19 Pensions Charges	-	-	-	-	9.3	-	9.3
Net movement on Revaluation Reserve	-	-	-	-	-	(15.7)	(15.7)
Short term leave adjustment	0.5	-	-	-	-	-	0.5
Actuarial Gain/Loss on Pensions	-	-	-	-	13.0	-	13.0
Capital Financed by Grants and Contributions	-	(36.9)	-	-	-	-	(36.9)
Reverse finance lease liability	-	(0.3)	-	-	-	-	(0.3)
Depreciation Revaluation Adjustment	-	(3.9)	-	-	-	3.9	-
Total movement	0.5	(16.5)	17.0	-	22.2	(11.2)	12.0
Total Reserves	3.4	(288.5)	13.6	0.4	282.4	(133.7)	(122.4)

5. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to the General Fund in 2021/22.

Reserve	01/04/21 £m	Transfer out £m	Transfer in £m	31/03/22 £m
Financial Resilience	(14.4)	1.2	(4.2)	(17.4)
Business Rates Smoothing	(9.2)	0.2	(2.0)	(11.0)
College Road Campus Maintenance	(0.4)	-	(0.1)	(0.5)
School Balances	(10.3)	1.5	(0.5)	(9.3)
Tourism Projects	(0.1)	0.1	(0.1)	(0.1)
Economic Growth	-	-	(0.1)	(0.1)
Waste Disposal	(8.3)	2.8	(2.4)	(7.9)
Settlement Monies	(3.3)	-	-	(3.3)
Risk Mitigation	(2.9)	2.9	-	-
Technology Enabled Communities	(1.5)	-	-	(1.5)
Remedial Roadworks	(0.1)	-	-	(0.1)
Additional Pension Costs	(2.5)	-	(2.3)	(4.8)
Whitecross School PFI	(1.6)	-	(0.2)	(1.8)
Severe Weather Fund	(1.1)	-	<u>-</u>	(1.1)
Adult Social Care Integration	(1.6)	-	(0.8)	(2.4)
Children's Improvement Proposals	(5.2)	5.2	(1.9)	(1.9)
Short Breaks	(0.2)	0.2	-	-
ICT	(0.5)	0.1	-	(0.4)
Learning Disability	(1.1)	0.5	-	(0.6)
Recovery and Invest Fund	(0.5)	-	-	(0.5)
Knowledge Management System	_	-	(0.3)	(0.3)
Social Care Contingency	(0.5)	0.1		(0.4)
Other small reserves	(8.1)	1.2	(1.2)	(8.1)
Unused grants carried forward	(32.2)	21.2	(12.1)	(23.1)
Total	(105.6)	37.2	(28.1)	(96.5)

The note above incorporates the recommendations from the annual review of the earmarked reserves reported to Cabinet in October 2021.

6. Nature of Expenses Disclosure

An analysis of the authority's expenditure and income included in the Comprehensive Income and Expenditure Account is as follows;

2020/21		2021/22
£m		£m
	Income	
(43.1)	Fees, charges and other service income	(35.1)
(3.2)	Trading and investment income	(12.0)
(3.2)	Interest and investment income	(2.5)
(132.7)	Income from council tax and non-domestic rates	(149.6)
(266.0)	Government grants and contributions	(251.5)
-	Loss on disposal of non-current assets	(0.5)
(448.2)	Total Income	(451.2)
	Expenditure	
121.2	Employee benefits expenses	138.2
237.7	Other service expenses	252.7
5.7	Support service recharges (net)	6.6
1.2	Loss on disposal of non-current assets	-
36.9	REFCUS, depreciation, amortisation and impairment	15.1
8.1	Trading and investment expenditure	4.3
14.8	Interest Expenditure	14.5
5.1	Precepts and levies	5.1
430.7	Total Expenditure	436.5
(17.5)	(Surplus) or Deficit on the Provision of Services	(14.7)

Following the reporting requirements stipulated by the Code on accounting for schools, the local authority single entity financial statements include an analysis of the income and expenditure of the authority's maintained schools as if it were the expenditure of the authority. Voluntary Aided (VA) and Trust school employees are not the employees of the authority but, as indicated above, are required to be consolidated into the single entity financial statements of the local authority (i.e. as employee expenditure). The total of employee expenses in respect of VA and Trust schools was £18.9m in 2021/22 (£17.8m in 2020/21)

7. Other Operating Expenditure

2020/21		2021/22
£m		£m
4.9	Parish Council precepts	4.9
0.2	Levies	0.2
1.2	(Gains)/losses on the disposal of non-current assets	(0.5)
6.3	Total	4.6

8. Financing and Investment Income and Expenditure

2020/21		2021/22
£m		£m
8.6	Interest payable and similar charges	8.6
6.2	Pensions net interest and admin charge	5.9
(2.9)	Interest receivable	(2.5)
4.9	Income and expenditure in relation to trading accounts/investment properties and changes to their fair value, note 22	(7.7)
(0.3)	Other investment income	-
16.5	Total	4.3

9. Taxation and Non Specific Grant Income

2020/21		2021/22
£m		£m
(114.2)	Council tax income	(121.2)
(18.5)	Non domestic rates	(28.4)
(42.4)	Non-ring fenced government grants	(33.5)
(42.5)	Capital grants and contribution	(17.1)
2.3	Capital Grants Repaid	-
(215.3)	Total	(200.2)

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10. Property, Plant and Equipment

Cost 2021/22	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets Under Construction & WIP	Sub total	Investment Assets	Intangibles & Other Assets	Heritage Assets	Assets Held for Sale	Total Property, Plant & Equipment	PFI assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2021	370.8	8.2	369.3	1.6	4.0	-	753.9	38.7	0.2	3.2	-	796.0	36.5
Additions	3.2	0.9	23.4	-	0.2	-	27.7	2.5	0.2	-	-	30.4	0.3
Disposals	(0.5)	-	-	-	-	-	(0.5)	(1.0)	-	-	-	(1.5)	-
Revaluation	16.6	-	-	-	0.5	-	17.1	5.3	-	-	(0.1)	22.3	4.2
Reverse Acc dep'n	(4.1)	-	-	-	-	-	(4.1)	-	-	-	-	(4.1)	(1.2)
Asset Transfers	(9.9)	-	-	-	(0.7)	-	(10.6)	10.0	-	-	0.6	-	-
Other movements	-	(2.4)	(11.5)	-	-	-	(13.9)	-	-	-	-	(13.9)	-
At 31 March 2022	376.1	6.7	381.2	1.6	4.0	-	769.6	55.5	0.4	3.2	0.5	829.2	39.9
Depreciation/ amortisation													
Opening balance at 1 April 2021	(0.4)	(4.9)	(100.0)	-	-	-	(105.3)	-	-	-	-	(105.3)	(0.2)
Charge for the year	(6.1)	(1.1)	(9.3)	-	-	-	(16.5)	-	(0.1)	-	-	(16.6)	(1.2)
Reverse Acc dep'n	4.1	_	-	-	-	-	4.1	-	-	-	-	4.1	1.2
Other movements	_	2.4	11.5	-	-	-	13.9	-	-	-	-	13.9	-
At 31 March 2022	(2.4)	(3.6)	(97.8)	-	-	-	(103.8)	-	(0.1)	-	-	(103.9)	(0.2)
Carrying amount at March 2022	373.7	3.1	283.4	1.6	4.0	-	665.8	55.5	0.3	3.2	0.6	725.4	39.7
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening carrying amount at 1 April 2021	370.4	3.3	269.3	1.6	4.0	-	648.6	38.7	0.2	3.2	-	690.7	36.4

Cost 2020/21	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets Under Construction & WIP	Sub total	Investment Assets	Intangibles	Heritage Assets	Assets Held for Sale	Total Property, Plant & Equipment	PFI assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2020	334.7	6.9	357.6	8.1	4.9	5.0	727.2	33.8	0.2	3.2	3.3	767.7	42.0
Additions	9.3	1.5	23.8	-	-	2.7	37.3	9.7	0.1	-	-	47.1	0.4
Disposals	-	-	-	-	-	-	-	(0.5)	-	-	(1.8)	(2.3)	-
Revaluation	12.6	-	-	-	(0.2)	-	12.4	(7.2)	-	-	0.2	5.4	(3.4)
Reverse Acc dep'n	(10.4)	-	(0.4)	-		-	(10.8)	-	-	-	-	(10.8)	(2.5)
Asset Transfers	14.6	-	(0.8)	(6.5)	(0.7)	(7.7)	(1.1)	2.9	-	-	(1.7)	0.1	-
Other movements	-	(0.2)	(10.9)	-	-	-	(11.1)	-	(0.1)	-	-	(11.2)	-
At 31 March 2021	370.8	8.2	369.3	1.6	4.0	-	753.9	38.7	0.2	3.2	-	796.0	36.5
Depreciation/ Amortisation													
Opening balance at 1 April 2020	(5.4)	(3.6)	(91.5)	-	-	-	(100.5)	-	(0.1)	-	-	(100.6)	(1.6)
Charge for the year	(5.4)	(1.5)	(8.9)		-	-	(15.8)	-	-	-	-	(15.8)	(1.0)
Reverse Acc dep'n	10.4	-	-	-	-	1	10.4	-	-	-	-	10.4	10.4
Other movements	-	0.2	0.4	-	-		0.6	-	0.1	-	-	0.7	-
At 31 March 2021	(0.4)	(4.9)	(100.0)	-	-	-	(105.3)	-	-	-	-	(105.3)	(0.1)
Carrying amount at March 2021	370.4	3.3	269.3	1.6	4.0	-	648.6	38.7	0.2	3.2	-	690.7	36.4
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening carrying amount at 1 April 2020	339.3	3.3	266.1	8.1	4.9	5.0	626.7	33.8	0.1	3.2	3.3	667.1	40.4

Depreciation

Depreciation is provided for on a straight line or reducing balance basis over an asset's economic useful life. Where assets' lives are not known, they are estimated as follows:

- · Buildings estimated useful life up to 100 years
- Vehicles, plant, furniture and equipment 5 years
- Infrastructure 15 to 50 years

Analysis of Capital Charges to Directorates

Capital charges included in the Comprehensive Income and Expenditure Statement relating to tangible property, plant and equipment are analysed by directorate below.

	Depreciation £m	Revaluations £m	Total 2021/22 £m
Adults and Communities	0.4	(0.5)	(0.1)
Children and Families	3.6	(4.6)	(1.0)
Economy and Place	10.4	(3.3)	7.1
Corporate and Central Services	2.2	-	2.2
Total	16.6	(8.4)	8.2

Capital Commitments

At 31 March 2022 the council had no major capital commitments (31 March 2021 £2.3m John Kyrle High School (academy) to complete the New Permanent Accommodation project).

Revaluations

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. More frequent valuations are carried out if the rolling programme is insufficient to keep pace with material changes in value. Wilks, Head and Eve LLP completed all reported valuations in 2021/22. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation as set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicle, plant and equipment are based on depreciated costs as a proxy for fair value.

The carrying amount of assets on the rolling programme held at 31 March 2022 total £663.0m. The effective date of the revaluations are as follows:

Valued as at:	Carrying amount of revalued assets
31 March 2022	283.9
31 March 2021	379.1
Total	663.0

Schools

Where a school is under the council's control (i.e. under the responsibility of the Council's Section 151 Officer) its income, expenditure, current assets, liabilities and reserves are consolidated into the council's accounts and included within the figures disclosed in the Statement of Accounts. Any reserves attributable to the school are earmarked and disclosed separately. If a school transfers to Academy status it is no longer under the control of the council and therefore its income, expenditure, assets, liabilities and reserves are no longer consolidated into the council's accounts.

In respect of any Property, Plant and Equipment associated with schools, the council has determined that community schools, voluntary aided and voluntary controlled schools are included in the balance sheet. Voluntary aided schools' long term assets are owned by the school trustees however under these assets have been recognised due to the probability that the future economic benefits associated with the asset will flow to the council and the cost of the asset can be measured reliably in accordance with IAS16.

The fair value of schools is included using a depreciated replacement cost valuation method which comprises the market value of the land in its existing use plus the current replacement cost of the buildings less an allowance for physical deterioration.

Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. It comprises the trading areas of markets, industrial estates and retail. The direct operating expenses exclude recharged support services, capital charges and changes in the fair value of the assets.

2020/21		2021/22
£m		£m
(3.2)	Rental income from investment property	(3.2)
0.9	Direct operating expenses arising from investment property	0.8
(2.3)	Total	(2.4)

Details of the council's investment properties and information about the fair value hierarchy as at March 2022 and March 2021 are as follows (fair value method disclosed in accounting policies note 1):

Recurring fair value measurements using:	Other significant observable inputs Level2 £m
Investment properties as at 31 March 2022	55.5
Investment properties as at 31 March 2021	38.7

11. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity. Amounts relating to statutory debts, such as council tax, non-domestic rates and general rates are not classed as financial instruments as they do not arise from contracts.

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Categories of Financial Instruments:

The following categories of financial instrument are carried in the Balance Sheet.

Financial Assets

All the financial assets in the balance sheet which are financial instruments are classed as loans and receivables. Following the adoption of IFRS9 in 2018/19 the loans and receivables held are classified at amortised cost.

2020/21			202	1/22
Per Balance Sheet	Financial Instruments		Per Balance Sheet	Financial Instruments
£m	£m		£m	£m
		Long term debtors		
37.9	37.9	Loans	36.5	36.5
2.4	-	PFI lifecycle costs	2.4	-
40.3	37.9	Total	38.9	36.5
		Investments		
44.0	44.0	Short term investments	43.0	43.0
22.9	22.9	Cash and cash equivalents	42.5	42.5
66.9	66.9	Total	85.5	85.5
		Short term		
41.9	41.9	Sales invoices and contractual rights	32.4	32.4
19.0	-	Statutory debts (council tax, VAT etc.)	12.8	-
1.7	-	Prepayments	1.8	-
(10.4)	-	Bad debt provisions	(11.0)	-
52.2	41.9	Total	36.0	32.4

Financial Liabilities

All the financial liabilities in the balance sheet which are financial instruments are classed as financial liabilities at amortised cost.

2020/21			202	1/22
Per Balance Sheet	Financial Instruments		Per Balance Sheet	Financial Instruments
£m	£m		£m	£m
1.7	1.7	Cash and cash equivalents	2.3	2.3
1.7	1.7	Total	2.3	2.3
		Short term borrowing		
0.1	0.1	Bank loans	0.1	0.1
3.2	3.2	Public Works Loan Board	7.7	7.7
3.3	3.3	Total	7.8	7.8
		Short term creditors		
28.7	28.7	Invoiced amounts and other contractual liabilities	36.6	36.6
9.8	-	Statutory liabilities (PAYE etc.)	7.5	-
37.5	3.4	Accruals and receipts in advance	28.5	2.9
0.6	-	Funds and deposits held	0.8	-
76.6	32.1	Total	73.4	39.5
		Long term borrowing		
12.4	12.4	Bank loans	12.4	12.4
112.4	112.4	Public Works Loan Board	110.6	110.6
124.8	124.8	Total	123.0	123.0
		Other long term liabilities		
47.5	47.5	PFI liabilities and finance leases	44.5	44.5
282.3		Pensions liability	273.2	-
329.8	47.5	Total	317.7	44.5

Income, Expense, Gains and Losses

The following amounts relating to financial instruments are included in the Comprehensive Income and Expenditure Statement

	2020/21			2021/22		
Financial Liabilities at amortised cost	Financial assets: Loans and receivables	Total		Financial Liabilities at amortised cost	Financial assets: Loans and receivables	Total
£m	£m	£m		£m	£m	£m
			Interest payable and similar charges			
			Interest expense relating to:			
5.2	-	5.2	Loans	5.4	-	5.4
3.4	-	3.4	PFI liabilities	3.2	-	3.2
8.6	-	8.6	Total expense in surplus on the provision of services	8.6	-	8.6
			Interest receivable:			
-	(2.4)	(2.4)	On loans	-	(2.6)	(2.6)
-	(2.4)	(2.4)	Total income in surplus on the provision of services	-	(2.6)	(2.6)
8.6	(2.4)	6.2	Net loss/(gain) for the year	8.6	(2.6)	6.0

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value is determined depending on whether an active market exists. If an active market exists then the fair value is obtained from reference to published price quotations. Where no active market exists a valuation technique is used. The fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair values of PWLB loans have been calculated based on new loan rates at the year end
- The fair values of the bank loans have been assessed using the market cost of equivalent loans with the same remaining periods to maturity
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the council's borrowing (which is carried at amortised cost in the Balance Sheet) is as follows:

31 March 2021				31 March 2022		
Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m		Carrying Amount £m	Fair Value (using premature repayment rate) £m	Fair Value (using new loan rate) £m
2111	AIII	2111		AIII	2111	2111
128.1	190.7	166.2	Total borrowing	130.8	177.5	156.3

The fair value is higher than the carrying amount because the council's portfolio of longer-term loans are all fixed rate and the interest rates payable on these loans are generally higher than the relatively low rates prevailing at the Balance Sheet date. Therefore the fair value includes a premium that the council would have to pay if the lender agreed to early repayment of the loans. None of the council's investments are for a period exceeding 364 days and so the fair value of investments will not be significantly different to the carrying amount.

The carrying amounts of other long term financial assets and liabilities in the balance sheet include commitments falling due under PFI schemes. The fair value of these commitments exceeds the carrying amount and represents the additional cost that could fall due if we were to terminate the PFI schemes as at the balance sheet date. The total PFI carrying amount is £44.5m and the fair value as at 31 March 2022 totals £56.9m. The statements have not been adjusted for this as the PFI schemes are set to continue until expiry.

;	31 March 2021			31 March 2022		22
Carrying Amount	Fair Value (using premature repayment rate)	Fair Value (using new loan rate)		Carrying Amount	Fair Value (using premature repayment rate)	Fair Value (using new loan rate)
£m	£m	£m		£m	£m	£m
			Financial Assets			
40.3	40.3	40.3	Long term debtors	38.9	38.9	38.9
44.0	44.0	44.0	Short term investments	43.0	43.0	43.0
22.9	22.9	22.9	Cash and cash equivalents	42.5	42.5	42.5
52.2	52.2	52.2	Short term debtors	36.0	36.0	36.0
159.4	159.4	159.4	Total Financial Assets	160.4	160.4	160.4
			Financial Liabilities			
115.6	167.8	147.3	Public Works Loan Board	118.2	156.8	139.0
12.6	22.9	18.9	Bank loans (LOBOs)	12.6	20.7	17.3
76.6	76.6	76.6	Short term creditors	73.4	73.4	73.4
47.5	64.3	64.3	PFI liabilities and finance leases	44.5	56.9	56.9
252.3	331.6	307.1	Total Financial Liabilities	248.7	307.8	286.6

31 March 2021 £m	Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2022 £m
	Assets			
32.9	Long term debtors - Mercia Waste Management Loan	2	Discount contractual cash flows at the market rate for a similar instrument of the same remaining term with a counterparty of similar credit standing	31.3
5.0	Long term debtor - Other	3	Valued at amortised cost due to absence of comparable evidence or principal market	5.2
2.4	PFI lifecycle costs	2	Discount contractual cash flows of the remaining term	2.4
40.3	Subtotal long-term debtors			38.9
119.1	Other – short term	N/A	Fair value disclosure is not required for short term investments, short-term debtors or cash	121.5
159.4	Total Assets			160.4
	Liabilities			
147.3	PWLB and other debt	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term	139.0
18.9	Bank loans (LOBOs)	2	Discount contractual cash flows at the market rate for LA loans of the same remaining term and add the value of the lenders' option from a market option pricing model	17.3
64.3	PFI Scheme Liabilities and Finance Lease Payables	2	Discount contractual cash flows of the remaining term	56.9
76.6	Other including Short Term Loans	N/A	Fair value disclosure is not required for short term liabilities that are held on the balance sheet at amortised cost	73.4
307.1	Total Liabilities			286.6

Where the carrying amount is the same as the fair value the figures reported are not based on valuation due to being not significantly different.

Amounts arising from expected credit losses

The councils investments exposure to credit losses has been assessed as negligible therefore no allowance for credit losses has been made.

12. Debtors

31 March 2021		31 March 2022
£m		£m
22.0	Central government bodies	15.3
3.0	Other local authorities	0.7
4.0	NHS bodies	4.2
23.2	Other entities and individuals	15.7
-	DHSC Agency Grants	0.1
52.2	Total	36.0

13. Cash and Cash Equivalents

31 March 2021		31 March 2022
£m		£m
5.3	Cash held by the council	5.8
17.6	Short term deposits	36.7
22.9	Total	42.5
(1.7)	Bank current accounts	(2.3)
21.2	Total Cash and Cash Equivalents	40.2

14. The cash flows for operating activities include the following adjustment for non-cash movements

2020/21		2021/22
£m		£m
-	Net movement in Inventories	-
16.1	Net movement in Debtors	(17.6)
(32.9)	Net movement in Creditors	1.9
(37.0)	Depreciation, amortisation and impairment of non-current assets	(1.6)
(2.3)	Net Gain/Loss on sale of non-current assets (net book value of assets)	(1.5)
(9.2)	Net charges made for retirement benefits in accordance with IAS19	(14.1)
(1.3)	Net movement in Provisions	0.8
(66.6)	Total	(32.1)

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15. Adjustment for investing and financing activities included in the net surplus on provision of services:

2020/21		2021/22
£m		£m
1.1	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.9
1.1	Total	1.9

16. Investing Activities

2020/21		2021/22
£m		£m
47.1	Purchase of property, plant and equipment, investment property and intangible assets	30.1
(1.1)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1.9)
23.5	Other receipts from investing activities	(3.1)
69.5	Total	25.1

17. Financing Activities

2020/21		2021/22
£m		£m
_	Cash Receipts of short-term and long-term borrowing	(5.0)
3.3	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI contracts	3.3
3.5	Repayments of short and long term borrowing, as shown below	2.5
6.8	Total	0.8

Reconciliation of liabilities arising from financing activities

	Long term borrowings	Short term borrowings	Total
1 April 2021	126.8	-	126.8
Cashflows: Repayment, note 17 above	(2.4)	5.0	2.6
31 March 2022	124.4	5.0	129.4

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18. Creditors

31 March 2021		31 March 2022
£m		£m
(24.8)	Central government bodies	(19.0)
(2.4)	Other local authorities	(3.7)
(1.2)	NHS Bodies	(1.4)
(33.6)	Other entities and individuals	(36.1)
(2.0)	Monies due to agency NMiTE	-
(12.6)	Agency BEIS Business Support Grants	(3.1)
-	Agency DLUHC Support Grants	(10.1)
(76.6)	Total	(73.4)

19. Capital Grants Receipts in Advance

31 March 2021		31 March 2022
£m		£m
(1.6)	Central government bodies	(2.6)
-	Other local authorities	-
(8.0)	Other grants and contributions	(9.1)
(9.6)	Total	(11.7)

20. Provisions

The movement on provisions from 1 April 2021 to 31 March 2022 is set out below:

	Long term	Short term	Total
	£m	£m	£m
Balance at 1 April 2020	(4.4)	(2.4)	(6.8)
Additional provisions made in 2020/21	-	(2.3)	(2.3)
Amounts used in 2020/21	-	1.0	1.0
Unused amounts reversed in 2020/21	-	-	-
Balance at 31 March 2021	(4.4)	(3.7)	(8.1)
Additional provisions made in 2021/22	-	(3.1)	(3.1)
Amounts used in 2021/22	-	1.5	1.5
Unused amounts reversed in 2021/22	0.9	1.5	2.4
Balance at 31 March 2022	(3.5)	(3.8)	(7.3)

The provisions held at 31 March 2022 are:

31/03/21	Provision Name	Description	Additional Provisions	Used	Unused Amounts Reversed	31/03/22
£m			£m	£m	£m	£m
(2.0)	Insurance	For potential future insurance claims based on external professional assessment	-	-	0.4	(1.6)
-	Legal Provision	For potential legal litigation cases	(2.6)	-	-	(2.6)
	Property Provision	Corporate property provisions	-	1.1	-	-
-	Corporate Services	Corporate Property Provisions	(0.5)	-	-	(0.5)
(0.1)	Provisions for children's services	Expected payments relating to children for schools, high needs and early years funding	-		0.1	-
(4.9)	NNDR Appeals	For future lodged and unlodged appeals against rating valuations.	-	0.4	1.9	(2.6)
(8.1)		Total	(3.1)	1.5	2.4	(7.3)

21. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The LGPS deficit shown below includes a provision for the assessed financial impact of the case law decision in respect of the protections for members nearing retirement being deemed to have given rise to an unlawful age discrimination to younger workers without those protections (what is known as the McCloud case).

2020/21		2021/22
£m		£m
260.2	Balance at 1 April	282.4
13.0	Re-measurement of the net defined benefit liability	(23.2)
23.1	Reversal of items relating to retirement benefits debited or credited to the (Surplus) / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	28.5
(13.9)	Employer's pension contributions and direct payments to pensioners payable in the year	(14.5)
282.4	Balance at 31 March	273.2
281.7	Local Government pension scheme	272.6
0.7	Teachers	0.6
282.4	Balance at 31 March	273.2

22. Trading Operations

The council has a number of trading units where the service manager is required to operate in a commercial environment and generate income from external customers.

2020/21 £m		2021/22 £m
	Markets The council generates income from letting of premises and market stalls	
(0.4)	Turnover	(0.5)
(0.5)	Asset revaluation movement	0.2
0.1	Expenditure	0.1
(8.0)	(Surplus)/deficit	(0.2)
	Industrial Estates The council owns and manages a number of industrial estates throughout the county	
(1.4)	Turnover	(1.4)
1.3	Asset revaluation movement	(0.6)
0.1	Expenditure	-
-	(Surplus)/deficit	(2.0)
	Retail Properties The council owns retail premises in Hereford city centre from which it receives commercial rents	
(1.4)	Turnover	(1.2)
6.4	Asset revaluation movement	(6.2)
0.7	Expenditure	0.7
5.7	(Surplus)/deficit	(6.7)
	Other Properties The council owns properties from which it receives commercial rents	
-	Turnover	(0.1)
-	Asset revaluation movement	1.3
-	Expenditure	-
-	(Surplus)/deficit	1.2
4.9	Total	(7.7)

The trading accounts are incorporated into the Comprehensive Income and Expenditure Statement as part of the line 'Financing, investment income and expenditure', note 8.

23. Agency Services

During 2021/22 the council continued to incur spend in relation to the Fastershire capital project to provide improved broadband speeds throughout the rural areas of Herefordshire, Gloucestershire, Shropshire and Telford and Wrekin. In 2021/22 spend included £0.5m (2020/21 £2.2m) outside of Herefordshire that is not shown in the council accounts as this spend is incurred under an agency arrangement.

During 2021/22 Herefordshire Council continued to act as an intermediary in the pass through of Department for

Education grant funding towards the establishment of a new Hereford University – the New Model in Technology & Engineering (NMiTE). This totalled £0.1m (2020/21 £4.8m) and is not included in the council's accounts as the council is acting as an agent only. In addition the council acted as the accountable body for Local Enterprise Partnership grant funding and provided £2.8m to NMiTE from this funding source during 2021/22 (2020/21 £3.7m).

The council administered a number of support schemes in response to Covid-19 on behalf of Central Government. These transactions have been excluded from the Councils accounts. During 2021/22 they are £1.0m national lockdown and local restrictions business grants, £16.2m restart grants, £1.8m omicron support grants, £0.2m test and trace isolation support payments and £1.2m in infection control grants.

Herefordshire Council acts as the accountable body for the Hereford Towns Fund programme. In 2021/22 the council passed through funding from the Department for Levelling Up, Housing and Communities to the appropriate lead organisations of £0.1m. These transactions are not included in the Councils accounts.

24. Pooled Budgets

The council has four pooled budgets for 2021/22: the pooled budget arrangement for the Better Care Fund, the pooled budget for services for children, the pooled budget for the Integrated Community Equipment Store and the pooled budget for the Covid-19 Hospital Discharge Scheme. All of the pooled budgets are covered by a single section 75 agreement.

Better Care Fund

The Better Care Fund (BCF) is a pooled budget which has been nationally mandated to further the integration of health and social care. Herefordshire's BCF has two partners, Herefordshire Council and Herefordshire CCG.

In accordance with IFRS 10 it has been confirmed that neither partner has sole control. Using IFRS 11 definitions this arrangement is a joint operation. Herefordshire Council is the host partner.

The Department of Health sets national minimum contributions to the pool for both revenue and capital and specifies that certain funding streams must be included within the minimum fund. Partners are permitted, and encouraged, to pool more than the minimum requirement. The Better Care Fund in Herefordshire has five components as additional funds from each partner were included in the pool, as well as the Improved Better Care Fund.

Minimum Revenue Pool

The council expenditure in the minimum revenue pool relates to the council services previously supported by NHS funding for the protection of social care, including social work staff, support to carers and helping meet demographic pressures.

Better Care Fund- Minimum Mandatory Fund (Revenue)

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
-	Herefordshire Council	-
(13.6)	Herefordshire CCG	(14.3)
(13.6)	Total Funding	(14.3)
	Expenditure met from pooled budget	
4.9	Herefordshire Council	5.5

2020/21		2021/22
£m		£m
7.8	Herefordshire CCG	8.2
12.7	Total Expenditure	13.6
(0.9)	Net deficit / (surplus) on the pooled budget during the year	(0.7)
(0.9)	Herefordshire Council share of net deficit / (surplus)	(0.7)

Capital Pool

The capital pool contains expenditure on the disabled facilities grant, which enables people to continue to live at home.

Better Care Fund- Minimum Mandatory Fund (Capital)

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(2.3)	Herefordshire Council	(2.3)
-	Herefordshire CCG	-
(2.3)	Total Funding	(2.3)
	Expenditure met from pooled budget	
2.3	Herefordshire Council	1.2
-	Herefordshire CCG	-
2.3	Total Expenditure	1.2
-	Net deficit / (surplus) on the pooled budget during the year	(1.0)
-	Herefordshire Council share of net deficit / (surplus)	(1.0)

Additional Revenue Pool

The additional pool of expenditure groups, council and clinical commissioning group expenditure on residential, nursing and continuing health care placements within the county. For 2021/22 the partners did not pool funding for this activity as the placements are not currently jointly commissioned.

Better Care Fund- Additional Revenue Fund

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(26.7)	Herefordshire Council	-
(11.5)	Herefordshire CCG	-
(38.2)	Total Funding	-
	Expenditure met from pooled budget	
23.7	Herefordshire Council	-
11.4	Herefordshire CCG	-

2020/21 £m		2021/22 £m
35.1	Total Expenditure	-
(3.1)	Net deficit / (surplus) on the pooled budget during the year	-
(3.0)	Herefordshire Council share of net deficit / (surplus)	-

Improved Better Care Fund

The Government's Spending Review in 2015 announced new money for the BCF; and the Spring Budget 2017 subsequently increased this funding. 2017/18 represented the first year in which the new funding was received. The Government requires that this additional Improved Better Care Fund funding for adult social care is pooled into the local BCF.

The funding is paid directly to Local Authorities as a direct grant under Section 31 of the Local Government Act 2003 for adult social care and may be used only for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

Better Care Fund-Improved Better Care Fund

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(6.6)	Herefordshire Council	(6.6)
-	Herefordshire CCG	-
(6.6)	Total Funding	(6.6)
	Expenditure met from pooled budget	
6.2	Herefordshire Council	6.1
-	Herefordshire CCG	-
6.2	Total Expenditure	6.1
(0.4)	Net deficit / (surplus) on the pooled budget during the year	(0.5)
(0.4)	Herefordshire Council share of net deficit / (surplus)	(0.5)

Children's Services

Herefordshire Council has entered into a pooled budget agreement with Herefordshire Clinical Commissioning Group to provide provision for children and young people with complex educational, social and medical needs. The agreement pools spending in agreed proportion. The pool comprises funding for the Joint Children's Commissioning Manger, joint funding of support for children with complex health, care, or educational needs and joint contributions for Children's safeguarding.

Children's Services

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(4.6)	Herefordshire Council	(4.6)
(0.9)	Herefordshire CCG	(0.9)
(5.5)	Total Funding	(5.5)
	Expenditure met from pooled budget	
4.8	Herefordshire Council	4.8
0.9	Herefordshire CCG	0.9
5.7	Total Expenditure	5.7
0.2	Net deficit / (surplus) on the pooled budget during the year	0.2
0.2	Herefordshire Council share of net deficit / (surplus)	0.1

Integrated Community Equipment Store

Herefordshire Council and Herefordshire Clinical Commissioning Group are required to provide an integrated service for provision of community equipment. Both partners have entered into a joint contract for provision of community equipment with an agreed split of the costs of equipment.

Integrated Community Equipment Store

2020/21 £m		2021/22 £m
	Funding provided to the pooled budget	
(0.7)	Herefordshire Council	(0.7)
(0.8)	Herefordshire CCG	(0.9)
(1.5)	Total Funding	(1.6)
	Expenditure met from pooled budget	
0.7	Herefordshire Council	0.7
0.9	Herefordshire CCG	0.9
1.6	Total Expenditure	1.6
0.1	Net deficit / (surplus) on the pooled budget during the year	-
0.0	Herefordshire Council share of net deficit / (surplus)	-

Covid-19 Hospital Discharge Scheme

As part of the NHS and wider public sector's response to the global Covid-19 pandemic the Government issued the Covid-19 Hospital Discharge Service Requirements which took effect on March 19th 2020.

In accordance with the Discharge Requirements, the Partners have considered the most appropriate model through which to commission the enhanced discharge service and admissions avoidance services and agreed that the council shall act as the lead commissioner for enhanced discharge services and the Partners shall pool funding for the purpose of funding this service.

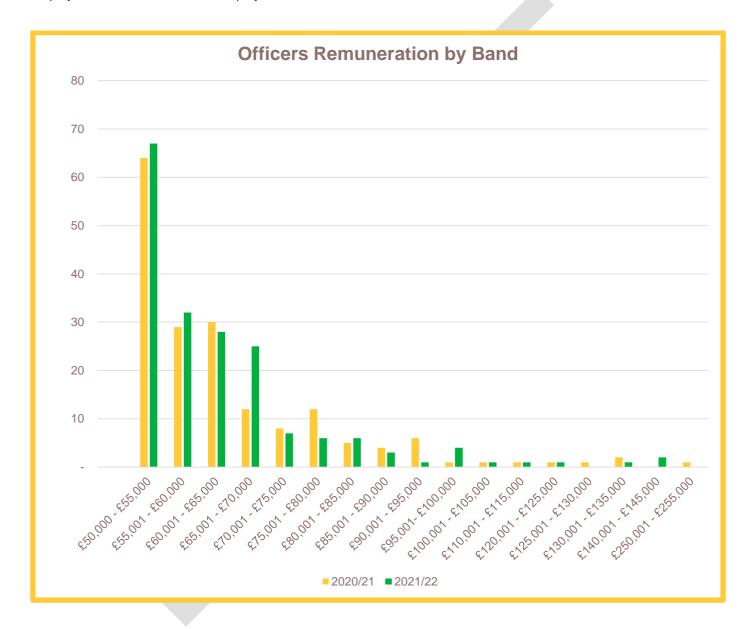
Covid-19 Hospital Discharge Scheme

2020/21		2021/22
£m		£m
	Funding provided to the pooled budget	
(2.0)	Herefordshire Council	-
(9.7)	Herefordshire CCG	(3.1)
(11.7)	Total Funding	(3.1)
	Expenditure met from pooled budget	
2.0	Herefordshire Council	3.1
9.7	Herefordshire CCG	-
11.7	Total Expenditure	3.1
-	Net deficit / (surplus) on the pooled budget during the year	-
-	Herefordshire Council share of net deficit / (surplus)	-

25. Officers' Remuneration

Officers' remuneration is defined as 'all amounts paid to or receivable by a person, and includes sums due by way of expenses allowances (so far as those sums are chargeable to UK income tax), and the estimated money value of any other benefits received by an employee other than in cash (e.g. benefits in kind). Benefits in kind are salary sacrificed amounts for the provision of car parking and bicycles.

The 2021/22 salary banding information is set out below. Employees receiving remuneration for the year (excluding employer's pension contributions) were paid the following amounts per pay band. These numbers include the employees shown in the senior employees disclosure note.



The total number of employees at 31 March 2022 was 1,390 non-school staff (1,359 at 31 March 2021) and 2,243 schools' staff (2,160 at 31 March 2021).

Post		Note	Salary, Fees & Allowances £000s	Compensation for loss of office / Benefits in kind £000s	Pension contributions £000s	Total £000s	
Chief Executive	P Walker	2021/22	1	143	-	-	143
	A Neill	2020/21		134	120	24	278
Chief Finance Officer/		2021/22	2	111	-	20	131
Section 151 Officer		2020/21	2	106	-	20	126
Solicitor for the Council		2021/22	2 &	98	-	11	109
(Monitoring Officer)		2020/21	8	126	-	10	136
Director for Children and		2021/22	3	11	44	2	57
Families	C Baird	2020/21	3	128	-	23	151
Corporate Director,		2021/22	3	33	-	6	39
Children and Families		2020/21	3	-	-	-	-
Director for Adults and		2021/22		52	-	6	58
Communities	S Vickers	2020/21	4	127	-	24	151
Corporate Director,		2021/22	4	99	-	17	116
Community Wellbeing		2020/21		-	-	-	-
Director of Economy and		2021/22	5	43	68	8	119
Place	R Ball	2020/21	Ů	127	-	24	151
Corporate Director, Economy and		2021/22	5	17	-	3	20
Environment		2020/21	5	-	-	-	-
Director of Public Health		2021/22	6	5	-	1	6
Director of Fubility Feature		2020/21	U	59	-	13	72
Acting Director of Public		2021/22	7	89	-	16	105
Health		2020/21	'	12	-	2	14

Notes:

- 1. The Chief Executive retired on 11 February 2021. A new Chief Executive commenced in post on 4 May 2021.
- 2. In addition to their substantive roles, the Chief Finance Officer/Section 151 Officer and the Solicitor to the Council (Monitoring Officer) became Acting Deputy Chief Executives for the duration between the Chief Executive leaving (February 2021) and the new Chief Executive commencing in post.
- 3. The Director for Children and Families left on 30 April 2021. The post was filled by temporary contract during the period to 31 December 2021. The post title became Corporate Director, Children and Families from 1 January 2022.
- 4. The Director for Adults and Communities left on 4 July 2021. The post has been filled by an interim since then, with the new post of Corporate Director, Community Wellbeing being advertised.
- 5. The Director for Economy and Place left on 31 July 2021. The post was filled by temporary contract to 13 February 2022. The post titled became Corporate Director, Economy and Environment with a new director commencing in post 14 February 2022.
- 6. The Director for Public Health left on 31 December 2020; they were paid a market forces supplement of £12,000 and the new Director of Public Health commenced in post in March 2022.
- 7. An Acting Director for Public Health was appointed effective from 25 November 2020 until March 2022.
- 8. The Solicitor to the Council (Monitoring Officer) left in March 2022. The post has been filled by temporary contract.

26. Termination Benefits

The number and total cost per band of exit packages analysed between compulsory and other redundancies are set out in the table below. This includes exit packages agreed in the year although not yet actioned at the year end. The table does not include actuarial strain paid to the pension fund.

In addition, the total cost of actuarial strain relating to 2021/22 terminations was £0.1m (£0m in 2020/21). The total amount of actuarial strain paid to Worcestershire County Council in 2021/22 was £0.1m (£0m in 2020/21).

	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Exit package cost band (including special payments	Number of compulsory redundancies				Total number of exit packages by cost band		Total cost of exit packages in each band	
							£000s	£000s
£0 - £20,000	3	1	13	26	16	27	94	257
£20,001 - £40,000	1		1	4	2	4	42	104
£40,001 - £60,000	-	-	-	1	-	1	-	44
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,0001 - £120,000	-	-	1	1	1	1	120	90
Total	4	1	15	32	19	33	256	495

27. External Audit Costs

The council incurred the following fees relating to external audit and includes £46k of non-statutory audit fees (£19k 2020/21)

2020/21		2021/22
£m		£m
0.2	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.2	Total	0.2

28. Dedicated Schools Grant

The council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) provided by the Department for Education. DSG is a ring-fenced grant and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a council- wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2021/22 are as follows:

Total 2020/21		Central Expenditure 2021/22	Individual Schools Budget 2021/22	Total 2021/22
£m		£m	£m	£m
132.7	Final DSG allocation before academy recoupment			143.1
(48.8)	Less academy figure recouped			(52.5)
83.9	Total DSG after academy recoupment for the year			90.6
1.1	Brought forward from previous year			0.7
(0.9)	Less carry forward to following year agreed in advance			(0.5)
84.1	Agreed budgeted distribution in the year			90.8
(14.6)	Less: Actual central expenditure			(17.1)
(69.7)	Less: Actual Individual Schools Budget deployed to schools			(74.5)
(0.2)	Less: Overspend 2020/21			(8.0)
0.9	Add carry forward agreed in advance			0.5
0.7	Carried forward to following year			(0.3)
-	Total of DSG unusable deficit reserve at the end of year			(0.4)
0.7	Total of DSG usable surplus reserve at the end of year			0.1
0.7	Net DSG position			(0.3)

As at 31 March 2022, total DSG reserves were a deficit of £275,319 comprising an unusable deficit reserve of £345,319 and a usable surplus reserve of £70,000 committed to early years post Covid catch up projects in 2022/23.

29. Grant Income

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2020/21		2021/22
£m		£m
	Credited to Taxation and Non-Specific Grant Income	
0.6	Revenue Support Grant	0.6
41.8	Other non-ring fenced grants	32.9
114.2	Council Tax income	121.2
18.5	Business rates income	28.4
42.5	Capital grants	17.1
(2.3)	Capital Grants Repaid	-
215.3	Credited to Taxation and Non Specific Grant Income	200.2
	Credited to Services	
94.6	Department for Education	103.8
30.3	Department for Levelling Up, Housing & Communities	20.5
34.0	Department for Work and Pensions	32.1

2020/21		2021/22
£m		£m
1.3	Department for Transport	0.7
2.7	Department for Culture, Media and Sport	0.6
0.4	Department for Environment, Food and Rural Affairs	0.1
18.8	Department of Health	19.1
18.7	Other grants and contributions	24.0
200.8	Credited to Services	200.9
416.1	Total	401.1

30. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding in the form of grants.

Members

Members of the Council have direct control over the council's financial and operating policies. There are a number of Councillors who serve on outside bodies and school governing bodies either as a representative of the council or as a private individual. Details of these interests are recorded in the Register of Members' interests, which are updated annually. An examination of the Register indicates that the council's financial transactions with these bodies in 2021/22 are not material.

Officers

A number of senior officers are members of professional bodies, governors at local schools and colleges, and are involved in local organisations and partnerships.

Other Public Bodies

During the year the council made payments of £31.0m to Worcestershire County Council (£29.9m in 2020/21), including payments to the pension fund and for the joint waste disposal contract. Payments to the CCG in 2021/22 totalled £3.1m (£2.7m in 2020/21). A total of £3.7m was paid to Wye Valley NHS Trust (£3.2m in 2020/21).

Significant long term contracts

The council awarded the public realm services contract to Balfour Beatty Living Places on 1 September 2013. The contracted services include highways maintenance and improvement, street lighting, traffic signals, street cleaning, parks and public rights of way, fleet maintenance and professional consultancy services. The council paid £35.4m to Balfour Beatty in 2021/22 (£38.3 in 2020/21).

FOCSA Services (UK) Limited

In 2009 the council entered into a 7 year contract with FOCSA for the collection of household, recycling and

commercial waste, this has been extended by a further 7 years to end in 2023. The value of the contract over 7 years is around £30.5m. Payments to FOCSA Services (UK) Limited totalled £4.8m in 2021/22 (£4.6m in 2020/21).

Other organisations - West Mercia Energy

West Mercia Energy (WME) is a Purchasing Consortium which is constituted as a Joint Committee (JC). Herefordshire Council is one of four constituent authorities, the other three Councils are Worcestershire Council, Telford and Wrekin Council and Shropshire Council.

Herefordshire Council has reviewed the accounting treatment that should be applied and has concluded that WME is a Joint Venture. Under International Accounting Standards, Group Accounts should be prepared unless it is considered not to be material.

The conclusion of the Council is that the exclusion of its share of WME's assets, liabilities, income, expenditure and cash flows from the Council's own accounts will not be material to the fair presentation of the financial position and transactions of the Council and to the understanding of the Statement of Accounts by a reader.

However, in the interests of transparency and accountability an extract of the unaudited 2021/22 WME accounts are included below, along with a disclosure of this Council's proportion of those balances.

WEST MERCIA ENERGY EXTRACT FROM DRAFT ACCOUNTS AS AT 31 MARCH 2022		
	31-Mar-22	Herefordshire Council share
	£m	£m
Short term debtors	10.8	2.7
Cash and cash equivalents	3.3	0.8
Current assets	14.1	3.5
Short term creditors	(12.2)	(3.0)
Current liabilities	(12.2)	(3.0)
Net current assets	1.9	0.5
Other long term liabilities	(0.3)	(0.1)
Long term liabilities	(0.3)	(0.1)
Net liabilities	1.6	0.4
Financed by:		
General Fund	1.7	0.5
Result for year	0.2	0.0
Pensions reserve	(0.3)	(0.1)
Total reserves	1.6	0.4
INCOME		
Turnover	(67.6)	(16.9)

Other organisations – Cyber Quarter Limited

Cyber Quarter Limited is the company that owns and operates the Midlands Cyber Centre.

On 29 March 2019 the council became a shareholder in Cyber Quarter Limited, taking a 19% shareholding, at a cost of £1 per share, the remaining shares are held by the University of Wolverhampton. This stake in the company is treated as a simple investment in the council's accounts.

In April 2019 the council entered into a loan agreement with Cyber Quarter Limited for £3.5 million for 25 years with an interest rate of 5.99%.

Transactions invariably take place between the two parties. These transactions are deemed to be conducted on an independent and arms-length basis.

Subsidiary group undertaking

Hoople Limited is a company created in April 2011 to deliver business support services to clients across the public and private sector. During the review period Hoople Limited was wholly owned by Herefordshire Council and Wye Valley NHS Trust. Herefordshire Council is the majority shareholder and included in this statement of accounts is a statement of group accounts section that reports the performance of the group for 2021/22.

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance and PFI contracts) together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

2020/21		2021/22
£m		£m
316.0	Opening capital financing requirement	313.6
	Capital investment	
37.3	Property, Plant and Equipment	27.4
0.1	Intangible	0.2
9.7	Investment Properties	2.5
7.1	Revenue expenditure funded from capital under statute	6.9
0.4	Assets acquired under PFI contracts	0.3
0.6	Long term debtors (including loans and PFI prepayments)	-
	Sources of finance	
(0.7)	Capital receipts	(3.3)
0.6	Loan repayment	0.6
(43.7)	Government grants and other contributions	(22.3)
	Sums set aside from revenue	
(0.4)	Direct revenue contributions	-
(3.7)	De-capitalised road costs	-
(9.7)	Minimum Revenue Provision (MRP)	(10.7)
313.6	Closing capital financing requirement	315.2
	Explanation of movements in year	
10.6	Increase in underlying need to borrow	12.0
0.4	Assets acquired under PFI contracts	0.3
(3.7)	De-capitalised road costs	-
(9.7)	Minimum Revenue Provision (MRP)	(10.7)
(2.4)	Adjusted to Services	1.6

32. Leases

Council as Lessor

Finance Leases

When a school changes status to become a Foundation School or an Academy the land and buildings are transferred to the school by granting a lease for 125 years at a peppercorn rent. Other than these long leasehold transfers to schools, the council does not have any other finance leases where the council is lessor.

Operating Leases

The council leases out property under operating leases for the following purposes retail, industrial and other uses.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

		Amounts Payable						
	Minimum Lease Payments		Finance Lease Liabilities		Operating Leases		Operating Leases	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£m	£m	£m	£m	£m	£m	£m	£m
Payable/receivable in the year	-	-	-	-	0.4	0.6	-	-
Not later than one year	-	-	-	_	0.3	0.4	2.7	2.8
Later than one year and not later than five years	-	-		-	1.0	1.3	8.2	8.2
Later than five years	-	-	-		1.3	1.5	22.8	23.4
Total due in future years	-	-	-	-	3.0	3.8	33.7	34.4

33. Private Finance Initiatives and Similar Contracts

The council has two formal PFIs, Whitecross School and Waste Disposal (in partnership with Worcestershire County Council) and one other contract identified as falling under IFRIC 12, the Shaw Healthcare Contract.

Mercia Waste Management Limited - Waste Management PFI contract

In 1998 Herefordshire Council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative.

Under the contract the authorities are required to ensure that all waste for disposal is delivered to the contractor, who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500m of which approximately 25% relates to Herefordshire Council. The original life of the contract was 25 years with the option to extend this by 5 years.

A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction was completed in 2017 with a funding requirement of £195m and an uplift to the annual unitary charge for both councils of £2.7m.

Both councils will be providing circa 82% of the project finance requirement from their own planned borrowing from the Public Works Loan Board with the remaining 18% being provided by the equity shareholders of Mercia Waste Management Limited. The loan is shown under long term debtors on the balance sheet and the effective interest rate is shown under financial investments on the Comprehensive Income and Expenditure Statement.

Stepnell Limited – School PFI Contract

The Whitecross School PFI project has delivered a fully equipped 900 place secondary school with full facilities management services. The contract with Stepnell Limited has an overall value of £74m and lasts for 25 years. During

the 2012/13 financial year the school transferred to Academy status but the obligations under the PFI contract remain with the council.

Shaw Homes

The council has a contract with Shaw Healthcare for the development and provision of residential homes and day care centres previously operated directly by the council. The contract expires in 2033/34 for all homes. The level of payments are dependent on the volume and nature of service elements and Shaw Healthcare's performance in providing services. The payments in respect of this contract were £4.1m in 2021/22 (£4.0m in 2020/21).

Assets

The property, plant and equipment used to provide the PFI services are recognised on the council's balance sheet, with the exception of Whitecross School, which was written out of the balance sheet when it became an Academy in 2012/13. Movements in asset values over the year are summarised below.

	Land & Buildings	Equipment	Total
	£m	£m	£m
Balance at 1 April 2021	35.6	0.6	36.2
Additions	-	0.3	0.3
Revaluations	4.2	-	4.2
Depreciation	(1.0)	(0.1)	(1.1)
Balance at 31 March 2022	38.8	0.8	39.6

Liabilities

The payments to the contractors compensate them for the fair value of the services they provide, capital expenditure incurred and interest payable. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2020/21			2021/	22	
Total		Shaw Healthcare	Whitecross School	Waste Disposal	Total
£m		£m	£m	£m	£m
50.4	Balance outstanding at start of year	6.4	11.0	30.1	47.5
(2.9)	Payments during the year	(0.4)	(0.9)	(1.7)	(3.0)
0.0	Capital expenditure in the year	0.0	0.0	0.0	0.0
47.5	Balance outstanding at year end	6.1	10.1	28.4	44.5

Payments

The table below shows an estimate of the payments to be made under the PFI and similar contracts.

	Service Charges	Lifecycle Costs	Finance Liability	Interest & Similar	Total
	£m	£m	£m	£m	£m
Within 1 year	11.2	0.4	3.7	3.2	18.5
Within 2 to 5 years	16.2	1.7	31.6	6.6	56.1
Within 6 to 10 years	26.5	2.4	8.0	4.5	41.4
Within 11 to 15 years	9.6	0.1	1.6	1.6	12.9
Within 16 to 20 years	0.0	0.0	0.0	0.0	0.0
Balance outstanding at year end	63.5	4.6	44.9	15.9	128.9

The PFI future year commitments total of £128.9m shown above includes inflation assumptions, without inflation the future year commitments would be £41.5m lower.

34. Capitalisation of Borrowing Costs

The council has a policy of capitalising borrowing costs on relevant projects i.e. where schemes last more than 12 months and with at least £10k of interest associated with the project. In 2021/22 no borrowing costs were capitalised (none in 2020/21).

35. Pension Schemes accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, which is a defined benefit scheme administered by the Teachers Pensions Agency. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate. It is not possible for the council to identify its share of the underlying liabilities in the scheme attributable to its own employees, and therefore for the purposes of the statement of accounts it is accounted for on the same basis as a defined contribution scheme, that is, actual costs are included in the revenue accounts, with no assets and liabilities in the balance sheet.

In 2021/221 the council paid employer contributions of £7.2m (2020/21 £7.0m) in respect of teachers' pension costs. In addition, the council is responsible for all pension payments relating to added years it, or its predecessor authority has awarded, together with the related increases, this cost is £0.2m per annum. The liability to former Hereford and Worcester teachers' unfunded added years' benefits of £0.62m is included in the pension fund liability in the balance sheet in 2021/22 (£0.7m in 2020/21).

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

Employees are eligible to join the Local Government Pension Scheme administered by Worcestershire County Council. This is a funded scheme, which means that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement.

Transactions Relating to Post-employment Benefits

Under IAS 19 the cost of retirement benefits is included in the Cost of Services when it is earned by employees, rather than when it is paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of the retirement benefits is reversed out via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme

2020/21		2021/22
£m		£m
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
16.9	Current service cost	22.5
-	(Gain)/loss from settlements and curtailments	0.1
-	Past service cost	-
	Financing and Investment Income and Expenditure:	
6.0	Net interest expense	5.7
0.2	Administration expenses	0.2
23.1	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	28.5
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Actuarial (gains) and losses arising on changes in the following assumptions	
(14.4)	Experience (gain) / loss	2.1
106.6	(Gain) / loss on financial assumptions	(0.3)
-	(Gain) / loss on demographic assumptions	(5.8)
(79.3)	Re-measurements of assets	(19.1)
12.9	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(23.1)
	Movement in Reserves Statement	
9.3	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	14.1
	Amount charged to the General Fund balance for pensions in the year	
13.9	Employer's contribution payable to the scheme	14.4

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2020 (since the introduction of the statement in the 2009/10 restated accounts) is a loss of £85.3m.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefits plans is as follows

Local Government Pension Scheme

Local Governin		
2020/2		2021/22
£n		£m
748.7	Present value of the defined benefit obligation	769.1
(467.0	Fair value of plan assets	(496.5)
281.7	Net liability arising from defined benefit obligation	272.6

Reconciliation of the present value of the scheme liabilities (defined benefit obligation)

The table below shows the movement on the pension liability

2020/21		2021/22
£m		£m
638.6	Opening balance	748.7
16.9	Current Service Cost	22.4
-	Past Service Cost	-
15.2	Interest Cost	15.6
3.4	Contributions by Scheme Participants	3.6
	Re-measurement (gains) and losses	
92.3	Actuarial (gains)/losses arising from changes in assumptions	(4.0)
-	Losses/(gains) on curtailments	(0.1)
(17.7)	Benefits/transfers paid	(17.3)
748.7	Closing balance	769.1

Reconciliation of the Movements in the Fair Value of the Scheme Assets

The table below shows the movement on the pension assets

2020/21		2021/22
£m		£m
379.2	Opening fair value of scheme assets	467.0
9.1	Interest income	9.9
79.3	Re-measurement gain/(loss): the return on plan assets, excluding amount included in the net interest expense	19.1
(0.2)	Administration expenses	(0.2)
13.9	Contribution from employer	14.4
3.4	Contributions from employees into the scheme	3.6
(17.7)	Benefits/transfers paid	(17.3)
467.0	Closing fair value of scheme assets	496.5

The actual return on scheme assets in the year was £29m, 5.8% of the period end assets (2020/21 £88.5m, 18.9%).

Local Government Pension Scheme assets (at fair value) comprised

31 March 2021		Quoted	31 March 2022
£m		(Y/N)	£m
	Cash		
-	Cash instruments	Y	-
-	Cash accounts	Y	-
-	Net current assets	N	-
	Equity instruments		
0.6	UK quoted	Y	0.6
146.2	Overseas quoted	Y	121.5
64.9	Pooled investment vehicle - UK managed funds	N	68.4
184.4	Pooled investment vehicle - UK managed funds (overseas equities)	N	198.4
0.6	Pooled investment vehicle - overseas managed funds	N	4.0
	Property		
8.9	European property funds	N	-
1.8	UK property debt	N	3.5
1.3	Overseas property debt	N	2.3
9.4	UK property funds	N	21.9
0.4	Overseas real estate investment trust	N	-
	Alternatives		
18.2	UK infrastructure	N	23.4
12.9	European Infrastructure	N	15.6
9.7	US Infrastructure	N	13.0
1.6	UK Stock Options	N	2.1
0.4	Overseas Stock Options	N	(1.0)
5.3	Corporate Private Debt	N	7.8
	Bonds		
-	UK Corporate	Y	-
-	Overseas Corporate	Y	-
0.4	Other bonds	0	-
-	LGPS Central Global Pooled Funds	0	7.0
-	UK Government Fixed	Y	8.0
467.0	Closing fair value of scheme assets		496.5

Impact of Covid-19 - contained material valuation uncertainty

The Covid-19 pandemic created a large uncertainty in financial markets and the market for other assets. As at 31 March 2022 material valuation uncertainty was contained to retail and specific trading related assets/sectors such as car parks, where we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base critical judgements.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The liabilities have been estimated by Mercer Limited, an independent firm of actuaries based on the latest full valuation of the scheme as at 31st March 2019. The principal assumptions used by the actuary have been:

Beginning of the period (p.a.)		End of the period (p.a.)
	Mortality assumptions	
	Longevity at 65 for current pensioners (years)	
22.7	Men	22.6
25.1	Women	25.0
	Longevity at 65 for future pensioners (years)	
24.4	Men	24.1
27.1	Women	27.0
	Financial Assumption	
2.7%	Rate of CPI inflation	3.4%
4.2%	Rate of increase in salaries	4.9%
2.8%	Rate of increase in pensions	3.5%
2.1%	Rate for discounting scheme liabilities	2.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit credit method.

	Increase / (decrease) in assumption
	£m
0.1% increase in discount rate	(12.8)
0.1% increase in inflation rate	13.0
0.1% increase in the salary increase rate	1.1
1 year increase in the member life expectancy	23.0
0.1% increase in investment returns	(5.0)
0.1% decrease in investment returns	5.0

Impact on the Councils Cash Flows

Total employer contributions expected to be made to the Local Government Pension Scheme by the council in the year ended 31 March 2023 is £14.6m.

Scheme History

Scheme History	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£m						
Present value of liabilities	(486.0)	(602.1)	(594.6)	(661.9)	(638.6)	(748.7)	(769.1)
Value of Scheme assets	281.7	355.1	369.5	393.6	379.2	467.0	496.5
(Deficit) in scheme	(204.3)	(247.0)	(225.1)	(268.3)	(259.4)	(281.7)	(272.6)

37. Contingent Liabilities

The council are aware of a couple of issues relating to Grenfell, where the council were involved in the certification process and an enquiry is currently underway which is still ongoing, and also, a council building leased to a third party. The third party paid for a refurbishment of the building which, if they were to vacate, would be repayable by the council. The council considers that the crystallisation of any material liabilities falling due under these arrangements to be unlikely at the balance sheet date.

38. Nature and Extent of Risks Arising from Financial Instruments

The council's activities expose it to a variety of financial risks:

- a) Credit risk: the possibility that other parties may fail to pay amounts owing to the council
- b) **Liquidity risk:** the possibility that the council may have insufficient funds available to meet its financial commitments
- c) **Market risk**: the possibility that the council may suffer financial loss as a result of economic changes such as interest rate fluctuations.

The council has adopted CIPFA's Treasury Management in the Public Services Code of Practice in setting out a Treasury Management Policy and strategies to control risks to financial instruments. During the year the council's exposure to liquidity risk and market risk was considered to be no greater than previous years, during the year investment maturity limits were reduced reducing the council's exposure to risk.

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the council's customers. Investments are only made in institutions recommended by the council's treasury adviser through combined credit ratings, credit watches and credit outlooks. Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalents) of F1 and a long term rating of A- and with countries with a minimum sovereign credit rating of AA- (Fitch or equivalents).

During 2021/22 the council continued to restrict investments to only the largest and strongest of the banks, building society, other local authorities and instant access Money Market Funds.

The following analysis summarises the council's potential maximum exposure to credit risk, based on default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2022	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2022	default and uncollectability	maximum exposure to default and
	£m	%	%	£m	£m
Deposits with banks and financial institutions	64.7	-	-	-	-
Customers	11.4	0.3	0.3	-	-

Analysis of the amount outstanding for council debtors at 31 March by age is shown below

31 March 2021		31 March 2022
£m		£m
7.3	Less than 3 months	5.3
0.7	3 to 6 months	1.2
1.3	6 months to 1 year	1.0
3.6	More than 1 year	3.9
12.9	Total	11.4

Liquidity Risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the PWLB. There is no significant risk that it will be unable to raise finance to meet its commitments. Instead the risk is that the council will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. Therefore the strategy is to spread the maturity of the council's loans so that a significant proportion does not require repayment or refinancing at the same time. The maturity analysis of the loan debt is as follows:

31 March 2021		31 March 2022
£m		£m
3.3	Less than 1 year	7.8
	More than 1 year	
6.5	Between 1 and 2 years	3.1
15.2	Between 2 and 5 years	19.6
17.9	Between 5 and 10 years	21.0
85.2	More than 10 years	79.3
128.1	Total borrowing per balance sheet	130.8

Market Risk

The council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates could have a significant impact on the council. For instance, a rise in interest rates would have the following effects:

- a) Borrowings at variable rates the interest expense charged to the Surplus or Deficit on the Provision of Services would increase
- b) Borrowings at fixed rates the fair value of borrowings would fall
- c) Investments at variable rates the interest received credited to the Surplus or Deficit on the Provision of Services would rise
- d) Investments at fixed rates the fair value of the assets would fall

Borrowings and investments are not carried at fair value in the Balance Sheet and so nominal gains and losses on fixed rate financial instruments would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact is made by changes in interest payable and receivable.

The council's loans are all fixed rate which means that when the Bank Base Rate is low the interest rate paid on borrowing is relatively high compared to the rate received on investments.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and is considered at quarterly strategy meetings with the council's treasury advisors. The council sets an annual Treasury Management Strategy which includes analysing future economic interest rate forecasts. This analysis will advise whether new borrowing taken out is fixed or variable and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

	1% increase in interest rates £m
Increase in interest payable on borrowing	-
Increase in interest receivable on investment balances	1.0

39. Trust Funds

The council acts as trustee for a number of Trust Funds, which have been established for the benefit of different sections of the community. The following summarises the movement on Trust Funds balances which the council administers during the year:

	Balance at 31 March 2021 £m	Repayment of Trust Fund Balances £m	Balance at 31 March 2022 £m
Other Funds	0.1	-	0.1

Other funds include the Hatton Bequest, which is available for Hatton Gallery exhibits.

40. Note Prior Period Adjustment of Net Cost of Services

This Note restates the 2020/21 Net Cost of Services within the Comprehensive Income and Expenditure Statement into the new Directorate Headings presented in the 2021/22 Accounts. The Net Cost of Services for 2020/21 have been restated to present comparatives in line with 2021/22. Adults and Communities Directorate becomes the Community and Wellbeing Directorate and Economy and Place becomes Economy and Environment. There has been a movement of services between the old directorates and the new directorates.

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2020/21	Adjustments due to changes in New Directorate Structure £m	As Restated 2020/21 £m
The Experience	2.111	2111	2111
Adults and Communities	48.2	(48.2)	-
Childrens and Families	35.9	-	35.9
Economy and Place	59.2	(59.2)	0.0
Economy and Environment	-	58.3	58.3
Corporate Services	31.7	(1.4)	30.3
Community and Wellbeing	-	50.5	50.5
Net Cost of Services	175.0	-	175.0
· ·			
Gross Expenditure	£m	£m	£m
Adults and Communities	103.7	(103.7)	-
Childrens and Families	138.9	-	138.9
Economy and Place	85.2	(85.2)	-
Economy and Environment	-	80.9	80.9
Corporate Services	73.7	2.0	75.7
Community and Wellbeing	-	106.0	106.0
	401.5	-	401.5
Gross Income	£m	£m	£m
	/		
	(55.5)	55.5	-
Adults and Communities	(55.5)	55.5	
Childrens and Families	(103.0)	-	(103.0)
Childrens and Families Economy and Place		- 26.0	-
Childrens and Families Economy and Place Economy and Environment	(103.0) (26.0)	26.0 (22.5)	(22.5)
Childrens and Families Economy and Place Economy and Environment Corporate Services	(103.0)	26.0 (22.5) (3.4)	(22.5) (45.4)
Childrens and Families Economy and Place Economy and Environment	(103.0) (26.0)	26.0 (22.5)	(22.5)

Statement of Group Accounts and Explanatory Notes



41. Statement of Group Accounts

Introduction

The statement of group accounts consolidates the Herefordshire Council Core accounts and those of its subsidiary undertaking, Hoople Limited.

Hoople Limited specialises in providing support services to the public sector: IT, Training and recruitment, HR, Finance, Revenues and Benefits and Reablement. Herefordshire Council is a majority shareholder of Hoople Limited and considers the business to be a subsidiary undertaking due to the controlling influence it can and does exercise.

Hoople Limited had revenue of £21.2m in 2021/22 (2020/21: £16.8m). This included revenue from services provided to Herefordshire Council of £13.6m in 2021/22 (2020/21: £9.5m). The council provided services to Hoople Limited of £0.5m in 2021/22 (2020/21: £0.8m). These transactions were all made on an arms-length basis.

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the statement of group accounts is to provide the reader with an overall view of the material economic activities of the Group. The statement of group accounts provides a summary of the group's financial position and details of material items that have impacted on the accounts during the year. The statement of group accounts has been prepared using uniform accounting policies.

Within the notes to the Group accounts, the Council reports the group balance sheet headings where the difference between the core and group totals exceeds £1m.

Basis of Consolidation

In 2021/22 Herefordshire Council held 84% (2020/21 84%) of the ordinary share capital of Hoople Limited. The council effectively controlled and controls Hoople Limited and as such, it is accounted for as a subsidiary undertaking. It holds equal voting rights with the other shareholder, Wye Valley NHS Trust. In accordance with IAS 27 and IFRS 10, income and expenditure and assets and liabilities have been consolidated with the Council's accounts on a line-by-line basis, eliminating inter-organisational transactions and year end balances.

The council has not consolidated any other organisations as either Associated Companies or as Joint Ventures within the group accounts, as it does not consider any other investments held to have a material effect on the Statement of Accounts, nor does it consider that consolidating would better provide the reader with an improved overall view of the material economic activities of the council.

Group Comprehensive Income & Expenditure Statement

The Group Comprehensive Income and Expenditure Statement provides the accounting income and costs recognised by the Group, in a specific format which reconciles accountancy practice and public sector reporting requirements. This is shown in accordance with generally accepted accounting practices (GAAP).

There were no acquisitions or discontinued operations in the two years.

	2020/21 (R	estated)				2021/	22	
Net Core	Group entities	Adjs	Group		Net Core	Group entities	Adjs	Group
£m	£m	£m	£m		£m	£m	£m	£m
48.2	-	(1.6)	46.6	Communities and Wellbeing	57.5	-	(3.6)	53.9
35.9	-	(1.3)	34.6	Children and Young People	44.7	-	(1.3)	43.4
59.2	-	(0.2)	59.0	Economy and Environment	30.6	-	(0.2)	30.4
31.7	(0.3)	3.1	34.5	Corporate and Central Services	43.8	(0.6)	5.1	48.3
175.0	(0.3)	-	174.7	Net Cost of Services	176.6	(0.6)	-	176.0
6.3	-	-	6.3	Other Operating Expenditure	4.6	-		4.6
16.5	-	-	16.5	Financing, Investment Income and Expenditure	4.3	-	-	4.3
(215.3)	-	-	(215.3)	Taxation and Non-Specific Grant Income	(200.2)	-	-	(200.2)
(17.5)	(0.3)	-	(17.8)	(Surplus) or deficit on the provision of services	(14.7)	(0.6)	-	(15.3)
(15.7)	-	_	(15.7)	(Surplus) / deficit in revaluation of non-current assets	(8.7)	-	-	(8.7)
13.0	-	-	13.0	Re-measurement of net Defined Benefit Liability	(23.2)	-	-	(23.2)
(2.7)	-	-	(2.7)	Other comprehensive (income) / expenditure	(31.9)	-	-	(31.9)
(20.2)	(0.3)	-	(20.5)	Total comprehensive (income) / expenditure	(46.6)	(0.6)	-	(47.2)

The Surplus on the Provision of Services of £15.3m includes a Surplus of £0.1m attributable to the Minority Interest (2020/21: £-m).

The Total comprehensive (income) / expenditure attributable to the Minority Interest is £0.1m income (2020/21: £-m income).

These Minority Interests represent 16% (2020/21 16%) of the Income and Expenditure of Hoople Limited, the subsidiary undertaking.

Group Movement in Reserves Statement

The Group Movement in Reserves Statement provides the reconciliation of the movement in year on the different reserves held and how the resources generated or used in the year reconcile to the council's usable and unusable reserves.

2021/22	General Fund Balance	Earmarked Reserves	Revenue Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Council Reserves	Council's share of Reserves of	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance brought forward	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)	(122.4)	(296.1)	(2.7)	(298.8)
(Surplus) or deficit on the provision of services	(14.7)	-	(14.7)	-	-	(14.7)	-	(14.7)	(0.6)	(15.3)
Other comprehensive income and expenditure	-	-	-	-	-	-	(32.1)	(32.1)		(32.1)
Total comprehensive income and expenditure	(14.7)	-	(14.7)	-		(14.7)	(32.1)	(46.8)	(0.6)	(47.4)
Adjustments between accounting basis and funding basis under regulations	23.3	_	23.3	1.3	(1.5)	23.1	(23.1)	-	-	-
Net (increase)/decrease before transfers to earmarked reserves	8.7	-	8.7	1.3	(1.5)	8.5	(55.2)	(46.8)	(0.6)	(47.4)
Transfers to or from earmarked reserves	(9.1)	9.1	-		-	-	-	-	-	-
Decrease/(Increase) for the Year	(0.5)	9.1	8.7	1.3	(1.5)	8.5	(55.2)	(46.8)	(0.6)	(47.4)
Balance Carried Forward	(9.6)	(96.5)	(106.0)	(43.3)	(15.8)	(165.2)	(177.6)	(342.8)	(3.3)	(346.1)

Group Movement in Reserves Statement 2020/21 Comparative

2020/21	ക General Fund Balance	ന്ന Earmarked 3 Reserves	Revenue Fund Reserves	Capital Receipts Reserve	ക Capital Grants B Unapplied	က္က Usable Reserves	۳ Unusable Reserves	ក Total Council B Reserves	Council's share of Reserves of	ភ Total Group B Reserves
Balance brought				£m						
forward	(9.1)	(79.5)	(88.6)	(44.2)	(8.7)	(141.5)	(134.4)	(275.9)	(2.4)	(278.3)
(Surplus) or deficit on the provision of services	(17.5)	-	(17.5)	-	-	(17.5)		(17.5)	(0.3)	(17.8)
Other comprehensive income and expenditure	-	-	-	-	-	-	(2.7)	(2.7)	-	(2.7)
Total comprehensive income and expenditure	(17.5)	-	(17.5)	-	-	(17.5)	(2.7)	(20.2)	(0.3)	(20.5)
Adjustments between accounting basis and funding basis under regulations	(8.6)	-	(8.6)	(0.4)	(5.7)	(14.7)	14.7	-	-	-
Net (increase)/ decrease before transfers to	(26.1)	-	(26.1)	(0.4)	(5.7)	(32.2)	12.0	(20.2)	(0.3)	(20.5)
earmarked reserves Transfers to or from earmarked reserves	26.1	(26.1)	-	\ \ _	_	-	-	-	-	-
Decrease/(Increase) for the Year	-	(26.1)	-	(0.4)	(5.7)	(32.2)	12.0	(20.2)	(0.3)	(20.5)
Balance Carried Forward	(9.1)	(105.6)	(114.7)	(44.6)	(14.4)	(173.7)	(122.4)	(296.1)	(2.7)	(298.8)

Group Balance Sheet

Summarised

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2022 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements. A detailed balance sheet may be found on the next page.

2020	/21		202	1/22
Core	Group		Core	Group
£m	£m		£m	£m
730.8	730.8	Long term assets	763.7	763.7
119.3	124.2	Current assets	122.3	128.1
(85.3)	(87.5)	Current liabilities	(87.3)	(89.8)
(468.7)	(468.7)	Long term liabilities	(455.9)	(455.9)
296.1	298.8	Net Assets	342.8	346.1
		Represented by:		
(173.7)	(176.4)	Usable reserves	(165.2)	(168.5)
(122.4)	(122.4)	Unusable reserves	(177.6)	(177.6)
(296.1)	(298.8)	Total Group Reserves	(342.8)	(346.1)

The Minority Interest share of subsidiary reserves represents an Unusable reserve to the Council in 2021/22 of £0.5m (2020/21: £0.4m).

The audited 2021/22 financial statements of Hoople Limited will be filed with Companies House before the statutory due date of 31 December 2022. Further details of the financial performance of that company will be contained therein. The financial performance of Hoople Limited, as consolidated into these group accounts may be found within note G2 to these accounts.

The unaudited group accounts were authorised for issue on 30 June 2022.

Group Balance Sheet Detailed

The Group Balance Sheet shows the assets and liabilities recognised by the Group at 31 March 2022 and the reserves the company holds which are split into usable and unusable in accordance with CIPFA requirements

31 March 2021		Notes	31 March 2022
£m		Notes	£m
648.6	Property, Plant and Equipment		665.8
38.7	Investment Property		55.5
0.1	Intangible Assets		0.3
3.2	Heritage Assets		3.2
40.2	Long Term Debtors		38.9
730.8	Long Term Assets		763.7
44.0	Short term Investments		43.0
0.2	Inventories		0.2
53.7	Short Term Debtors	G7	36.6
26.3	Cash & Cash equivalents	G5	47.7
-	Assets held for Sale		0.6
124.2	Current Assets		128.1
(3.3)	Short Term Borrowing		(7.8)
(78.5)	Short Term Creditors	G6	(75.5)
(4.0)	Short Term Provisions		(4.2)
(1.7)	Cash & Cash equivalents	G5	(2.3)
(87.5)	Current Liabilities		(89.8)
(4.4)	Long term provisions		(3.5)
(124.9)	Long term borrowing		(123.0)
(9.6)	Capital Grants Receipts in Advance		(11.7)
(329.8)	Other Long Term Liabilities		(317.7)
(468.7)	Total Long Term Liabilities		(455.9)
298.8	Net Assets		(346.1)
(176.4)	Usable Reserves		(168.5)
(122.4)	Unusable Reserves		(177.6)
(298.8)	Total Reserves		(346.1)

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group for the reporting period.

2020/21			2021/22
£m		Notes	£m
(17.8)	Net (surplus) or deficit on the provision of services		(15.3)
(66.8)	Adjust net (surplus) or deficit on the provision of services for non-cash movements		(31.9)
1.1	Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1.9
(83.5)	Net cash flows from operating activities		(45.3)
69.5	Net cash flows from investing activities		25.4
6.8	Net cash flows from financing activities		0.7
(7.2)	Net decrease or (increase) in cash and cash equivalents		26.1
(17.4)	Cash and cash equivalents at the beginning of the reporting period	G5	(24.6)
(24.6)	Cash and cash equivalents at the end of the reporting period	G5	(45.4)
(7.2)	Net decrease or (increase) in cash and cash equivalents		(20.8)



Notes to the statement of group accounts

G1. Group Accounting Policies

General Principles

The council is required to produce an annual statement of group accounts in accordance with the Accounts and Audit Regulations 2015, which requires the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 "The Code", supported by International Financial Reporting Standards.

The Code sets out the requirement to prepare Group accounts where the authority has interests in subsidiaries, associated and/or joint ventures, subject to consideration of materiality.

Consolidation of subsidiaries, associate companies and joint operations

In preparing the Statement of Group Accounts, members within the Group are classified as either subsidiaries, associates or joint ventures. Subsidiaries (where the council has a controlling interest) are accounted for in accordance with IAS 27 and IFRS 10. Income and expenditure and assets and liabilities are consolidated with the Council's accounts on a line-by-line basis, eliminating inter-organisational transactions and balances at the yearend date.

The statement of group accounts has been prepared using uniform accounting policies. All of the accounting policies of Hoople Limited were considered and compared to those of Herefordshire Council. Since Hoople Limited commenced trading in 2011, the accounting policies it adopted have been closely aligned to those of Herefordshire Council and there were no material differences requiring restatements within the Group accounts.

The accounting policies applied to the statement of group accounts are therefore consistent with those set out in Note 1 to the core Herefordshire Council notes to the accounts.

Taxation

Corporation tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income, profit and loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax for the prior period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

G2. Financial performance of group undertaking

The financial results of Hoople Limited are set out below. These results include transactions with the council, which have been eliminated in these group accounts. These intercompany transactions are set out within the Introduction section to these group accounts above.

	20120/21	2021/22
Statement of comprehensive income	£m	£m
Turnover	(16.8)	(21.2)
(Profit) / Loss on ordinary activities before taxation	(0.3)	(0.6)
Tax on profit on ordinary activities	-	-
(Profit) / Loss for the financial year after taxation	(0.3)	(0.6)
Other comprehensive (income) / expenditure	-	-
Total comprehensive (income) / expenditure for the year	(0.3)	(0.6)

	2020/21	2021/22
Statement of financial position	£m	£m
Non-current assets	-	-
Current assets	5.4	6.6
Liabilities due within one year	(2.7)	(3.3)
Liabilities due after one year	-	-
Net Liabilities and Reserves	2.7	3.3

G3. Group Nature of Expenses Disclosure

The Group's expenditure and income is included in the Group Comprehensive Income and Expenditure Statement as follows;

2020/21		2021/22
£m	lua a una	£m
	Income	
(49.6)	Fees, charges and other service income	(42.2)
(3.2)	Trading and investment income	(12.0)
(3.2)	Interest and investment income	(2.5)
(132.7)	Income from council tax and non-domestic rates	(149.6)
(266.0)	Government grants and contributions	(251.5)
-	Gains on disposal of non-current assets	(0.5)
(454.7)	Total Income	(458.3)
	Expenditure	
132.6	Employee benefits expenses	150.2
232.5	Other service expenses	247.2
5.7	Support service recharges (net)	6.6
1.2	Loss on disposal of non-current assets	-
36.9	Depreciation, amortisation and impairment	15.1
8.1	Trading and investment expenditure	4.3
14.8	Interest expenditure	14.5
5.1	Precepts and levies	5.1
436.9	Total Expenditure	443.0
(17.8)	(Surplus) / Deficit on the Provision of Services	(15.3)

G4. Pensions

The company has two defined pension plans, NHS Pension Scheme and Local Government Pension Scheme (LGPS), both of which require contributions to be made to separately administered funds. The company operates a defined contribution pension scheme with Standard Life for new employees, which began in April 2014.

LGPS Pension Scheme

The company is one of several employing bodies included within the Local Government Pension Scheme (LGPS). Worcester County council administers the pension for past and present employees. The assets and liabilities of the pension are part of the Herefordshire council valuation and included in the group accounts.

The total contribution made for the year ended 31 March 2022 was £0.78m of which employer's contributions totalled £0.54m and employees' contributions totalled £0.24m.

NHS Pension Scheme

Hoople Ltd participates in a defined benefit scheme administered by the NHS Pension Agency. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The cost of the defined benefit scheme is charged to the statement of comprehensive income, profit and loss so as to spread the cost of pensions over the service lives of participating employees. Pension costs are assessed in accordance with advice from Department of Health actuaries. It is not possible for the company to separately identify assets and liabilities relating to the company within the NHS scheme for the purposes of IAS 19 disclosure therefore, the scheme is accounted for as a defined contribution scheme.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Hoople Limited Defined Contribution pensions scheme

Hoople Ltd have closed the public sector pension schemes to new entrants. All new employees having access to a Standard Life Pension Scheme, which is a defined contribution scheme.

2020/21		2021/22
£m		£m
0.2	Employees' contributions	0.2
0.2	Employers' contributions	0.3
0.4	Total	0.5

G5. Group Cash and Cash Equivalents

31 March 2021		31 March 2022
£m		£m
8.7	Cash held by the Group	11.0
17.6	Short term deposits	36.7
26.3	Total	47.7
(1.7)	Bank current accounts	(2.3)
24.6	Total Cash and Cash Equivalents	45.4

Hoople Limited held £5.2m of short term cash balances as at 31 March 2022 (31 March 2022: £3.4m)

G6. Group Short Term Creditors

31 March 2021		31 March 2022
£m		£m
(25.5)	Central government bodies	(19.6)
(2.9)	Other local authorities	(4.1)
(1.5)	NHS bodies	(1.7)
(34.0)	Other entities and individuals	(36.9)
(2.0)	Monies due to agency NMiTE	-
(12.6)	Agency BEIS Business Support Grants	(3.1)
-	Agency DLUHC Support Grants	(10.1)
(78.5)	Total	(75.5)

Hoople Limited had short term liabilities totalling £3.3m as at 31 March 2022 (31 March 2021: £2.7m). These included Trade creditors, Accruals and VAT liability in line with normal business activities.

G7. Group Short Term Debtors

31 March 2021 £m		31 March 2022 £m
22.3	Central government bodies	15.5
3.4	Other local authorities	0.9
4.6	NHS bodies	4.4
23.4	Other entities and individuals	15.7
-	DHSC Agency Grants	0.1
53.7	Total	36.6

Hoople Limited had short term assets totalling £6.5m as at 31 March 2022 (31 March 2021: £5.4m). These included trade debtors and their short term cash balances.

G8. External audit costs

2020/21 £m		2021/22 £m
0.2	Fees payable with regard to external audit services carried out by the appointed auditor	0.2
0.2	Total	0.2

The above fees included £22k in respect of Hoople Limited audit fees (2020/21: £22k)

Supplementary Accounts- Collection Fund



42. Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and business rates. From April 2013 the system of funding local authorities changed allowing council to retain 49% of the county's business rates.

2020/21		2021/22		
Total		Council	Business	Total
		Tax	Rates	
£m	Assessment and the last of the last of the Collection Front	£m	£m	£m
	Amounts required to be credited to the Collection Fund			
137.2	Council Tax	144.7	-	144.7
19.7		-	33.6	33.6
0.2	Transitional Protection Payments Receivable	-	0.4	0.4
	Contribution towards previous year's Deficit Central Government		40.0	40.0
-		-	12.9	12.9
-	Hereford and Worcester Fire Authority West Mercia Police	-	0.3	0.3
-	Herefordshire Council	-	- 40.0	40.0
157.1	Total	0.2 144.9	12.6	12.8 204.7
137.1	Amounts required to be debited from the Collection Fund	144.9	59.8	204.7
	Precepts, Demands and Shares			
23.3	Central Government	_	23.1	23.1
6.5	Hereford and Worcester Fire Authority	6.0	0.5	6.5
132.7	Herefordshire Council	112.9	22.7	135.6
4.9		4.9		4.9
15.7		16.4		16.4
10.7	Contribution towards previous year's Surplus	10.4		10.4
0.4				_
0.1	Hereford and Worcester Fire Authority	_	_	_
1.8		_	_	_
0.2		-	_	_
	Charges to Collection Fund			
0.3		-	0.3	0.3
0.2	Write offs of uncollectable debt	0.1	0.1	0.2
2.0	Increase/(decrease) of Bad Debt Provision	0.4	0.5	0.9
1.4	Changes in Provision for Appeals	-	(4.5)	(4.5)
0.3	Other transfers to General Fund	-	0.6	0.6
189.8	Total	140.7	43.3	184.0
(32.7)	Surplus/(Deficit) for the Year	4.2	16.5	20.7
5.4	Balance brought forward	(0.2)	(27.1)	(27.3)
(27.3)	Balance carried forward	4.0	(10.6)	(6.6)

Notes to the Collection Fund

The total non-domestic rateable value at the year-end was £135.7m and the national non-domestic rate multiplier for 2021/22 was 51.2p

Non - Domestic Rates Income	2021/22
Non - Domestic Rates income	£m
Annual Debit	67.0
Less	
Empty Allowances	(1.8)
Transitional Relief	(0.6)
Discretionary Relief	(0.6)
Mandatory Relief	(5.1)
Small Business Rate Relief	(9.8)
Funded Reliefs	(15.3)
Enterprise Zone Relief	(0.2)
Total	(33.6)

Council tax income is derived from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Estimated values as at 1 April 1991 are used for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by the council, West Mercia Police and Hereford & Worcester Fire & Rescue Authority, and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts etc.). The amount of council tax for a Band D property is multiplied by a specified proportion to give an amount due for other property valuation bands. The average council tax for a Band D property in 2021/22 was £2,051.61 including fire, police and parish precepts, with a range of between £1,980.17 and £2,154.22. The council tax base used for setting the council tax in 2021/22 was 68,355.22. The Band D equivalents in each valuation band are shown in the table below:

Band	Valuation Range	Charge Factor	Band D Equivalent
А	Up to £40,000	6/9	4,443.39
В	£40,001 to £52,000	7/9	10,860.51
С	£52,001 to £68,000	8/9	12,143.47
D	£68,001 to £88,000	9/9	11,664.71
Е	£88,001 to £120,000	11/9	13,308.03
F	£120,001 to £160,000	13/9	9,642.52
G	£160,001 to £320,000	15/9	5,672.04
Н	Over £320,000	18/9	313.05
Crown			307.50
Total			68,355.22

Council Taxpayer Income	2021/22
Council Taxpayer Income	£m
Council Tax debit at 1 April	173.7
Banding change	3.0
Less	
Discounts	(14.0)
Exemptions	(3.9)
Council Tax Reduction	(13.9)
Disablement Relief	(0.2)
Total	144.7

The Collection Fund surplus or (deficit) at 31 March 2022 is split as follows:

	Council Tax	Business Rates	Total
	£m	£m	£m
Central Government	-	(5.3)	(5.3)
Hereford and Worcester Fire Authority	0.2	(0.1)	0.1
Herefordshire Council	3.3	(5.2)	(1.9)
West Mercia Police	0.5		0.5
Total	4.0	(10.6)	(6.6)

43. Definitions

Accounting Policies

Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Assets

A resource controlled by the council as a result of past events and from which future economic or service potential is expected to flow to the council.

Borrowing costs

Interest and other costs that an entity incurs in connection with the borrowing of funds. This includes finance charges in respect of finance leases.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the council, or

A present obligation that arises from past events but is not recognised because

- a) it is not probable that an outflow of resources embodying economic benefits or
- b) services potential will be required to settle the obligation, or

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c) the amount of the obligation cannot be measured with sufficient reliability.

Creditors

Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Core

The single entity, being Herefordshire Council.

Covid-19

Coronavirus disease (Covid-19) is an infectious disease. Most people infected with the Covid-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment.

Debtors

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Depreciation

The systematic allocation of the depreciable amount of the asset over its useful life.

Exchange Transactions

Transactions in which one entity receives assets or services, or has liabilities extinguished, and gives approximately equal value (cash, goods, services, or use of assets) to another entity in exchange.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) records the timing differences between the rate at which gains and losses are recognised for accounting purposes and the rate at which debits and credits are required to be made against council tax.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

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Grants and contributions

Transfers of resources to the council in return for past or future compliance with certain conditions relating to the operation of activities.

Historical cost

The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for any subsequent depreciation or impairment.

IFRIC

International Financial Reporting Interpretations Committee (IFRIC) prescribes accounting treatment within the IFRS standards.

IFRS

International Financial Reporting Standards (IFRS) provide understandable, enforceable and globally accepted accounting standards.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Intangible Asset

An identifiable asset without physical substance e.g. computer software.

Inventories

These are assets;

- a) In the form of materials or supplies to be consumed in the production process
- b) In the form of materials or supplies to be consumed or distributed in the rendering of services
- c) Held for sale or distribution in the ordinary course of operations, or
- d) In the process of production for sale or distribution

Investment property

Property held solely to earn rentals or for capital appreciation or both.

Liabilities

Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Material

Items are material if they could, individually or collectively, influence the decisions or assessments of users. Materiality depends on the nature or size of the item, or both.

Minimum Revenue Provision (MRP)

A provision made for the repayment of notional borrowing used to finance capital expenditure.

Non-Exchange Transactions

Transactions in which an entity either receives value from another entity without giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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Operating lease

A lease other than a finance lease

Property, plant and equipment

Tangible assets held for use in the supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one year.

Provision

A liability of uncertain timing or amount.

Related Party

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- · disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date were consolidated into the Capital Adjustment Account.

Revenue

The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Soft loan

A loan at less than the market interest rate.

44. Annual Governance Statement





Title of report: Update on Internal Audit Recommendations

Meeting: Audit and Governance Committee

Meeting date: 25 July 2022

Report by: Performance Lead, Economy & Environment and Corporate

Services

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To review the progress of audit recommendations implementation.

[Note: This report was deferred at the previous meeting. The report is the same but updates have been made to elements of Appendix A – Recommendations; changes are shown in a different font colour] The committee receives periodic reports on progress made in implementing audit recommendations to enable it to fulfil its role of monitoring the effective development and operation of risk management and corporate governance in the council.

Recommendation(s)

That:

a) The status of current audit recommendations be reviewed and the committee determine any recommendations it wishes to make in order to provide further assurance that actions identified by audit activity are being actively managed.

Alternative options

1. The committee could choose not to monitor the progress made on audit recommendations; however this would not be recommended as it is a function of the committee to monitor the effective development and operation of risk management and corporate governance in the council, and this report seeks to assure the committee that actions in response to audit recommendations are being suitably prioritised, in turn reducing the risk to the council.

Key considerations

- 2. South West Audit Partnership (SWAP) provides the internal audit services for Herefordshire Council. SWAP is required to deliver an annual audit plan, which is scoped using a risk-based assessment of the council's activities. Additional audits are added to the plans as necessary to address any emerging risks and issues identified during the year.
- 3. Upon completion of each audit review, a formal report is drafted for discussion with service managers. These reports include the main conclusions of the review and the overarching opinion, individual findings and the potential associated risk exposure.
- 4. Management responses to each audit recommendation are obtained and recorded, identifying any actions required, the person responsible and an agreed target implementation date.
- 5. Recommendations are each scored to indicate their severity. The scoring matrix is shown below:

	Priority
Findings that are fundamental to the integrity of the service's business	Priority 1
processes and require the immediate attention of the management	
Important findings that need to be resolved by management	Priority 2
Finding that requires attention	Priority 3

- 6. All staff responsible for audit recommendations are asked to review progress on the implementation of recommendations. Managers were asked to self-report on the action which had been taken in respect of the SWAP recommendation and the overarching status.
- 7. The last report to the Audit and Governance Committee in November 2021 provided an update on audit recommendations. At this meeting, it was reported that there were 20 recommendations that were overdue; a combination of recommendations which had been previously reported to the committee as overdue (10), and those which were due between April 2021 and September 2021 that hadn't been complete as planned (10); there were a further three that had been missed from the report. Updates have been sought on these remaining items from responsible owners identified at the point of finalising the audit. These updates identified that 13 recommendations have since completed and 10 remain outstanding. Further details on these recommendations can be found at appendix A, along with revised completion dates.
- 8. Between October 2021 and March 2022, a further 30 recommendations were due for completion. The table below provides an update status for these recommendations, split by priority and directorate.

		C&W	C&F	E&E	Corp. Centre
Priority 1	Complete				
	Incomplete				
Priority 2	Complete			1	3
	Incomplete		2	1	5
Priority 3	Complete			4	5
	Incomplete		1	2	6
Total	Complete			5	8
	Incomplete		3	3	11

- 9. Of all the audit recommendations which became due for completion since the last committee, 49% have been completed. Further details on the recommendations, and the update provided can be found in appendix A.
- 10. In addition to recommendations due for completion before this meeting, an update is provided below giving an indication of progress being made against recommendations due in the future.

	Priority 1	Priority 2	Priority 3	Total
Complete			4	4
On track		4	11	15
Delays possible				
Delays likely			4	4
No update				

11. Of the future recommendations, 82% of these are on track to be completed within planned timescales, or have already been completed. A further narrative on these items can be found in appendix A.

Process for future reporting of recommendations

- 12. A previous committee discussion identified an example where the allocated officer for the recommendation had left the council and their successor was unaware of the recommendation. As part of the revised service business planning guidance, audit recommendations will be included within the relevant service business plan (SBP); by holding recommendations consistently in the SBP, it means that actions will carry across to incoming staff. In addition, SBPs require a quarterly progress update meaning that the audit recommendation will also be available for reporting to directorate management teams, corporate leadership team and cabinet portfolio holders. A biannual report will continue to be reported to audit and governance committee.
- 13. A process map for the reporting of progress of audit recommendations is at appendix B.

Community impact

14. In accordance with the principles of the council's adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective service planning, financial management, risk management and internal controls are important components of this performance management system. By monitoring the implementation of audit recommendations, assurance is given that risks are being effectively managed and that the council is taking action to meet its corporate plan priorities to secure better services, quality of life and value for money.

Environmental impact

15. This report is based on internal audit and the response of the council to its recommendations, as such there are minimal environmental impacts.

Equality duty

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

18. There are no resource implications arising from this report.

Legal implications

19. There are no legal implications arising from the recommendations in this report.

Risk management

20. There are no risks associated with the recommendations of this paper and visibility of the progress being made against audit recommendations promotes good governance. However, internal audit recommendations are raised as a result of gaps in our controls or deficiencies identified within processes reviewed, therefore incomplete and overdue items inherently increase the council's exposure to risk.

Consultees

21. None.

Appendices

Appendix A Recommendations
Appendix B Process map

Background papers

None identified

Herefordshire Council

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Property	1.3	3	31-Mar-20	Complete		Head of
Maintenance –	We recommend that a simple set of		Revised to			Educational
Schools	procedures be set up for compilation of		01-Sep-21			Development
	the annual maintenance programme		Revised to			
PREVIOUSLY	planning spreadsheet, and for the planning		31-Mar-22			
OVERDUE	and approval of additional / emergency					
	works.					
Continuing	1.1.2	2	30-Apr-20	Complete		Assistant Director,
Healthcare (CHC)	We recommend that the CHC Dispute					All Ages
Funding Process	Policy should be viewed with					Commissioning
	consideration given to any changes					
PREVIOUSLY	required, in particular the timeframe for a					
OVERDUE	meeting to be arranged for cases subject					
]	to the dispute resolution process at level					
	two. Once the policy is formally agreed					
	between the Council and the CCG it should					
	be signed off.					
Continuing	1.1.3	3	30-Apr-20	Complete		Assistant Director,
Healthcare Funding	We recommend that a formal written					All Ages
Process	backdating protocol is developed and					Commissioning
	approved between the Council and the					
PREVIOUSLY	CCG.					
OVERDUE						
Members	1.3a	3	31-May-21	Complete		Democratic
Allowances and	We recommend the Democratic Services					Services manager
Expenses 2019/20	Manager considers including specific					and Democratic
	guidance amounts for subsistence in the					Services Officer
PREVIOUSLY	Councillors allowance scheme.					
OVERDUE						
Income Charging	1.1	3	30-Oct-20	The Chief Finance Officer has considered	In progress	Head of
2019/20	We recommend the Chief Finance Officer		Revised to	the recommendation, and has concluded		Management
	ensures a review of the current income		31-July-21	that it would be beneficial to adopt a		Accounting/Chief
	charging principles is carried out including		Revised to	corporate approach to income charging		Finance Officer

15/07/22

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
PREVIOUSLY	consideration as to whether a corporate		31-Mar-22	arrangements and this will feed into the		
OVERDUE	Income Charging Policy		Revised to	forthcoming review of the Medium Term		
	Document/procedure document would be		10-Feb-23	Financial Strategy		
	beneficial.					
Staff Car Parking -	1.2.1 We recommend that the Assistant	3	31-Jan-21	Corporate Leadership Team have now	In progress	Parking Strategy
Business Passes	Director of Technical Services ensures:		Revised to	approved a new scheme, and Directorate		and Processing
	Managers and staff business pass		31-Dec-21	funding has been allocated from the staff		Manager
PREVIOUSLY	holders are reminded of the requirement		Revised to	parking budget. Consultation with affected		
OVERDUE	to return parking passes if an officer leaves		27-Jun-22	staff will start for two weeks, with a		
	or transfers to a new role,			planned launch date for new system of 27		
	A centralised record of returned passes			June.		
	is populated in a consistent manner to					
	identify details of all passes that are					
	required to be returned including the					
	leaving/role change date or the date that					
	the pass was destroyed to allow Parking					
	Services to pursue unreturned passes as					
	part of the solution under					
	recommendation 1.1,					
	Where the manager fails to obtain a staff					
	business pass, where the officer is leaving					
	or transferring the service should be					
	charged for the cost of a season ticket for					
	the pro rata amount remaining time left					
	on the parking pass.					
Staff Car Parking -	1.2.2 We recommend that the Assistant	3	30-Jun-21	Complete		Assistant Director
Business Passes	Director Corporate Support further		Revised to			People
2251/101/517	investigates the leavers process to ensure		31-Mar-22			
PREVIOUSLY	the Parking Services Team are notified of					
OVERDUE	leavers/changes in role and that this is					
Chaff Can Davidia	done promptly. 1.1 We recommend that the Assistant	2	20 Am 21	CIT have now approved this is a consistent.	In nuceurs	Dorling Charles
Staff Car Parking - Business Passes	Director for Technical Services ensures	2	30-Apr-21 Revised to	CLT have now approved this new scheme,	In progress	Parking Strategy
Business Passes	that:		31-Dec-21	and Directorate funding has been allocated from the staff parking budget.		and Processing
PREVIOUSLY	A solution is identified and implemented		Revised to	Consultation with affected staff will start		Manager
OVERDUE	to provide a master list of active pass		27-Jun-22	for two weeks, with a planned launch date		
OVERDUE	holders with appropriate reports to allow		Z/-JUII-ZZ	for new system of 27 June.		
	monitoring to be simplified,			Tot new system of 27 June.		
	All existing pass holders are checked for					
	general compliance with the Staff Car					
	general comphance with the Staff Car					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Parking Policy - Business Passes April 2019					
Emergency Active	annually. Although the DfT funding was spent within	3	31-Dec-20	Complete		Infrastructure
Travel Fund	the set timescale, expenditure was coded	3	Revised to	Complete		Manager
Tranche 1 Grants	first to the Access Fund code rather than		28-Feb-22			Ivialiagei
Transite 1 Grants	the correct capital code for the grant. A		2010022			
PREVIOUSLY	review of the cost codes showed that all of					
OVERDUE	the £20,000 from the DfT has effectively					
	been spent, but the expenditure was					
	coded to the Access Fund first, rather than					
	the DfT funding. Should additional funding					
	be obtained for Tranche 2, Finance staff					
	should ensure that this does not happen					
	again, in order to be able to demonstrate					
	that the funding has been spent within any					
	required timescales, and to ensure					
	transparency around use of DfT grant					
Additional	funding. Variation Orders were issued and signed	2	31-Dec-20	Complete		Transport Services
Dedicated Home to	by the contractors for contracts where	3	Revised to	Complete		Manager
School Transport	additional vehicles were required due to		28-Feb-22			ivialiagei
Grant	increased demand. However, these		28-1 60-22			
Grane	variation orders were not issued by the					
PREVIOUSLY	Transport Team until 3rd November, two					
OVERDUE	months after the additional vehicles were					
	first required. All were signed within one					
	day of issue. Further variation orders for					
	next term should be issued and returned					
	prior to the start of the term if possible, to					
	ensure that all additional transport and					
	corresponding costs are agreed by all					
	parties.		20.5 24	TI CI I I I I I I I I I I I I I I I I I	Ι.	6 . 5
Commercial	1.1 We recommend that all procedures	3	28-Feb-21 Revised to	The Strategic Asset Management Plan has	In progress	Senior Estate
Properties/Rents 2020/21	and processes, along with escalation protocols, are documented to aid business		31-May-21	been approved at Corporate Leadership Team (CLT) and the Corporate Landlord		Manager
2020/21	continuity and these documents should		Revised to	document has just been before CLT and		
PREVIOUSLY	then be made available to the team on a		31-Mar-22	formal approval by way of the meeting		
OVERDUE	shared drive.		Revised to	minutes is pending. When the		
			31-Aug-22	documentation is completed it will be		
				placed on a shared drive.		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Commercial	1.2 We recommend that the Strategic	3	28-Feb-21	Complete		Senior Estate
Properties/Rents	Property Services Manager considers		Revised to			Manager
2020/21	recording a range of appropriate		30-Jun-21			
	incentives to attract tenants in the event		Revised to			
PREVIOUSLY	that occupancy rates fall during /after the		31-Mar-22			
OVERDUE	pandemic, to mitigate the risk of lost					
	income through rent receivable along with					
	vacant property holding costs.					
Commercial	1.5 We recommend that the Revenues	2	31-Mar-21	We are utilising the cost code report	In progress	Revenues Manager
Properties/Rents	Team carry out formulae checks prior to		Revised to	however have found it simpler to continue		
2020/21	issuing Excel spreadsheet reports to		31-Jul-21	with the individual spreadsheets but now		
	ensure the integrity of the information		Revised to	include the invoice numbers. They have		
PREVIOUSLY	being provided to Council services.		30-Nov-21	confirmed they have completed the one		
OVERDUE	The arrears reports should also detail the		Revised to	area of the report and now finishing the		
	invoice number and date to clearly identify		30-Sep-22	second element. With the introduction of		
	which invoices are in arrears. Any amounts			Maylords invoicing and the increase in		
	paid off from individual invoices should			arrears due to Covid we are now about to		
	also be clearly noted to show any			commence a rent project which will		
	outstanding balances.			include reporting and the levels needed for		
				each specific area. I have also asked		
				Business World to create a new separate		
				report at cost code level for rents only		
				which will remove the need to filter out		
				other areas with arrears.		
				With the new project commencing I do not		
				feel this area is complete and a new		
				revised date is required to allow this fully		
				completion as processes are likely to		
				change.		
Education, Health	Further investigation is to be undertaken	2	31-Jul-21	No update provided	In progress	Senior SEN Officer
and Care (EHC)	by the service area on the 47 EHC Plans		Revised to			
Plan - Annual	not recorded on the Synergy system as		05-Nov-21			
Review	having an annual review.					
PREVIOUSLY						
OVERDUE			20.0			0 1 0511 575
EHC Plan - Annual	To look at the data analysis completed to	3	30-Sep-21	No update provided	In progress	Senior SEN Officer
Review	understand which cases did not meet the		Revised to			
	timescale, to understand why the		19-Nov-21			
PREVIOUSLY	timescale was not met in order to ensure					
OVERDUE						

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	that the system can provide fewer cases out of timescale.					
EHC Plan - Annual Review PREVIOUSLY OVERDUE	Review of workflow to see if it can be improved to streamline the process so it is more user friendly. 2. Training of officers on the new workflow process.	3	30-Sep-21 Revised to 31-Dec-21	No update provided	In progress	Senior SEN Officer
Significant Partnerships DUE IN PERIOD	 1.3 For the summary pf partnerships to be published as part of papers to Audit and Governance Committee, For a simplified significant partnership register to be published but include links to relevant websites, Evidence of Terms of Reference review and updated when necessary (subject to audit). 	2	31-Jan-22	Complete		Assistant Director Corporate Support
Significant Partnerships DUE IN PERIOD	 Clarify the definition of a significant partnership and evaluate the refresh required to the Partnership Governance Framework to meet the current and future needs of the Council, Consideration should be given to the presentation of a revised documentation to improve the readability for the intended audience and ensure that good governance management is incorporated into the guidance including a header page, table of contents, document owner, review date and version control, Effective PGF communication so all link officers of significant partnerships and the management board are aware of the Partnership Governance Framework document, so an improved response to the annual assurance process is achieved, Training / guidance on the completion of the annual checklist for significant partners should be completed prior to the 	2	28-Feb-22	Complete		Solicitor to the Council

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Audit name s106 Agreement DUE IN PERIOD	1.1 It is agreed that information in relation to section 106 monies held by council should be reported on a biannual basis to senior management. The council produces an Authority Monitoring Report and this report could provide the basis for a new Management Board report which would offer a more holistic view of the status of all S106 agreements expenditure and activity. The report could also include the following information: • Existing balances for all Section 106 agreements with monies exceeding the expiry date clearly identifiable. • Date money received. • Repayment date for money received. • Number of years unspent money held. • Action outstanding for each S106 agreement contribution received, including known reason for money unspent. The councils Project Management Team (within Corporate Services) are in the process of reviewing the Management Board structure and processes of the council. The Planning Obligations Manager will contact the Head of Project Management to draw to their attention the need to report corporately on the status of section 106 contributions so that they can consider which management board would be appropriate for the information to be reported to. A virtual meeting has been arranged for 18 February 2021 with lead officers in all the	Priority 2	Target date 08-Feb-22 Revised to 01-Jun-22	A meeting was held on 18 February with lead officers in all service areas to discuss who may report to the management board and how information is populated for the report. It was agreed that we need to establish the functionality of Business World to see if individual service areas can populate fields in Business World for a report to be run. Meeting to be arranged with Business World Support Team to establish functionality. I am aware of other service areas that use Business World for reports i.e. Property Services and the contract management team who oversee the work of Balfour Beatty Living Places.	Status In progress	Owner Planning Obligations Manager
	A virtual meeting has been arranged for 18					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	the reporting functions within Business					
	World to see if there is the capability to					
	hold information on section 106 that is					
	currently held on numerous spreadsheets.					
	Initial discussions appear promising as					
	other areas of the council report in					
	Business World. The Planning Obligations					
	Manager will formally ask the Business					
	World support team to commence a piece					
	of work to review the functionality of					
	Business World. This piece of work will					
	need to be built into their development					
	programme and will incur a cost. We will					
	need to consider who bears the cost of the					
	work, whether it is a corporate					
	requirement or a service area					
	requirement.					
s106 Agreement	1.2 It is agreed that information in relation	2	08-May-21	Complete		Planning
	to section 106 spend by the council should					Obligations
PREVIOUSLY	be reported in an open and transparent					Manager
ຜິ OVERDUE	manner, irrespective of the value. This can					
	be done through the production of a					
	Record of Officer Decision produced					
	through Mod.Gov and published to the					
	council website.					
	A virtual meeting has been arranged for 18					
	February 2021 with lead officers in all the					
	service areas to advise of the need to					
	produce a Record of Officer Decision for all					
	section 106 spends and to discuss whether					
	this is reported individually or on a					
	monthly basis with information on what					
	has been spent that month.					
	With regards to reporting on the section					
	106 monies paid to external organisations,					
	the Planning Obligations Manager will					
	write to those organisations on a biannual					
	basis outlining what money they have					
	received and asking them to advise the					
	council on what the monies have been					
	spent. This information can be held in					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Civica against the planning application and					
	published to the web against the planning					
	application record. We could also consider					
	how this information can be published to					
	the decision- making section of the					
	website.					
s106 Agreement	1.3 Initial contact has been made with the	3	08-Feb-22	Meeting arranged with Senior	In progress	Planning
	Business World support team to look at		Revised to	Management to discuss how the		Obligations
DUE IN PERIOD	the reporting functions within Business		01-Jun-22	development of the functionality of		Manager
	World to see if there is the capability to			section 106 reporting in Business World		
	hold information on section 106 that is			will be funded.		
	currently held on numerous spreadsheets.					
	Initial discussions appear promising as					
	other areas of the council report in					
	Business World. The Planning Obligations					
	Manager will formally ask the Business					
	World support team to commence a piece					
	of work to review the functionality of					
	Business World. This piece of work will					
	need to be built into their development					
	programme and will incur a cost. We will					
	need to consider who bears the cost of the					
	work, whether it is a corporate					
	requirement or a service area					
	requirement.					
S106 Agreement	The Planning Obligations Manager will	3	08-Aug-21	Complete		Planning
	review the Planning Obligation process					Obligations
PREVIOUSLY	flow chart to see if it can be simplified and					Manager
OVERDUE	will add version control.					
	The Planning Obligations Manager has					
	produced a process map for each service					
	area showing process for spend of the					
	monies. These will be reviewed in light of					
	the requirement to produce a Record of					
	Officer decision and the changes that may					
	be made as to how section 106 highway					
	monies are spent.					
	A virtual meeting has been arranged for 18					
	February 2021 with lead officers in all the					
	service areas to discuss what procedure					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	notes are in place and what procedure					
	notes needs to be put in place.					
	At present service areas receive					
	notification of when section 106 monies					
	have been received. It has been agreed					
	that service areas will receive a copy of the					
	signed section 106 agreement so that they					
	have a copy for their records and can					
	monitor site development. We will also					
	explore whether they wish to be included					
	in the notification of the commencement					
	of development sites which is circulated by					
	the council Building Control team.					
Council Tax	Account and property notes are not	3	31-Dec-21	We are trying to keep new properties	In progress	Revenues Manager
	consistently added to the system resulting		Revised to	within 10 days however at times this has		
DUE IN PERIOD	in the audit trail being incomplete. This		30-Sep-22	slipped due to resource and other work		
	could result in potential errors or			priorities such as work involved around		
	omissions being made.			government announcements including		
0 17		2	24.0 + 24	Ctax energy rebate.		0 17 1
Council Tax	Housekeeping issues were identified	3	31-Oct-21	Complete		Council Tax and
DUE IN BERIOD	including:some updating to procedures required,					Business Rates
DUE IN PERIOD	 recording the account reference on the 					Team Leader
	Building Control Commencement List.					
Support for Young	2. Monitoring of 16–24-year-olds with an	3	31-Jul-21	An Education Opportunity Area Plan is	In progress	Senior Adviser Post
People who are	Education Health and Care plan who are	3	Revised to	being developed which includes NEET. The	iii progress	16 Learning and
NEET 2020-21	NEET.		31-Jan-22	NEET measure and target will be informed		Skills
14227 2020 21	There is no formal performance		Revised to	by this work. The recent publication of the		Skiiis
PREVIOUSLY	measurement of 16–24-year-olds with an		TBD	Schools White paper in March 2022 has		
OVERDUE	Education Health and Care plan who are		155	delayed the Education Opportunity Area		
	NEET. There is also no mention of this			plan as the White paper needs to be taken		
	cohort in relation to NEET in the Council's			into consideration and inform the		
	County Plan or the Delivery Plan.			education plan. The Youth Employment		
	Consideration should be given to the			Hub will have delivery targets which will		
	introduction of a corporate or a			include this group of young people.		
	directorate performance indicator so that					
	the effectiveness of the Council's actions is					
	measured.					
Support for Young	3. Council Website Information	3	31-May-21	Web pages have been updated accordingly		Senior Adviser Post
People who are	The Council's website has a page entitled		Revised to	and will continue to be kept under review	Complete	16 Learning and
NEET 2020-21	Support for young people not in		31-Dec-21	as provision and information changes. This		Skills

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
PREVIOUSLY	education, employment or training (NEET); but the information is out of date. It			is business as usual. The youth employment hub landing page will be		
OVERDUE	requires updating and monitoring to			hosted on the Talk Community website		
OVERDOL	ensure accurate information and/or			(similar to Money on your Mind) and is		
	signposting for all the schemes is stated.			under development. Slight delay due to		
	signposting for all the schemes is stated.			needing to recruit staff to update website,		
				but position has now been filled.		
Non Domestic	A total of five accounts were selected from	3	31-Dec-21	We are trying to keep new properties	In progress	Revenues Manager
Rates (NDR)	the weekly NDR Valuation Office Agency		Revised to	within 10 days however at times this has		
	(VOA) reports dated 26 January 2021 and		30-Sep-22	slipped due to other priority work. Our		
DUE IN PERIOD	16 February 2021. Accounts were			splits and mergers have also slipped due to		
	examined to check the accuracy of			need to put resource on Council tax work		
	information held on Academy and the			including Ctax energy rebate.		
	timeliness of notification to the Valuation					
	Office (VO) of new or altered properties.					
	The following was identified:					
	Capturing of notes on the system					
	One of the five valuations billing					
	notifications checked had incomplete					
	notes captured within Academy. During					
	the audit, the Team Leader stated the					
	importance of system notes to record					
	what has happened on an account,					
	Timeliness of notifying VO					
	Two entries were processed in 1 day and					
	reported to the VO.					
	One entry was processed in 4 days and					
	reported to the VO.					
	One entry was processed and notified					
	within 12 days.					
	One entry took in excess of 28 days to be					
	processed and notified to the VOA.					
	At the close out meeting it was confirmed					
	that a timeframe to notify the VO had					
	been piloted as part of the Planning					
	Project (which includes Building Control).					
	However, because of the impact of COVID					
	19 it had been too early to assess if the					
	timeframe was set at the correct level.					
	This will be revisited as part of the project.					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Commercial /	2. Payment process control issue	2	31-Jan-22	The Finance Procedure Rules are due to be	In progress	Head of Corporate
Strategic	A control issue was identified in the		Revised to	considered at the Audit & Governance		Finance
Investments	Council's payments process. The usual		25-Jul-22	Committee on 25 July 2022.		
	payments authorisation process can be by-					
DUE IN PERIOD	passed if Council expenditure is deducted					
	from a payment to the Council and there is					
	no purchase order or invoice. The finding					
	in paragraph 1 is an example of this and					
	effectively £172k of Council expenditure					
	was not authorised.					
Accounts	We have found that the Debt Recovery	2	30-Nov-21	Social Care - we have just started to	In progress	Revenues Manager
Receivable	Policy and monthly reporting procedure		Revised to	discuss the Social Care reporting structure		
	are still not up to date. These documents		30-Sep-22	(info needed and who the information is to		Head of Corporate
DUE IN PERIOD	need to be updated to ensure that staff		,	be cascaded to) within the Social Care debt		Finance
	have the necessary detailed guidance to			recovery project therefore should be		
	be able to complete tasks. In addition,			addressed over the coming months. I have		
	little progress has been made to agree			also requested Social Care has its own		
	arrangements for referring cases for court			separate cost code report (instead of it		
	action; there are outstanding issues			being included in the main reports) so they		
	around whether this can sit within the			are easily identifiable and can be shared		
	Revenues Team as previously done or			fully without the need to copy and paste		
	needs to be referred to Legal Services. This			information out of the main report into a		
	needs to be agreed and set out within the			separate one – Business World have		
	Debt Recovery Policy, in order for the			confirmed this is nearly completed).		
	Revenues Team to be able to progress			Rents - currently the reports are being sent		
	cases where further action may be			each month to Property Services for each		
	required over the coming year.			area, however this will a new piece of		
				work in itself now with the introduction of		
				Maylords Orchards invoicing. We are		
				about to commence a new recovery		
				project for rents which will cover the		
				requirements for reporting therefore this		
				will be addressed during this. Again, like		
				Social Care I have asked Business World to		
				produce a separate report for rents at cost		
				code level so we can again share fully and		
				have the information immediately to hand		
				without the need to copy and paste from a		
				main report.		
				The Business World system report runs		
				daily so any payments that have come		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
				through would clear from the report each		
				day. It lists all outstanding debts under		
				each cost centre and details each period		
				owing from.		
				Notes are put on accounts when the		
				officer has done any chasing. Whether by		
				chasing the customer or one of the teams		
				for updates and so a date of action will be		
				captured when the note is saved on the		
				account.		
				Currently with the arrears reports sent to		
				Property Services, notes of actions are		
				included on each debtor so they are aware		
				of what action we have recently done.		
				The Property Services escalation process is		
				currently being looked into with Legal.		
				Property Services have suggested possible		
				interest being charged to late payers as		
				one option.		
				The ASC escalation process we have the		
				debt recovery red file on Mosaic where		
				Revenues detail all action to date and give		
				a recommendation of write off/court; it		
				then goes to the advisory group to decide		
				which route.		
Accounts	There are plans to transfer responsibility	3	27-May-21	Complete		Revenues Manager
Receivable	for setting up credit notes to the service					
	areas. However, this has the potential to					
PREVIOUSLY	raise issues around segregation of duties,					
OVERDUE	and as such, should remain with the					
	Revenues Team, in order to retain a high					
	level of control over the process.					
Accounts	A six-monthly write off analysis report	3	31-Jul-21	Complete		Revenues Manager
Receivable	provided for Cabinet details a combined					
	total for write-offs across Council Tax,					
PREVIOUSLY	National Non Domestic Rates and Debtors.					
OVERDUE	The end of year document details a split					
	between the three areas, however it					
	would be useful for this to be included half					
	yearly also.					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Main Accounting	The Senior Team Leader (Transactional	3	31-Dec-21	The Senior Transactional Finance Team	In progress	Senior Team Leader
(Follow-Up)	Team) agreed to train another officer		Revised to	Leader advised that this is a constant piece		(Transactional
	within the Transactional Team to be able		30-Jun-22	of work due to changes within the team.		Team)
DUE IN PERIOD	to complete the Council Tax/National Non			She is in the process of training the		
	Domestic Rates/Housing Benefit control			Transactional Team Leader – as it is likely		
	accounts reconciliation. However, agree			to be less change within this role. This will		
	that we need to have someone in the			allow the time to train and embed the		
	Transactional Team who is also trained;			procedures The guidance is up to date and		
	this will be started in January 2020 and			reviewed annually so can be followed		
	completed by April 2020			through to completing the task.		
Adult Social Care -	Provider invoices on hold Following the	3	31-Dec-21	The actions in the original response have	In progress	Senior
Provider Payments	previous audit, the Transactional team		Revised to	been implemented and the work on the		Transactional
& Client	reduced the invoices on hold (disputed		31-Aug-22	disputed invoices remains ongoing, work is		Finance Team
Contributions	invoices) relating to adult social care non-			being carried out daily to reduce the		Leader
	residential payments. However, because			disputed. Progress is limited though as		
DUE IN PERIOD	of the COVID pandemic and the additional			requires action by other areas to resolve		
	resource pressures placed on the team the			and as older ones are cleared, often they		
	disputed invoices relating to adult social			are replaced by other invoices received.		
	care have increased. The Senior			Work on the disputed invoices is taken		
	Transactional Finance Team Leader has			place in collaboration with commissioning,		
	explained that temporary changes to			as regular meetings have been taking place		
	processes because of the COVID 19			with the provider that has the most		
	pandemic have resulted in further invoices			significant number of disputed invoices,		
	being placed on hold. Therefore, the			which has contributed to a review of the		
	current list of invoices on hold may not be			supported living shared hours being		
	fully reflective of invoices where there is a			carried out in order to reduce the risk of		
	dispute with the provider and instead are			invoices being disputed due to the shared		
	a result of the temporary processes put in			hours. There has been a delay with the		
	place during the pandemic. A cleanse of			implementation of the provider portal and		
	the invoices on hold is needed, and where			processes will still need to be reviewed		
	there is a dispute, this needs to be			once the portal goes live, a soft go live is		
	resolved with the provider to ensure the			due June 2022.		
	client contribution debt is raised correctly.					
	The Senior Transactional Finance Team					
	Leader acknowledged there is a risk that a					
	client is overcharged as their invoice is raised before the provider invoice is					
	resolved. However, she explained this is					
	outweighed by the adverse impact caused by large, delayed client invoices being					
	raised. Further investigation to be carried					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	out relating to the reporting function of					
	invoices on hold from the system and					
	consideration of the implementation of					
	the portal and the impact on the invoices					
	on hold/queries from the providers. There					
	is a risk that the Council has a backlog of					
	invoices to pay to providers, as well as a					
	financial impact on providers if they are					
	not paid. However, the Senior					
	Transactional Finance Team Leader is					
	confident this accounts for a very small					
	percentage of the invoices currently on					
	hold. Improvements to reporting from the					
	system would provide this oversight.					
Adult Social Care -	Procedure documents – provider	3	31-Dec-21	Portal has not been implemented to date,	In progress	Senior
Provider Payments	payments The Senior Transactional		Revised to	review of procedures has been started but		Transactional
& Client	Finance Team Leader is in the process of		31-Jul-22	not yet completed		Finance Team
Contributions	reviewing and updating the procedure					Leader
	documents covering the payments to adult					
DUE IN PERIOD	social care providers (non-residential)					
1	from the Abacus system. This needs to be					
	completed with further consideration to					
	be given to the procedure documents					
	once the portal has been implemented.					
	Financial and reputational impact to the					
	Council is a risk if staff are not following					
	procedures and are paying providers					
	incorrectly.					
Adult Social Care -	Gap analysis Whilst gap analysis was	3	31-May-22	There has been a delay in implementation	Delay likely	Head of Prevention
Provider Payments	completed following the first audit,		Revised to	of the Portal. Servelec's required software		and Support
& Client	significant changes to process have been		31-Dec-22	upgrade will not be available until the end		
Contributions	implemented since. With more changes			of May which will mean that mosaic will		Welfare and
	planned with the implementation of the			not be ready for implementation until at		Financial
FUTURE	portal a further gap analysis would be			least mid-June. It is still recommended that		Assessment Team
	beneficial. The Head of Prevention and			we should allow a six-month embedding		Manager
	Support had already identified this gap			process which would mean that the end-		
	analysis exercise would be valuable as			to-end review should not begin until		
	there are several complex processes			December 2022.		
	involved which overlap several teams. The					
	Welfare and Financial Assessment Team					
	Manager highlighted that consideration					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	should be given as to whether project	,	J			
	management support would be useful due					
	to the range of teams this end-to-end					
	review covers. Procedure documents					
	Alongside this gap analysis exercise a					
	review of all procedure documents should					
	be completed to ensure they are reflective					
	of the new processes that have been					
	implemented. In addition, the Council may					
	wish to consider whether an internal audit					
	could support the end-to-end review once					
	the portal is implemented and embedded.					
	This will include overlaps with the					
	brokerage team, debtor's team and the					
	transactional team and will require their					
	involvement. However separate actions					
	have been agreed regarding the update of					
	the procedure documents covering the					
	processes they are responsible for. The					
171	Council must ensure all roles and					
	responsibilities are clearly reflected in					
Adult Social Care -	Debtors Policy & Procedure Documents It	3	31-May-22	We are heavily involved with the Social	Delay likely	Revenues Manager
<u>-</u>	is recognised that the process for adult		Revised to	Care project and have made headway into		
& Client	social care debt recovery including roles		30-Sep-22	dispute escalation for both customer and		
Contributions	and responsibilities has been documented			staff queries to ensure there is a full audit		
FUTURE	(flow diagram) however, the Debt			trail and process - this will involve systems		
FUTURE	Recovery Policy requires updating to			amendments with Mosaic therefore		
	include the new debt recovery process (for			meetings will need to be held to address		
	Adult Social Care) as agreed at the core Directorate Leadership Team Meeting. It			these. We are currently discussing the reporting requirements and what is		
	has been agreed as part of the Accounts			needed and who the information needs to		
	Receivable 2020/21 audit that the Debt			be escalated to. Business World have also		
	Recovery Policy will be updated in			been asked to produce a specific Adults		
	November 2021. This action was agreed by			Wellbeing report to cost code level for		
	the Head of Corporate Finance. Therefore,			arrears to ensure only relevant		
	no further action required as part of this			information is produced and cascaded.		
	audit. Procedure documents within the			Further elements include authorisations		
	Debtors team require updating (currently			for court processes and how to refer these		
	are basic Mosaic instructions) to reflect			matters further. Once the processes have		
	the new adult social care debt recovery			been agreed procedure notes can be		
	processes. The Council must ensure all			written.		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	roles and responsibilities are clearly			I have revised the date to the end of		
	defined and reflected in			September as I really don't think we will		
	documents/guidance. Referred to in more			have this in place by the end of May due to		
	detail in 'other considerations' section.			end of year processes and the requirement		
				for system amendments and so on.		
Adult Social Care -	Debt Recovery Resources need to be	3	31-May-22	This also forms part of the debt recovery	Delay likely	Revenues Manager
Provider Payments	allocated to ensure debt recovery		Revised to	project and I have liaised with Business		
& Client	processes and specifically the Mosaic debt		30-Sep-22	World to see if there is anything that		
Contributions	recovery workflow - red file case review			would enable us to put invoices on hold -		
	process carried out by the Revenues			they have confirmed that we are able to		
FUTURE	Manager is completed. The Councils debt			change the status of an invoice however		
	position has been impacted by the COVID			need to identify if this can be reported on.		
	19 Pandemic, but consideration needs to			Should this work we will be able to identify		
	be given as to whether additional			and report on those accounts on hold.		
	resources would be beneficial with the aim					
	of reducing the Council's adult social care					
	aged debt figure. Current aged debt					
	position for adult social care is £4.2 million					
	(Aged debt report from Finance Manager).					
	Supressed Invoices The Revenues Manager					
	has identified there is a backlog of historic					
	invoices with complaint codes e.g.,					
	supressed debts. Resources need to be					
	allocated to clear the suppressed invoices					
	and pursue active debt recovery. The					
	Revenues Manager explained that where					
	there are multiple invoices for one					
	account the team will only put one					
	complaint code on one invoice rather than					
	a complaint code on each invoice. This					
	reduces the number of diary dates for the					
	teams to manage. The current system					
	does not allow for a customer account to					
	be placed on hold. Officers are trained to					
	look at the whole account when					
	reviewing/chasing. However, this means					
	that the Council are not able to easily					
	identify what level of debt is currently					
	suppressed.					
Adult Social Care -	Adult Social Care Aged Debt - Reporting	3	31-May-22	Reporting and Mosaic changes also forms	Delay likely	Revenues Manager
Provider Payments	There are two different ways adult social		Revised to	part of the debt recovery project as		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
& Client	care debt can be reported, the Finance		30-Sep-22	detailed in URN 45682 above - I have		
Contributions	Manager (Adults and Communities) uses			amended the completion date to reflect		
	the charging codes to summarise the debt			the same as above.		
FUTURE	whereas the Revenues Manager has					
	highlighted her report summarises the					
	debt per cost centre. Whilst some of the					
	difference between these reports will be					
	timing there is a risk that the Council may					
	have different information when reviewing					
	adult social care debt. The Council needs					
	to ensure there is a consistent method of					
	reporting that captures all outstanding					
	adult social care debt. Mosaic Debt					
	Recovery Workflow – Reporting There is					
	no known way of reporting those cases in					
	the debt recovery workflow in mosaic i.e.,					
	number of cases and value of these cases.					
	In addition to this the new Mosaic debt					
	recovery workflow would benefit from					
	being modified to allow cases to be					
5	distinguished by a status for example:					
	reviewed – court action, reviewed – write					
	off and waiting for review. This would give					
	the Council further insight when					
	monitoring and reporting on debt. Link					
	from Business World to Mosaic There does					
	not appear to be a clear method to					
	identify in Business World those cases that					
	have transferred to the Mosaic debt					
	recovery workflow as they are just marked					
	with the common complaint codes (diary					
	dates) used. The Revenues Manager needs					
	to consider how these cases can be cross					
	referenced to allow for accurate reporting.					
	It is however recognised officers record					
	notes on Business World for example if an					
	officer opened a diary date notes would					
	identify it is a case that is being progressed					
	through the Mosaic Debt Monitoring					
	process. Update of coding within Business					
	World Some adult care cases are identified					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	using historic codes CCV and SCV, for	-	_	·		
	consistency it would be beneficial to					
	update these to the relevant new codes					
	used Fairer Charging (FCH) and Care Home					
	Market (CHM) this will assist with debt					
	reporting.					
Adult Social Care -	Data Analysis The Abacus system is	3	31-Oct-21	Complete		Senior
Provider Payments	designed to ensure that provider invoices					Transactional
& Client	cannot be paid unless the invoice equals					Finance Team
Contributions	or is less than the purchase order.					Leader
	However, the data analysis demonstrated					
DUE IN PERIOD	3% of the sample had actual care that was					Welfare & Financial
	more than planned care. Further					Assessments Team
	investigations are required to determine					Manager
	the cause of this. Further understanding					
	and assurance is needed as to why actual					
	care is less than planned for 58% of the					
	sample analysed. There are 16 clients with					
	0 planned recorded care. The analysis has					
	also identified there are several clients					
<u>i </u>	with some 0 recorded planned care lines.					
,	An understanding is needed as to why					
	clients are in the system with 0 planned					
	care. Data Quality Data analysis has					
	demonstrated there are issues with data					
	quality. The Welfare and Financial					
	Assessments Manager had already					
	identified this and has begun a data					
	cleanse exercise as part of the transfer to					
	the portal. Once implemented all data will					
	be inputted consistently. Any procedure					
	documents will require updating to ensure					
	they reflect this. Clearer, better quality					
	data will allow the Council to monitor,					
	report and analyse the data more					
	accurately.					
Capital Programme	Internal Audit was unable to obtain	2	18-Oct-21	Complete		Chief Finance
/ Capital Projects	evidence that the Chief Finance Officer					Officer
	had been given delegated authority to					
DUE IN PERIOD	approve the Project Management Process					
	amendment, agreed on 25 January 2021.					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	However, the Chief Finance Officer					
	advised that it was extraordinary times					
	from September 2020, prior to the					
	appointment of the new CEO in Spring					
	2021. During that period as the Acting					
	Deputy Chief Executive there was no CEO					
	to provide approval.					
	The Chief Finance Officer confirmed that					
	retrospective approval could be sought					
	both for himself and others where this					
	may not have been formalised in the					
	standard way.					
	It is recognised that a robust approval					
	process is fundamental for good					
	governance.					
Capital Programme	The introduction and the transition to the	3	31-Jul-22	Complete		Chief Finance
/ Capital Projects	new Project Management process in its					Officer
	infancy. Overtime the process will be					
FUTURE	adjusted to meet business requirements. It					
	would be prudent to evaluate the					
i	effectiveness of the project management					
	process in delivering the capital					
	programme before it is replicated as a					
	procedure for transformation projects.					
	This would be an opportune time for a					
	further audit to be undertaken to verify					
	that the control framework is delivering					
	the intended outcomes.					
Climate Change	Annual Performance Report Procedures	3	31-Jan-22	Complete		Head of
	The Annual Performance Report (Green					Environment,
DUE IN PERIOD	House Gas Emissions Report) is prepared					Climate and Waste
	by the Principal Sustainability & Climate					Services
	Change Officer. There are no documented					
	procedures to support the preparation of					
	the Report. Guidance would be of					
	particular importance during the officer's					
	absence. Approval of the Annual					
	Performance (Green House Gas Emissions					
	Report) No formal evidence of approval of					
	the report was provided, prior to					
	submission to the Department for					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Business Energy & Industrial Strategy					
	(BEIS) or publication on the Herefordshire					
	Council intranet. Although an email					
	detailed that approval was given via a					
	telephone conversation, this cannot be					
	evidenced.					
Climate Change	The audit identified two housekeeping	3	31-Oct-21	Complete		Head of
	findings which should be addressed.					Environment,
DUE IN PERIOD	Details are as follows: • The information					Climate and Waste
	Source and Contract spreadsheet used in					Services
	the preparation of the Annual					
	Performance report (Green House Gas					
	Emissions Report) was missing the					
	worksheet for 2019/20. In addition,					
	column 'H' on the 2020/21 worksheet					
	recorded that none of the data is to be					
	included in the calculator when all should					
	be part of the calculation. • Discrepancies					
	identified from the quarterly West Mercia					
	Energy Consortium portfolio review are					
<u>i</u>	discussed at an informal meeting. Without					
'	a simple record of the discussion if the					
	information is required in the future					
	attendees' recollection of events may be					
	less clear or differ. Without an audit trail,					
	issues may take longer to resolve and					
	there is no formal record of discussions to					
	refer to.					
Climate Change	Under the governance section of the	3	31-Dec-21	Council agreed to new constitutional	In progress	Democratic
	intranet the draft report management		Revised to	arrangements in March 2022. New		Services Manager
DUE IN PERIOD	guide version 1.3 dated 13 February 2017		20-May-22	guidance materials have been produced		
	was reviewed. This provides guidance on			and will be added to the refreshed		
	completing a decision paper. No final			governance share-point site following the		
	report could be found nor was document			May 2022 annual Council meeting. These		
	management identified in respect of the			have been reviewed and signed off by the		
	next review date. SWAP see that it is good			Monitoring Officer. The guides are		
	document management practice to review			currently being reviewed by the interim		
	publications at least every three years.			monitoring officer, in preparation for		
				publication with our new constitutional		
				arrangements.		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Building	The Service Level Agreement (SLA) with	2	31-Dec-21	The content of the Appendix has been	In progress	Capital Programme
Maintenance and	Hoople has yet to be updated to		Revised to	agreed between Property Services and		and Maintenance
Cleaning	incorporate the details of the Building		30-Nov-22	Hoople. However, before the SLA can be		Manager
Agreement	Maintenance and Cleaning Agreement,			finalised, Hoople and Property Services are		
	owing to the limited time that was			seeking further advice from legal in		
DUE IN PERIOD	available to put an agreement in place			regards to where liabilities lie with both		
	prior to the handover to Hoople from			parties in relation to the CDM regulations		
	BBLP.			when undertaking construction works		
	The Building Maintenance & Cleaning			through the SLA. The target date for a		
	Agreement details to be added to the SLA			corporate review of the Hoople Agreement		
	should be expanded to include the agreed			is 30 November 2022.		
	management oversight process once the			The management of the delivery of		
	Strategic Board has been set up, and the			Property Services capital works is delivered		
	Key Performance Indicators (KPIs) once			through the PMO office. Part of the		
	they have been formally agreed at			delivery process of those works involves		
	Operations Board level and Strategic			PMO reviewing whether or not a project is		
	Board level once set up.			notifiable and then organising the issuing		
				of an F10 to the HSE.		
Building	The specifications for the new contracts to	2	31-Mar-22	Whilst regular meetings are still being held	In progress	Capital Programme
Maintenance and	replace those extended via waivers at the		Revised to	to monitor the procurement process for		and Maintenance
Cleaning	start of the agreement have still not been		30-Sep-22	service contracts, some service contracts		Manager
Agreement	written. This highlights the risk of a similar			are yet to be procured due to levels of		
	situation occurring to that with the			staffing resources. A further waiver has		
DUE IN PERIOD	security contract held by Capel Security.			been approved to extend the current		
	That contract waiver had the shortest			arrangement of direct award contracts to		
	timescale (six months), but waivers are			those service areas that have yet to be		
	also in place for 13 others, along with an			procured. Hoople have not had difficulties		
	agreement for Hoople to use any one of			to recruit staff to assist in the preparations		
	25 contractors to carry out reactive			of specifications. Property Services have		
	maintenance works as and when required.			also in the meantime lost a member of		
	All except two of these arrangements			staff, which has further impacted on		
	could continue for the next 12 months,			providing support with producing		
	with two exceptions (Rielloa: UPS; 24 month waiver, & Sentinel Security:			specifications. However property services		
	CCTV Maintenance & Door Access Controls			are also recruiting to fill the vacant position.		
	£77,512; 18 month waiver).			ροσιτίοπ.		
	If further delays lead to waivers having to					
	be extended, there is a risk of costs					
	increasing into next financial year, or					
	opportunities to save on existing costs					
	opportunities to save on existing costs					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	through combining current arrangements					
	into fewer contracts being lost.					
Building	There have been issues around budget	2	30-Sep-21	Complete		Strategic Property
Maintenance and	setting, as no costing information was		Revised to	·		Services Manager
Cleaning	provided by BBLP at the time of the		31-Mar-22			
Agreement	handover of the Building Maintenance and					
	Cleaning contract at 31st March 2021.					
PREVIOUSLY	Therefore, an estimated cost of £2million					
OVERDUE	was set by Hoople, although the Chief					
	Operating Officer (Hoople Ltd.) considered					
	this a high estimate. Closer monitoring and					
	better quality reporting is now needed to					
	project more accurate estimates for the					
	remainder of the year and into next year.					
	It must be considered that this could be					
	influenced by the requirement to procure					
	sub-contracts to replace those extended					
	via waivers. If any of these were to be					
	further delayed and sub-contracts are not					
	re-let on time, or combined where					
į	potential savings have been identified,					
'	projected costs into 2022/23 could					
	increase.					
	Streamlining of budget monitoring needs					
	to be completed as a priority, with all					
	required information, to include project					
	coding, set up in Business World, and					
	more detailed reporting to both the					
	Operations Board, and the new Strategic					
	Board once this is formed.					
Building	There is currently no reporting on the	3	31-Dec-21	Complete		Strategic Property
Maintenance and	progress of the Building Maintenance and					Services Manager
Cleaning	Cleaning Agreement outside of the					
Agreement	Operations Board, which meets monthly.					
	The most senior Council officer at the					
DUE IN PERIOD	meetings is the Strategic Property Services					
	Manager. An agreement should be					
	reached on the reporting strategy outside					
	of the Operations Board to ensure that the					
	Director and the Section 151 Officer have					
	oversight of budget and operational					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	matters, decisions and any areas of					
	concern that arise.					
	Terms of Reference should be agreed and					
	approved for the Operations Board, cluster					
	groups, and the Strategic Board once it is					
	set up, to ensure a clear remit for each.					
EHCP Preparation	Seven young people with EHC plans	3	30-Oct-21	The work to re-audit the same cases by	In progress	Head of Additional
for Adulthood	detailing their complex needs were		Revised to	SEND Officers took place. The purpose of		Needs
	selected from the data sets provided. The		31-Jul-22	the audit was to ascertain that EHC Plans		
DUE IN PERIOD	purpose of the audit was to determine the			contained sufficient health and care		
	extent to which the planning in the EHCP			information in order to respond to the		
	supported their preparation for adulthood			2016 SEND Inspection letter that identified		
	as they progressed through their transition			that they did not. The re-audit did identify		
	years 9, 11 and where available year 14.			greater evidence of health and social care		
	The EHC plans were reviewed in depth to			input than had been identified by the		
	identify references to outcomes and			SWAP audit but again, because of the		
	provision that would regarded as			small sample, it was not possible to gain		
	supporting their preparation for			sufficient assurance that relevant EHC		
	adulthood. This was to provide assurance			Plans included sufficient health and care		
`	that there was evidence of planning during			information. It has now been agreed by		
5	the transition years, to assist the individual			the Service Director that we will		
	to maximise their potential for			commission a SEND specialist consultant		
	independence.			from West Sussex to audit a larger sample		
	As confirmed by the Senior SEN officer			of recent cases to determine the degree to		
	owing to the severity of their needs, i.e.,			which the Ofsted/CQC recommendation		
	severe learning difficulties and/or			had now been met. Similarly, a second		
	significant medical or physical needs			recommendation had identified that EHC		
	experienced by the seven young people in			Plan objectives did not show a progression		
	the sample, progression in adulthood may			from school-age to adulthood that one		
	be more limited in comparison to those			might wish to see in the EHC Plans. Again,		
	with less severe needs. However, for these			despite SEND Officers looking again at the		
	young people, for example, the ability to			original SWAP sample, we were not able to		
	communicate the need for a drink is an			obtain sufficient assurance and we have		
	important step towards independence.			also commissioned West Sussex to		
	For the seven cases sampled it was			conduct a separate audit of relevant cases		
	identified that there were references to			with a large enough sample size to		
	measures to be taken to support			determine the degree of assurance.		
	preparation for adulthood within the					
	capabilities of the individual.					
	Following the close out meeting the Head					
	of Additional Needs advised that it is					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	important to recognise that outcomes and					
	provision that support preparation for					
	adulthood are integral to the education,					
	health, and care sections of the EHC Plan					
	and will not be described in the plan as a					
	discrete single section. However, the audit					
	did identify that reference to health and					
	social care within the designated section					
	of the EHC plan was limited to identify					
	preparation for adulthood. Reference to					
	limitations of health and social care					
	information is further reported below and					
	in Appendix 2. The absence of clearly					
	defined information limited the ability to					
	track progress during the transition years					
	from year 9 onwards. SWAP was advised					
	that there is a national review of SEND					
	which may have an impact on the current					
	format of the template and that the					
	Herefordshire plan format has to include					
0	the nationally prescribed sections.					
EHCP Preparation	Internal Audit reviewed one sample in	2	31-Jul-22		On track	Head of Additional
for Adulthood	depth with the Senior SEN Officer, to					Needs
	determine if the EHC plan was aligned to					
FUTURE	the Herefordshire Multi-agency Protocol					
	for Children and Young People with					
	Disabilities and Complex Needs. Not all					
	elements were relevant, for example					
	employment plans, owing to the limited					
	capability of the young person being					
	reviewed. Internal Audit selected a					
	number of items from the protocol to					
	assess.					
	Owing to the response to the single					
	sample it was agreed with the Senior SEN					
	Officer that this could be the same for					
	other cases, so no further testing was					
	performed. The audit was unable to assess					
	the support provided through					
	collaboration with multi-agencies.					
	Within the Herefordshire Multi-agency					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	Protocol for Children and Young People					
	with Disabilities and Complex Needs there					
	is a:					
	Checklist within the protocol to verify all					
	elements are acted upon, and					
	Case escalation procedure.					
	However, the Senior SEN Officer was					
	unaware of this guidance within the					
	protocol. Additional work to embed the					
	Preparation for Adulthood protocol and its					
	detailed procedures needs to take place.					
	This will ensure that all clients receive the					
	full range of services and support that they					
	need.					
EHCP Preparation	Ofsted report October 2016	2	30-Nov-21	The work to re-audit the same cases by	In progress	Head of Additional
for Adulthood	In October 2016 OFSTED and the Care		Revised to	SEND Officers took place. The purpose of		Needs
	Quality Commission (CQC) Local Area		31-Jul-22	the audit was to ascertain that EHC Plans		
DUE IN PERIOD	Inspection reported that Education, Health			contained sufficient health and care		
	and Care (EHC) plans, were too education			information in order to respond to the		
<u>.</u>	focussed and did not include sufficient			2016 SEND Inspection letter that identified		
	detail of health and social care needs			that they did not. The re-audit did identify		
	(where these needs occurred).			greater evidence of health and social care		
	The action plan prepared, implemented			input than had been identified by the		
	and monitored was requested, to verify			SWAP audit but again, because of the		
	controls weaknesses in respect of health			small sample, it was not possible to gain		
	and social care had been addressed. To			sufficient assurance that relevant EHC		
	date Internal Audit has not received the			Plans included sufficient health and care		
	information.			information. It has now been agreed by		
	The seven EHC plans reviewed were			the Service Director that we will		
	assessed as being heavily weighted on			commission a SEND specialist consultant		
	education. Therefore, the audit cannot			from West Sussex to audit a larger sample		
	provide assurance that the weakness			of recent cases to determine the degree to		
	identified on health and social care have			which the Ofsted/CQC recommendation		
	been addressed.			had now been met. Similarly, a second		
	Annual review, Health and Social Care			recommendation had identified that EHC		
	information			Plan objectives did not show a progression		
	Officers advised that over time details in			from school-age to adulthood that one		
	the main body of the EHC plan information			might wish to see in the EHC Plans. Again,		
	may be superseded as more relevant			despite SEND Officers looking again at the		
	material becomes available. However, the			original SWAP sample, we were not able to		
	Senior SEN Officer confirmed that Section			obtain sufficient assurance and we have		

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	K of the EHC plan template 'Advice and			also commissioned West Sussex to		
	Information' should show all sources of			conduct a separate audit of relevant cases		
	both historical and current information.			with a large enough sample size to		
	The audit showed all seven samples had			determine the degree of assurance.		
	gaps in reference to historic information					
	under annual reviews, health and medical					
	advice and social care advice, where					
	activity would be expected annually. With					
	incomplete information the most					
	appropriate outcomes for adulthood may					
	not be achieved. The output from this					
	assessment is captured for each case					
	under Appendix 2					
EHCP Preparation	Poor document management	2	30-Nov-21	The outcome of this finding is that the	In progress	Head of Additional
for Adulthood	NHS reference 6400390340 was to be		Revised to	team will be starting work on improving		Needs
	included in the test sample, but the officer		TBD	the database and document management		
DUE IN PERIOD	could not locate the EHC plans,			systems. Initial conversations have been		
	NHS reference 7013040258 was selected			commenced but will now need to be		
	for inclusion in the test sample, but the			placed on hold as the SEND Green paper is		
	original document had been overtyped.			proposing nationally supplied data		
	The officer looked for the original PDF, but			systems.		
^	this could not be located.					
	Two of the data sets - Children with					
	Disabilities and the Education, Health and					
	Care plan did not consistently state the					
	NHS reference for the individual.					
	The findings identified may have					
	significant consequences on the quality of					
	the service delivered, which could result in					
	regulatory scrutiny.					
	Quality assurance					
	Internal Audit observed that there was					
	inconsistency on what was recorded as a					
	source document in Section K of the EHC					
	Plan.					
Payroll 2020-21	Holding Account Reconciliations:	2	31-Dec-21	Hoople staff will be reconciling all control	In progress	Head of Strategic
DUE 101 555155	Whilst there is a monthly holding account		Revised to	accounts on a monthly basis from the start		Finance
DUE IN PERIOD	reconciliation, there is a backlog of queries		30-Jun-2022	of the new financial year 1.04.22. Going		
	and the level of possible			forward there will be a Finance Manager		
	errors/amendments required cannot be			with specific responsibility for oversight of		
	accurately estimated however Senior			the monthly reconciliations and for		

	Audit name	Recommendation	Priority	Target date	Update	Status	Owner
		Management confirmed they remain			providing technical support where		
		within an acceptable tolerance. Currently			required. An interim, experienced		
		the monthly holding account			consultant is being recruited to clear the		
		reconciliations have no management			backlog of queries and identify the errors		
		oversight and differences have been			of principle. Procedures will then be		
		written off where may have been there			updated accordingly and staffing resources		
		are no other opportunities to recover the			considered.		
		funds.					
		There is a requirement for Senior Finance					
		Managers to conduct a review of staffing					
		resources to ensure that monthly queries					
		are addressed, and that the backlog is					
		cleared. The current policy for writing off					
		outstanding amounts in the holding					
		accounts would also benefit from being					
		updated to reflect that where possible,					
		these sums are cleared/recovered.					
		A further deep dive review of the holding					
		accounts by SWAP Internal Audit Service is					
۷		recommended within the short-term, once					
ડૅ		progress has been made in addressing					
		these issues, to provide some assurance					
L		around records of payments to HMRC.					
	Payroll 2020-21	Procedures:	3	31-Dec-21	Complete		Payroll Manager
		The team's procedures are not up to date					
	DUE IN PERIOD	in all cases, and there is no evidence that					
		they have been reviewed in at least the					
		last two years. It is recognised that the					
		Standard Operating Procedures that are					
		followed are the Hoople procedures,					
		which the Payroll Team uses for all clients.					
		However, it is good practice to ensure that					
		these are updated on a regular basis.					
		Four of the eight procedures reviewed					
		were in a different format to the Standard					
		Operating Procedures, and as such did not					
		have review dates, version control, or the					
		procedure owner listed. One also referred					
		to a previous Payroll Manager who left the					
		Council over three years ago.					
L		Considering the staff changes that the					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	team has experienced in recent years, and					
	the level of importance attached to payroll					
	tasks, it is vital that the team has accurate					
	and up to date procedures in place.					
Contract	A sample of twenty-seven Early Warning	2	25-Nov-21	Complete		Commercial and
Management BBLP	(EW) and Compensation Events (CE) were					Contracts Manager
	reviewed from entries raised between					
DUE IN PERIOD	April 2020 and July 2021. Each sample was					
	checked on Business World where a					
	potential system error was identified,					
	which requires investigation:					
	Business World duplicated an EW					
	reference.					
	The first EW reference PR20 14-07-15 was					
	raised on 12/12/20 for structural steel					
	price increases and the second EW					
	reference with the same number PR20 14-					
	07-15 was raised on 13/04/21 for Buckton					
	and Kinsham Easements. Both were raised					
	against the same service order.					
	Owing to the system demonstrating the					
	ability to duplicate reference numbers this					
	action has been assigned a priority 2. The					
	service need to explore how this could					
	happen and ensure that there is no risk					
	that an EW could be assigned to an					
0 1 1	incorrect service order.	2	24.14. 22	A		112.1
Contract	Each of the twenty-seven early warning	3	31-Mar-22	A contract has now been awarded to	In progress	Highways and
Management BBLP	and compensation events sample was		Revised to	AECOM who are in the process of scoping		Public Realm
DUE IN PERIOD	checked for compliance with the contract		31-Jul-22	the VFM exercise which will be completed		Contract Manager
DUE IN PERIOD	timeframes, relevant document			during May. Once HC approve the scope and costs the work to provide the report is		
	attachments and adequate commentary to			expected to take around 8 - 10 weeks.		
	demonstrate Value for Money (VfM) was considered.			expected to take around 8 - 10 weeks.		
	Shortfalls were identified in the sample					
	owing to the absence of evidence on					
	Business World. This demonstrated the					
	need for improved record management to					
	enhance the quality of the audit trail.					
	Contract compliance					
	Delays in BBLP providing a quotation to					
	belays in both providing a quotation to		1			

	Audit name	Recommendation	Priority	Target date	Update	Status	Owner
		Herefordshire Council were identified in					
		11 cases, but no approval was recorded to					
		accept or explain the reason for the delay.					
		The Commercial and Contract Manager					
		advised that delays in providing quotations					
		are reported in the monthly Operations					
		Board Report. He confirmed that currently					
		the reason for delays are neither captured					
		nor reported but could be in the future.					
		Record Management					
		Sample testing identified:					
		• There were 15 cases where the Contract					
		Officer omitted to record that VfM was					
		considered for a quotation. However, the					
		Commercial and Contract Manager					
		confirmed that this is part of the quotation					
		assessment process.					
		• For 11 cases either the risk reduction					
		meetings or quotes were not attached. On					
ממ		one occasion the quote was attached to the incorrect CE.					
л		Lack of commentary captured on					
		Business World to provide a good audit					
		trail of events.					
-	Contract	A review of the officers' awareness of their	3	31-Mar-22	Complete		Highways and
	Management BBLP	contract management responsibilities	3	31 Widi 22	Complete		Public Realm
		identified the following:					Contract Manager
	DUE IN PERIOD	No records are maintained by the					Gonti dot managei
		Contract Officers from the weekly or bi-					
		weekly annex progress meetings with					
		Balfour Beatty Living Places (BBLP).					
		Therefore, there is no information for					
		future reference of the key elements					
		discussed, agreed and future action					
		required.					
		The Contract Lead Officer job description					
		should be subject to future review to					
		remove the reference to responsibility for					
		the operational support of the facilities					
		management contract once this duty					
L		ceases.					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Contract	Operation Board	3	31-Mar-22	Complete		Highways and
Management BBLP	The Operation Board minutes, action log					Public Realm
	and dashboard were reviewed for April,					Contract Manager
DUE IN PERIOD	May and June 2021 and the following was					_
	identified:					
	All action logs identified the date the					
	entry was raised, but no reference was					
	made to the expected completion date,					
	Completed actions are removed from					
	the subsequent log. However, this does					
	not provide an audit trail for future					
	reference of actions complete to identify,					
	the timescale when the issue may have					
	resulted in a detrimental impact on					
	delivery. The Commercial and Contract					
	Manager explained that although actions					
	are removed from the log, they remain in					
	the Operations Report so there is an audit					
	trail of events. As part of the wider review,					
	it would be beneficial to review processes					
	to ensure adequate audit trails are					
'	maintained.					
	May 2021 monthly reporting by the					
	Contract Management Team at the					
	Operations meeting identified actions for					
	Pothole VFM with no implementation					
	date. In contrast Locality Stewards VFM all					
	recorded a timescale for completion,					
	June 2021 minutes recorded that the					
	Councillor and stakeholders should be					
	updated on BBLP completing a job without					
	a works order. However, this is not					
	recorded as an action on either the					
	minutes or action log.					
	The omissions identified may result in an					
	action being overlooked or not monitored					
	at a regular frequency.					
	Annoy Rick Poristors					
	Annex Risk Registers					
	Internal audit reviewed nine annually					
	produced BBLP annex risk registers that					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	were provided. The Contract Officer					
	advised that the entries on the annex risk					
	registers represented the risks identified					
	from the work to be delivered under the					
	annual plan. Review of the annex risk					
	registers found that there were no dates					
	to determine when mitigation of the risk					
	was put in place, reviewed or amended.					
	Since there are changes to the annual					
	plan, early warnings and compensation					
	events it would be anticipated that the					
	annex risk registers would be reviewed					
	during the period with all relevant					
	information documented accordingly.					
	Current reviews of processes within the					
	service area need to consider the control					
	weaknesses raised in the findings to					
	ensure that these are addressed in the					
	future control frameworks.					
Development	At the start of the Overarching Agreement	3	31-Oct-22	Herefordshire Council has a long term	On track	Corporate Director
Regeneration	Development and Regeneration			Development Regeneration Partnership		Economy and
Programme	Programme (DRP) in June 2018 a			(DRP) with both Engie (now known as		Environment
	governance structure was put in place. At			Equans Ltd) and Keepmoat Housing, set		
FUTURE	the highest internal level there was the			out in individual Overarching Agreements.		
	Economic Development Programme			The term of both Overarching Agreements		
	Board, where concerns would be escalated			of the agreement is 10 years (commencing		
	from the Development Regeneration			in 2018), with the option for a further 10		
	Partnership Programme Boards for both			years. The Overarching Agreements are		
	Keepmoat Homes Ltd and Engie.			non-exclusive and therefore there is no		
	Communications in more recent times			obligation on the council to utilise/ provide		
	appear to have faltered with Keepmoat			activity to either partner. At this time the		
	Homes Ltd. The last agenda and minutes			council is not engaged in developing or		
	for the DRP Programme Board: HC and			implementing any projects with either		
	Keepmoat is dated 3 March 2020 with no			partner. Through the development of the		
	evidence of formalised communication			Big Economic Plan, the City Centre		
	beyond this point through this body.			Masterplan, and the Local Plan review we		
	The Keepmoat attendance and meeting			will identify longer term priorities by the		
	spreadsheet for 2020 shows that meetings			end of 2022/ start of 2023 and then assess		
	were scheduled to take place on 25 June			the most appropriate routes to taking		
	2020 and 15 October 2020, but no records			future projects forward. The assessment		
	were available on the shared drive to show					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	they proceeded.			will include consideration of using one or		
	Under the DRP Project Group- Keepmoat			both of the DRP partners.		
	electronic folder notes and actions dated 4					
	November 2020 it is recorded that the					
	Bromyard Depot and Holme Lacy site were					
	discussed. There appeared to be a					
	partnership relationship between					
	Herefordshire Council and Keepmoat					
	Homes Ltd up until November 2020. It is					
	unclear if there was further engagement					
	beyond this date.					
	Both the Chair of the programme board					
	and the original Senior Responsible Officer					
	at Herefordshire Council for Keepmoat					
	Homes Ltd, are no longer at the					
	organisation to enquire what happened.					
	This finding would suggest that					
	Herefordshire Council may have failed to					
	maintain even limited ongoing					
_	communications with Keepmoat Homes					
Ω α	Ltd, unlike the continued relationship with					
~	the other partner Engie.					
	At the DRP Programme Board: HC & Engie					
	on 1 September 2021 the interim Director					
	for Economy & Place stated that Hereford					
	Council is developing the Hereford City					
	Masterplan and Herefordshire Big Plan for					
	the next 30 years. Therefore, it is likely to					
	be 12 months before Herefordshire					
	Council is in a position to consider any					
	project activity with Equans (previously					
	Engie). Internal Audit is unaware if as a					
	courtesy this information was					
	communicated to Keepmoat.					
	The Council should consider future					
	communications within the DRP partners					
	to allow a good working relationship to be					
	maintained.					
Treasury	The Council has Fidelity Insurance cover of	3	07-Jan-22	Complete		Head of Corporate
Management	£5million for individual investments, even					Finance
2021/22	though the approved transaction limit is					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
DUE IN PERIOD	now £10million. Analysis showed that of 77 money market fund investments for 2021/22 to 2nd December, 16 were for more than £5million. The Corporate Finance Team has taken advice on this, and report that £5million is a standard limit for this type of cover, with limited capacity in the insurance market for higher levels of cover. There are good controls in place around the individual transactions, both in terms of segregation of duties and use of investment opportunities, however, the Council would not be covered should they suffer any losses over this £5 million limit due to unforeseen circumstances.	3	01-Apr-22	Complete		Head of Corporate
Treasury Management 2021/22 FUTURE	Strategy does not include any reference to ethical or 'green' investments. This is an area that the Council members have an interest in, and is also something that the Corporate Finance Team have started to become involved in, through investments with Standard Chartered and Barclays Bank. The Council's approach to ethical and 'green' investments should therefore be documented.					Finance
Oral Health Needs Assessment (OHNA) FUTURE	Establish a multi-agency steering group to lead the strategic direction for improving oral health and reducing oral health inequalities in Herefordshire. Ensure key partners are represented in the group's membership.	3	30-Jun-22	Has met and is now meeting quarterly. Key partners are represented and have been written to re attendance. Business support has been secured.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) FUTURE	Based on the findings from the OHNA, develop a clear local vision and a high-level action plan for improving oral health and reducing oral health inequalities in Herefordshire.	3	30-Jun-22	This will be signed off at the next meeting of the group, although a draft has been in circulation and discussed as planned. Dates for future meetings have been scheduled to align with national data releases and next one will be June.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA)	Bridge the gaps in the current local approach to oral health improvement identified through the audit against the	3	30-Sep-22	This has been discussed within the Public Health team and an early route for	On track	Consultant in Public Health

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	NICE guidance and the review of PHE			communications identified via the care		
FUTURE	guidance.			providers' forum.		
Oral Health Needs Assessment (OHNA)	Engage with and support key community settings (especially those commissioned or provided by the local authority) to develop local policies for improving oral health that	3	30-Jun-22	Children's settings in progress, care homes discussed as above, and general practice not yet begun.	On track	Consultant in Public Health
FUTURE	reflect NICE guidance i.e. care settings, children and young people's settings, general practices and hospitals.					
Oral Health Needs Assessment (OHNA) FUTURE	Explore the feasibility of undertaking a health equity audit of access to dental services in Herefordshire, specifically related to 'at-risk groups' (e.g. Looked after children, vulnerable older adults, people who are homeless or refugees, those with a learning disability).	3	30-Sep-22	Awaiting clarity on registrar capacity for carrying out the audit.	On track	Consultant in Public Health
Oral Health Needs Assessment (OHNA) FUTURE	Seek opportunities to influence the common risk factors and wider determinants for poor oral health, obesity and other key public health issues i.e. smoking, high-risk drinking. For example through encouraging public service settings to be 'health promoting' and influencing local relevant planning decisions.	3	31-Mar-23	Public Health and planning are in discussion on adding health impact assessment to the planning processes. These discussions are very positive.	On track	Consultant in Public Health
Main Accounting FUTURE	Eleven set of procedures covering key processes were assessed. All were clear, contained adequate detail, with staff aware of their existence and easily accessible on the shared drive. However, ten of the eleven procedures sampled required improvements in document management to align to the Policy Writing Procedures 2020. The key omissions identified are: • Name of document • Summary outlining the purpose • Author (job title) • Owner of the procedure • Approved person and date • Published date • Review date • Ref for version control	3	31-Jul-22	Not yet started but should still be complete by due date.	On track	Senior Team Leader (Transactional Team)

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Main Accounting	The NatWest Bank Mandate spreadsheet	3	30-Apr-22	Complete		Corporate Finance
	dated 13 January 2022 was reviewed. It					Manager
FUTURE	was verified that: a) All Herefordshire					
	officers listed are employees of the					
	Council b) The Council Officers are					
	professionally experienced to fulfil the					
	signatory role. In addition, fifteen of the					
	twenty-seven pages of the NatWest					
	Mandate were checked to confirm that					
	the officers listed are appropriate					
	signatories. The Corporate Finance					
	Manager assisted with identifying some of					
	the names unable to be found, because					
	they were school personnel. Not all of					
	these individuals are listed on					
	Herefordshire's SharePoint system. The					
	Corporate Finance Manager was able to					
	identify thirty four of the forty-five					
	signatories. Three further entries had been					
\$	deleted since the NatWest Bank Mandate					
	was provided to Internal Audit. However,					
	this left eight signatories that should have					
	been removed from the mandate still					
	present. This finding indicates that the					
	NatWest Bank Mandate should be					
	regularly reviewed.					
Main Accounting	Data analytics was undertaken on the	3	30-Sep-22	Complete		Chief Accountant
	106,000 journals completed between 1					
FUTURE	April 2021- 31 December 2021 to					
	recognise possible duplicate entries that					
	had not been corrected. The analysis					
	identified that possibly 542 of the total					
	journals were duplicates. A small sample					
	was tested as part of the audit looking at					
	more significant transactions, and no					
	concerns were raised. The data analysis					
	has been shared with the service so they					
	can carry out their own checks on the					
	remaining journals to give assurance that					
	none are duplicates.					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
Pool Cars	The process of transferring the data from	2	30-Apr-22	Draft online system has been developed by	On track	Sustainability and
	the vehicle log sheets into a workable			Hoople and currently being tested. This		Climate Change
FUTURE	electronic format from which the			should go live by 30th April but there may		Officer
	recharges can be compiled is a			be slippage with staff Easter leave. The		
	cumbersome one. Records are often			new system does not yet include the		
	incomplete, and coding can be incorrect,			automatic link of cost codes to the BW		
	which requires additional work from the			accounts system. It is unclear as to the		
	Sustainability and Climate Change Officer			additional (if any) costs of this, and		
	to request/correct the information. The			whether indeed it is necessary.		
	spreadsheets can also be prone to errors,					
	which were found to have occurred during					
	2019/20. The current electronic booking					
	system for the pool cars should be					
	enhanced to require the users to input					
	their mileage and journey details, which					
	will then allow the production of a more					
	comprehensive report which can be used					
	to facilitate the recharging process. Early					
	notification to managers by email as					
	confirmation of the pool car booking or as					
	a prompt to them for non-completion of					
	vehicle mileage details by their employee					
	would also be advisable. This would allow					
	for management oversight of the use of					
	pool cars It would be beneficial to review					
	booking system upgrades after three					
	months to assess its effectiveness and					
	correct any issues identified, thus ensuring					
	it meets its objectives.					
Pool Cars	We have identified that there are missing	2	22-Apr-22	All available mileage sheets and	On track	Sustainability and
	vehicle mileage sheets and recharges since			accompanying recharges are almost		Climate Change
FUTURE	April 2019. However, considering that			complete. Any gaps in mileage are being		Officer
	charges are internal, and the accounts			cross referenced with intranet booking		
	have been closed down for previous years,			records and staff contacted to submit		
	efforts to bring records up to date should			journey details where relevant. If (due to		
	be focused on the current financial year			Easter leave) these are not processed by		
	(2021/22). We advise that the			14/04/22, the costs will be carried forward		
	Sustainability and Climate Change Officer			to Period 1 2022/23. Note that there will		
	should locate all mileage sheets for the			be come small mileage gaps that may		
	current financial year and refer back to the			never be accounted for e.g. as a result of		
	booking records to ensure that these are			cars going for repair and dates/mileages		

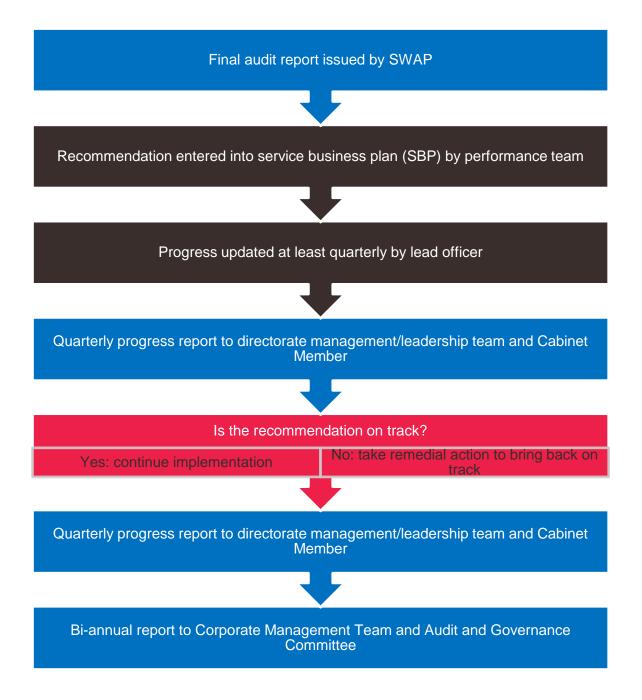
Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	complete, i.e., mileage records are			have not been recorded in these instances.		
	consecutive, confirming that all mileage			These will all be noted.		
	sheets have been accounted for. This will					
	then provide a basis to review costings and					
	will also go to inform management as to					
	the need for an increase in recharge costs					
	for the scheme.					
Pool Cars	The current block booking of a pool car to	2	30-Sep-22	Pool car block booking discontinued, Clerk	On track	Engineering
	the Clerk of Work is effectively a			of Work using own vehicle, booking pool		Manager
FUTURE	company/lease car, as it does not meet			car as and when needed.		
	the HMRC definition of a pool car. As such,					Sustainability and
	arrangements should be made to report					Climate Change
	this to HMRC in order to address relevant					Officer
	tax implications. A car only qualifies as a					
	pooled car if all the following conditions					
	are satisfied: (a) it's available to, and					
	actually used by, more than one					
	employee; (b) it's made available, in the					
	case of each of those employees, by					
	reason of their employment; (c) it is not					
5	ordinarily used by one of them to the					
	exclusion of the others; (d) any private use					
	by an employee is merely incidental to					
	their business use of it; (e) it is not					
	normally kept overnight on or near the					
	residence of any of the employees unless					
	it's kept on premises occupied by the					
	provider of the car. The above must also					
	be adhered to should consideration be					
	given in future to block booking cars for					
	teams / services.					
Pool Cars	No central record is retained of pool cars	3	30-Sep-22	Anticipate bringing this date forward.	On track	Sustainability and
	that are returned late. Maintaining such a					Climate Change
FUTURE	record could help to indicate any trends,					Officer
	which could then be used to alert the					
	Sustainability and Climate Change Officer					
	when reviewing mileage, or to alert					
	budget holders. We have been informed					
	that the Facilities Management staff do a					
	daily check on the keys to see what's					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	missing if any however this does not					
	identify if keys were returned late.					
Pool Cars	There is insufficient data available at	3	31-Dec-22	Anticipate bringing this date forward.	On track	Sustainability and
	present to accurately gauge whether there					Climate Change
FUTURE	is a need to retain all current pool cars,					Officer
	although it is clear from reviewing the					
	booking records that are available that					
	there are periods of time when some cars					
	are not in use. The Service should initially					
	look to encourage use of pool cars across					
	the Council over the coming months and					
	follow this with a review of usage six					
	months after this has taken place, in order					
	to ascertain whether current fleet					
	numbers can be justified or whether some					
	pool cars can be relinquished. This review					
	should also take into account the two pool					
	cars currently loaned to Wye Valley Trust					
	(WVT) should they no longer wish to retain					
_	them past the current loan end date of					
2	31st March 2022.					
Pool Cars	There have been no cost increases over	3	31-Dec-22	Anticipate bringing this date forward.	On track	Sustainability and
	the last six years for the administration of					Climate Change
FUTURE	the pool car scheme. Although some					Officer
	analysis was recently carried out on the					
	cost, that would not have been based on					
	accurate and up to date records, as we					
	have identified some vehicle mileage					
	sheets and bookings that have not been					
	recharged. It would therefore be beneficial					
	to carry out further analysis on the cost of					
	the scheme once there is enough accurate					
	data to base this on, i.e., at least six					
	months after the upgrades to the booking					
	system have been made. A costing review					
	also encompasses a review of fuel					
	purchases, made using the fuel cards					
	attached to the car key. However, fuel use					
	is not monitored on an ongoing basis.					
	Consideration should be given to this task,					
	so that fuel usage can be monitored					

Audit name	Recommendation	Priority	Target date	Update	Status	Owner
	against mileage to ensure that it is					
	reasonable. A review of fuel costs is					
	outside the scope of this audit.					



SWAP audit recommendation reporting process





Title of report: Internal audit annual report and opinion 2021/22

Meeting: Audit and Governance Committee

Meeting date: Monday 25 July 2022

Report by: Director of Assurance and Resources / Head of Internal Audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

The purpose of this report is to enable the committee to provide independent assurance on the adequacy of the risk management framework together with the internal control of the financial reporting and annual governance processes.

Recommendation(s)

That:

(a) having regard to the assurance provided by the annual opinion report the committee determine any potential items for inclusion in its future work programme.

Alternative options

1. There are no alternative recommendations. This summary of the findings of internal audit and the opinion are not matters which the committee may alter.

Key considerations

- 2. The annual report is required to ensure that the committee is informed of the internal audit work undertaken in 2021/22.
- 3. The report provides an overall opinion, reached in light of the work undertaken, on the adequacy and effectiveness of the council's governance, risk management and control

- processes. The work of internal audit informs the development of the annual governance statement and action plan.
- 4. Sufficient internal audit work has been carried out to enable the head of internal audit to draw a reasonable conclusion about the adequacy and effectiveness of the council's risk management, control and governance processes.
- 5. In the opinion of the head of internal audit, and having considered the balance of audit work, the assurance levels provided and outcomes together with the response from senior management and the audit and governance committee, the head of internal audit can offer 'reasonable assurance' in respect of the areas reviewed during the year. The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met. Where this is the case, there has been a positive response to ensuring that action is taken to improve the adequacy of controls.
- 6. A glossary of terms is provided in the report.

Community impact

7. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

Environmental impact

- 8. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
- 9. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of

services. As this is an annual opinion report, we do not believe that it will have an impact on our equality duty.

Resource implications

12. None arising from the recommendations. Any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

Legal implications

- 13. Section 5 of the Accounts and Audit Regulations 2015 require the council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 14. It is a function of this committee, under 3.5.10 (a) of the council's constitution to consider the Head of Internal Audit's annual report and opinion, and the level of assurance it can give over the council's corporate governance arrangements.

Risk management

- 15. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
- 16. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.

Consultees

17. None

Appendices

Appendix A – Internal Audit Annual Opinion Report 2021/22

Background papers

None identified





Appendix A

Herefordshire Council

Internal Audit Annual Opinion Report 2021/22



Internal Audit Annual Opinion – 2021/22: 'At a Glance'

Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines



Reasonable internal audit opinion provided, however recognition that breadth of assurance audit work somewhat reduced and restricted in 2021/22 due to additional COVID grant work and there are key areas highlighted where control weaknesses exist: including those highlighted in the Hereford City Centre Transport Package (HCCTP) Special Investigation and the thematic findings relating to data quality/data management.

Other key areas of concern have been highlighted however recognition is given where improvements to control frameworks have already commenced including those relating to corporate project management. In addition to this we have highlighted where future work is needed to provide assurance control frameworks are in place.



No Significant Risks identified in year. However, the HCCTP Special Investigation resulted in the agreement of 11 actions, 8 of which were priority 2 and 1 priority 1. Significant control weaknesses were identified and link to current risks on the corporate risk register.



57 reviews delivered as part of the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews.



Thematic control weaknesses identified across the Council include:

- Procedure/Policy Documents
- Data Quality/Data Management



Completion of a baseline assessment for the maturity of fraud, fraud risk assessment and risk maturity assessment allow the Council to identify their current position, and structure plans to improve control frameworks and increase both fraud and risk maturity.

Internal Audit Assurance Opinions 2021/22					
Substantial	3				
Reasonable (inc. Grant Certifications)	35				
Limited	7				
No Assurance	0				
Other (inc. advisory, special investigations & follow ups)	12				
Internal Audit Agreed Actions 2021/22					
Priority 1	1				
Priority 2	26				
Priority 3	48				
Total	75				
Total	75				



Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes, and activities,
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives,
 - the effectiveness of risk management processes, and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line functions that own and manage risk.
- the second line functions that oversee or specialise in risk management, compliance.
- the third line functions that provide independent assurance.

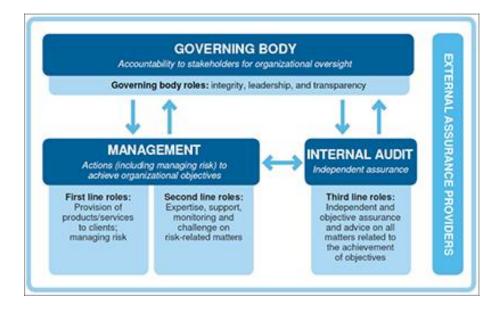


Background

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.





Internal Audit Annual Opinion 2021/22

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2021/22 audit work for Herefordshire Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

The Annual Opinion is made based on the following sources of information:

- Completed audits (during the year 2021/22) which evaluate risk exposures (including new and emerging risks) relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Significant/material risk where management has not accepted the need for mitigating action.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, regulator reports etc.

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control:

- Key Financial Controls
- Grant Certification Assurance Work
- Disaster Recovery
- Risk Maturity
- Baseline Assessment for the Maturity of Fraud and a Fraud Risk Assessment
- Hereford City Centre Transport Package Special Investigation



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

Most areas reviewed were found to be adequately controlled and whilst I have some concerns regarding certain aspects of the control environment, there were **no areas of significant corporate risk** reported to the committee during the year in question. Key areas of concern include:

Project Management

In late 2019, because of control weaknesses identified in the existing oversight of the capital programme/capital project, a consultant was assigned a brief for the review and development of the capital programme. The consultant recommended a revised new capital programme process to be introduced. The Head of Programme Management Officer and Programme Manager evaluated the proposal to determine its fit with Herefordshire Council requirements and consequently made revisions where appropriate. The Chief Finance Officer and Acting Chief Executive approved the new capital programme/capital projects process on 25 January 2021.

Control weaknesses were demonstrated in the Hereford City Centre Transport Package (HCCTP) Special Investigation and there are currently risks on the corporate risk register relating to this project. Although it is recognised the Council now have a corporate Project Management Office in place and assurance was provided in the 2020/21 Capital Programme Audit that these processes would address previously identified control weaknesses, further work is scheduled for the 2022/23 plan to ensure corporate project management processes are embedded and that previous audit actions agreed have been implemented (these will include those from the following reviews: Blueschool House Refurbishment Special Investigation, South Wye Transport Package Phase 1 and 2 and the two pieces of work completed in relating to the HCCTP..

Data quality/Data Management

Data quality and data management has been identified as a thematic control weakness in the period the report relates to with thematic findings being made across several audits. However, we have been made aware the Council have recognised a need to improve their data maturity and the Corporate Performance Team have put together a proposal to achieve this. In addition to this we recognise the Councils aims regarding digital transformation and recognise this will impact on the Councils data maturity.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

SWAP Internal Audit will continue to include the use of the council's data in future audits where appropriate which may see the continued identification of control weaknesses in relation to data and there is work agreed on the 2022/23 plan relating to data maturity/data management.

Business Continuity

In the period 2021/22 the Council have seen a significant change in the structure and staffing in the organisation particular in senior management. In addition to this the Disaster Recovery audit has identified control weaknesses which require immediate attention. There is concern that the Councils Business Continuity arrangements require improvement. SWAP Internal Audit Services will follow up the Disaster Recovery agreed actions as part of next year's audit plan.

Education Health and Care (EHC) Plans

The EHC Plans - Preparation for Adulthood audit received a limited assurance and the previous piece of work done in this area relating to the annual reviews also received limited assurance. Further work is planned in the pipeline to follow up work done previously however we would recommend a review of the control framework to provide assurance the Council is performing in line with its statutory responsibilities in this area.

Contract Management (Public Realm Contract)

In previous years we have referred to and highlighted the control weaknesses relating to procurement and the use of the Public Realm Contract. A limited assurance opinion was given in relation to the Contract Management BBLP Audit this year however we recognise that the Council has already taken significant steps to address this. From September 2021 an interim Highways and Public Realm Contract Manager was put in post to review the Contract Management functions, to ensure VfM and establish best practice for the monitoring and reporting of the Public Realm contract. In addition to this there is further internal audit work planned for next year to provide assurance in relation to the Public Realm Contract.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

Baseline Assessment for the Maturity of Fraud

The baseline assessment provided a RAG rating of key fraud requirements. This review highlighted one 'Red' area relating to the Council not having identified the key fraud risks to the organisation. As part of the Fraud Risk Assessment completed by SWAP Internal Audit Services and the Counter Fraud Manager this has now been completed and work continues to enhance the process. A follow up of the Baseline Assessment is scheduled for 2022/23 and the fraud risk assessment has been used to inform future work.

Grant Work

Throughout a further challenging year in relation to COVID, we have tried to ensure a balance between providing direct assistance to the Council in these areas and maintaining a continuum of audit work. Whilst the disruption to our audit work has been much more limited than during the first year of COVID, the breadth and range of our audit work this year has been impacted to some degree with a large proportion of COVID grant work being completed. It is important to recognise that these grants from central government have a requirement for Chief of Internal Audit sign off.

The professional requirements of PSIAS have remained unchanged and in line with these, new audit priorities to cover the risks from the impact of the COVID-19 pandemic have been agreed throughout the year and that work supports the annual opinion.

As a result of the additional work arising from the COVID-19 pandemic, we have seen other audit work being deferred and this has been reported to the committee throughout the year. Any work deferred will be included in the 2022/23 planning process to identify if the risk is still present and the audit is still required.

Follow Up of Agreed Actions

The Councils Corporate Performance team report regularly to the Audit and Governance committee with an update regarding the agreed actions from the audit work completed. In addition to this SWAP Internal Audit Services carry out follow up work on audits which have received limited assurance and will consider previously agreed actions as part of all audit work completed.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

Generally, the follow up work confirms the responsive nature of management at Herefordshire Council in implementing agreed actions to mitigate exposure to areas of significant risk. However, we have identified that there are actions outstanding in the following areas of significance i.e., where SWAP have referred to specific control weaknesses on pages 4 and 5 of the report:

Education Health and Care Plans - Annual Review

In addition to this there are a number of actions identified as overdue and in progress relating to one of the thematic areas SWAP has reported on: update/management of procedure/policy documents, these include:

- Commercial Properties Rents (2020/21)
- Income Charging (2019/20).

This information is as per the internal audit progress recommendation report taken to the Audit and Governance Committee in June 2022.

There should continue to be careful consideration when defining actions and targets dates for future work to ensure significant control weaknesses are addressed promptly.

Over the year, the Internal Audit Team have found Senior Management of Herefordshire Council to be supportive of Internal Audit findings and responsive to the actions that are agreed. In addition, there is a good relationship with Management whereby they feel they can approach the Internal Audit Team openly in areas where they perceive potential problems, this is reflected by the additional work completed at the request of Senior Management.

Summary of Audit Work 2020/21

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

For those audits which have reached report stage through the year, no risks were assessed as 'High' at corporate level.

Although no areas of significant corporate risk have been identified there have been thematic key control weaknesses identified including policy and document management and data quality/data management. We have also identified some thematic findings relating to grant administration, however as we have provided continuous assurance in these areas, we have assurances that these issues have been resolved before the grants have been signed off.

Whilst no significant corporate risks have been identified we have outlined areas of concern on pages 4 and 5 of the report.

SWAP Internal Audit Services have also noted the significant findings from the external auditor's report and will be working with Herefordshire Council to ensure sufficient coverage in these areas in the subsequent financial year where appropriate.



Summary of Audit Work 2020/21

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition"

Assurance Definitions

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

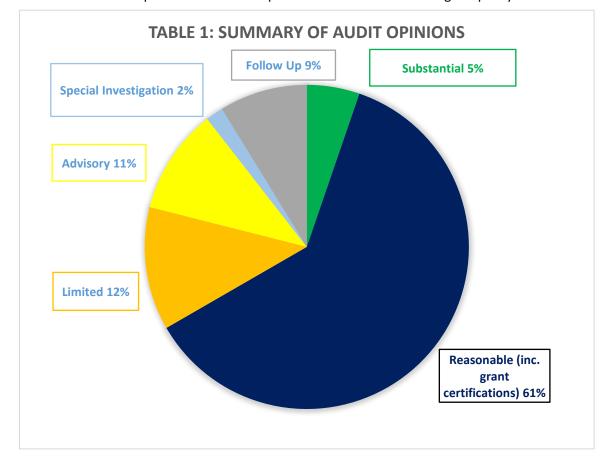
There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

A sound system of governance, risk management and control exists, with internal controls operating Substantial effectively and being consistently applied to support the achievement of objectives in the area audited.



Summary of Audit Opinion

Table 1 below indicates the spread of assurance opinions across our work during the past year.





At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition"

Assurance Definitions

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

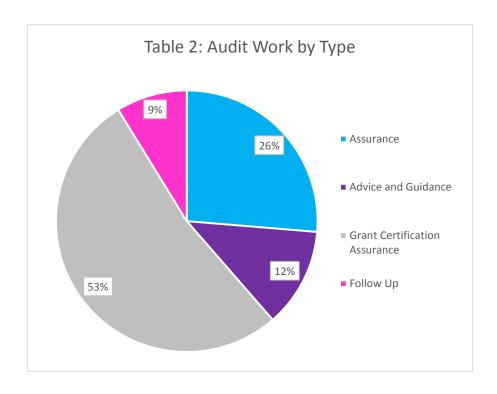
There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.



Summary of Audit Opinion

Table 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, internal audit has the knowledge and skills to be able to provide advisory work that supports the organisation. In addition, there has been a significant increase in the requirement for grant certification assurance work, mainly due to the substantial number of COVID related government grants available to the council and the requirement for the Head of Internal Audit to provide certification of these grant awards.



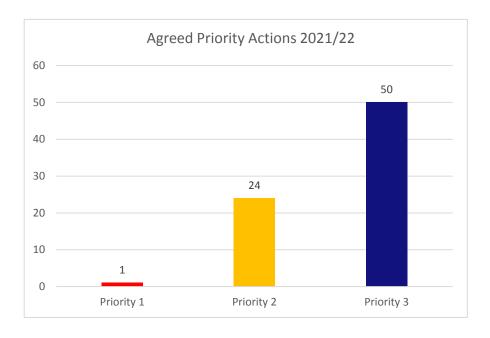


SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions





Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e., going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN) for:

- Point of Practice Paypal
- Point of Practice Direct Payments
- Approved Mental Health Professionals terms and conditions
- Point of Practice Declaration of Interest
- Schools Forum Governance
- Registration Services
- Licensing Member Training
- Customer Services

Innovations and Enhancements to our Audit Process

We have seen the continued use and embedding of the innovations and enhancements we made during the 2021/22 financial year including:

- The concept of 'Agile Auditing'. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits more efficiently. Agile also enables us to keep the client updated throughout the review and agree actions to findings as they are identified. We have seen improvements in the time taken between audit work being finalised and reports being issued.
- One page reporting, summarising all the key messages of the audit on one page for ease of consumption as well as increasing impact. Feedback on the report style continues to be extremely positive.
- SWAP's Counter Fraud Team continues to facilitate access to counter fraud intelligence resources and issued alerts and newsletters to key officers in the Council.



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

The 2021/22 financial year also saw the introduction of quarterly planning which has allowed SWAP Internal Audit Services to be more dynamic and agile in their approach to planning and ensure that audits completed are covering risks as and when they arise. However, the committee have highlighted a concern that they don't have sufficient coverage of audits for the year. Therefore, it is SWAP Internal Audit Services aim to move to a rolling plan of audits to ensure that planning is agile, this rolling plan will include a pipeline of potential audit work that will allow the committee to have sufficient coverage for a future 12 to 18 months.

SWAP's Data Analysis Team have supported the delivery of data analysis where possible across this year's internal audit plan, this has allowed us to provide much wider spreads assurance than sampling allows. Audits that have included data analysis include:

- Education Health Care Plans Annual Reviews
- Local Authority Test and Trace Support Payment Scheme Funding Grant Determinations.
- Pool Cars
- Key Financial Controls
- Employee Expenses
- Councillors Allowances

Further enhancements

SWAP Internal Audit Services has seen the introduction of continuous audit reviews in relation to the key fundamental areas across some of the Partners. This is a method whereby audit testing of key controls of an area or activity, is performed on a more frequent basis. It changes the audit approach from periodic reviews incorporating a small sample of transactions, to ongoing testing of a larger overall sample, with audit results produced shortly after testing. The benefits are a more reactive and timely approach to auditing which gives a continuous assurance on systems and processes throughout the year. This will be considered for Herefordshire Council going forward.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for Herefordshire Council for the 2021/22 year are as follows:

Performance Target	Average Performance					
Audit Plan – Percentage Progress						
Final, Draft and Discussion 90%	92%					
In progress/Review and therefore rolled	8%					
over to subsequent financial year	870					
Customer Satisfaction Quest	<u>ionnaire</u>					
Feedback 95%	100%					

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Audit Area	Corporate Risk	Planned	Status	Opinion	No of	1 = Major 3 = Medium Recommendation			
	Co. por acc mon	Quarter	Status	Opo	Rec	1	2	3	
	2020)/21 Rolled (Over Audits						
Education Health Care Plans – Preparation for Adulthood			Complete	Limited	4	0	3	1	
Payroll			Complete	Limited	2	0	1	1	
Contract Management - BBLP			Complete	Limited	5	0	1	4	
Building Maintenance and Cleaning Agreement			Complete	Limited	4	0	3	1	
Corporate Centre (including ICT)									
Risk Maturity (was Risk Management)	Linked to all risks	1	Complete	Advisory	-	-	-	-	
Fraud Risk Assessment	Proactive Fraud Work	2	Complete	Advisory	-	-	-	-	
Petty Cash Briefing Paper	Risk identified as part of the Fraud Risk Assessment	3	Complete	Advisory	-	-	-	-	
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5389.	Grant Certification	1	Complete	Reasonable – Grant Certification					
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5661.	Grant Certification	1	Complete	Reasonable – Grant Certification					
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5691.	Grant Certification	1	Complete	Reasonable – Grant Certification	2	0	0	2	
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5729	Grant Certification	1	Complete	Reasonable – Grant Certification	2 0		U	2	
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5772	Grant Certification	1	Complete	Reasonable – Grant Certification					
Local Authority Community Testing Funding Grant Determination 2020/21: No 31/5828.	Grant Certification	1	Complete	Reasonable – Grant Certification					
Local Authority Community Testing Funding Grant Determination 2020/21: October, November, December	Grant Certification	4	Complete	Reasonable – Grant Certification	0	0	0	0	



Plan Performance 2021/22

Local Authority Test and Trace Support Payment								
Scheme Funding Grant Determination 2020/21: No	Grant Certification	1	Complete	Reasonable – Grant				
31/5309 (January)	Grant Certification	_	Complete	Certification				
Local Authority Test and Trace Support Payment								
Scheme Funding Grant Determination 2020/21: No	Grant Certification	1	Complete	Reasonable – Grant				
31/5385 (February)		_	3 0p.o.c	Certification		_	_	_
Local Authority Test and Trace Support Payment					4	0	2	2
Scheme Funding Grant Determination 2020/21: No	Grant Certification	2	Complete	Reasonable – Grant				
31/5435 – (March and April)			·	Certification				
Local Authority Test and Trace Support Payment				December Count				
Scheme Funding Grant Determination 2020/21: No	Grant Certification	2	Complete	Reasonable – Grant				
31/5668 – (May, June, July)				Certification				
Local Authority Test and Trace Support Payment				Reasonable – Grant				
Scheme Funding Grant Determination 2020/21:	Grant Certification	3	Complete	Certification	2	0	0	2
No:31/5704 (August and September)				Certification				
Local Authority Test and Trace Support Payment			Rolled over to subsequent financial year as the grant income and letters from				m central	
Scheme Funding Grant Determination 2020/21:	Grant Certification	4	government have not yet been received.			in central		
No:31/5789 (October, November, and December)			government have not yet been received.					
Revenue grant determination (Ringfenced) Local				Reasonable – Grant	_	_	_	_
Authority COVID-19 Test and Trace Service Support	Grant Certification		Complete	Certification	0	0	0	0
Grant Determination 2020/21: No 31/5075								
Accounts Payable – follow up of actions from 2020-21	Key Financial	3	Complete	Follow Up	-	-	-	-
and areas not tested in 2020-21	Control		,	•				
Accounts Receivable – follow up of actions from 2020- 21 and areas not tested in 2020-21	Key Financial Control	3	Complete	Follow Up	-	-	-	-
21 and areas not tested in 2020-21	Key Financial							
Main Accounting	Control	3	Complete	Substantial	3	0	0	3
	Key Financial							
Treasury Management	Control	3	Complete	Substantial	2	0	0	2
Council Tax – follow up of actions from 2020-21 and	Key Financial							
areas not tested in 2020-21	Control	3	Complete	Follow Up	-	-	-	-
National Non-Domestic Rates – follow up of actions	Key Financial							
from 2020-21 and areas not tested in 2020-21	Control	3	Complete	Follow Up	-	-	-	-
Housing and Council Tax Benefits – follow up of actions	Key Financial			- "				
from 2020-21 and areas not tested in 2020-21	Control	3	Complete	Follow Up	-	-	-	-
								
Capital Accounting		3	Complete	Substantial	0	0	0	0



Plan Performance 2021/22

Disaster Recovery (ICT)		3	Complete	Limited	5	0	2	3
Councillors Allowance Overspend	Identified as a risk in previous risk registers	4	Complete	Reasonable	6	0	0	6
Significant Partnerships		4	Complete	Reasonable	2	0	1	1
Employee Expenses	Proactive Fraud Work	4	Complete	Reasonable	2	0	0	2
Leavers Process	Identified as a risk in previous risk registers	4	Deferred to 2022/23 to accommodate additional audits as outlined in the Q1 Plan taken to committee on 12 th April 2022.					
Software Asset Management to be replaced with Incident Management Review	Identified through the Cyber Security Framework audit	4	Rolled over to the subsequent financial year as outlined in the progress report taken to committee on 10 th May 2022.					
Condition Funding Grant Determination (2021): No 31/5501	Grant Certification	4	Deferred to 2022/23 to accommodate additional audits as outlined in the Q1 Plan taken to committee on 12 th April 2022.					
	ı	Economy an	d Place					
Development Regeneration Programme	EP.12 (July 2020)	1	Complete	Reasonable	1	0	0	1
Climate Change	EP.15 (July 2020)	1	Complete	Reasonable	3	0	0	3
Bus Service Support Grant Restart Scheme Tranches 6 and 7 (funding to May 2021) 31/5621	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0
Additional Dedicated Home to School and College Transport Grant – Spring Term 31/5268	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0
Additional Dedicated Home to School and College Transport Grant – Summer Term (1st half) 31/5483	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Additional Home to School Transport – Summer Term (2 nd half until 25 June 2021) 31/5568	Grant Certification	2	Complete Reasonable – Grant O O O		0	0		
Additional Home to School Transport – Summer Term (2 nd half 28 th June till end of Summer Term) 31/5678	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Property Flood Resilience Support Scheme (Bellwin /Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0



Plan Performance 2021/22

Property Flood Resilience Support Scheme (Bellwin/	Grant Certification		Complete	Reasonable – Grant	0	0	0	0
Resilience Management) Quarterly Review – Quarter 2 (Yearly Report)		2		Certification				
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 3 (Yearly Report)	Grant Certification	3	Complete	Reasonable – Grant Certification	0	0	0	0
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 4 (Yearly Report)	Grant Certification	4	Complete	Reasonable – Grant Certification	0	0	0	0
Local Transport Block Funding	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Bus Subsidy Grant	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Herefordshire City Centre Transport Package – Investigation	Investigation	2	Complete	Special Investigation	11	1	8	2
Green Homes Grant: Local Authority Delivery Grant Determination 31/5187	Grant Certification	2	Complete	Limited – Grant Certification	3	0	1	2
Pool Cars		2	Complete	Limited	6	0	3	3
Funding for Travel Demand Management 2020/21 – No 31/5127	Grant Certification	1	Complete	Reasonable – Grant Certification	0	0	0	0
Car Park Signage Procurement	At request of Chief Finance Officer	1	Complete	Briefing Paper	-	-	-	-
South Wye Transport Package LEP Settlement	Request of Chief Executive Officer and Chief Finance Officer	4	Draft Report	Advisory				
	Adı	ults and Co	mmunities					
Direct Payments	Identified as a fraud risk	2	Rolled	over to the subsequent	financial ye	ear as fieldwo	ork in progres	SS.
Customer Services	-	2	Complete	Reasonable	3	0	0	3
Infection Control and Testing	-	4	Rolled over to the subsequent financial year as outlined in the progress report taken to committee on 10 th May 2022.					
Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Grant Determination	4	Rolled over to the subsequent financial year as grant certification deadline is 27 th June 2022.					



Oral Health Needs Assessment Plan	Request from Cllr Gandy & Director for Adults & Communities	3	Complete	Advisory	0	0	0	0
	Ch	ildren's and	Families					
Supporting Families – Monthly Review – Quarterly Report - Quarter 1	Grant Certification	1	Complete	Reasonable – Grant Certification	1	0	0	1
Supporting Families – Monthly Review – Quarterly Report - Quarter 2	Grant Certification	2	Complete	Reasonable – Grant Certification	0	0	0	0
Supporting Families – Monthly Review – Quarterly Report - Quarter 3	Grant Certification	3	Complete	Reasonable – Grant Certification	0	0	0	0
Supporting Families – Monthly Review – Quarterly Report - Quarter 4	Grant Certification	4	Complete	Reasonable – Grant Certification	0	0	0	0
Schools Thematic Audit	To provide assurance of basic standards for good financial health	4	Deferred to 2022/23 to accommodate additional audits as outlined in the Q1 Plan taken to committee on 12 th April 2022.					Q1 Plan



Title of report: Progress report on internal audit activity

Meeting: Audit and Governance Committee

Meeting date: Monday 25 July 2022

Report by: Director of Assurance and Resources/ Head of Internal Audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. To enable the committee to monitor performance of the internal audit team against the approved plan.

To assure the committee that action is being taken on risk related issues identified by internal audit. This is monitored by acceptance by management of audit recommendations and progress updates in implementing the agreed action plans. In addition, audit recommendations not accepted by management are reviewed and progress to an appropriate recommendation to cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the council's control environment.

Recommendation(s)

That:

- (a) performance against the approved plan be reviewed and any areas for improvement identified;
- (b) consider the assurances provided and the recommendations which the report makes, commenting on its content as necessary; and
- (c) To note the Corporate Fraud Update.

Alternative options

1. There are no alternative recommendations; it is a function of the committee to consider these matters in fulfilling its assurance role.

Key considerations

- 2. The internal audit progress report is attached at appendix A. In the period covered by the report, four audits have been completed and one audit is at draft report stage. No actions have been agreed to date and there are no significant corporate risks identified.
- 3. A glossary of terms is provided in the report

Community impact

4. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.

Environmental impact

- 5. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
- 6. Whilst this is a decision on back office functions and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy.

Equality duty

7. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. This is a factual progress report and we do not believe that it will have an impact on our equality duty.

Resource implications

9. None arising from the recommendations. Any additional recommendations made by the committee will be considered by the relevant manager or cabinet member and the financial implications of accepting those recommendations will be considered then.

Legal implications

10. There are no legal implications arising from this report.

Risk management

- 11. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
- 12. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months by the Council's Corporate Performance Team.

Consultees

13. None

Appendices

Appendix A – SWAP Report of Internal Audit Activity

Appendix B – Counter Fraud Update (joint update with Herefordshire Council)

Background papers

None identified





Appendix A

Herefordshire Council

Report of Internal Audit Activity

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Internal Audit = Risk = Special Investigations = Consultancy

Contents

The contacts at SWAP in connection with this report are:	One Page - Summary of Progress to date	Page 1
Dave Hill	Role of Internal Audit	Page 2
Chief Executive Tel: 01935 848540 david.hill@swapaudit.co.uk	Internal Audit Work Programme	Pages 2- 4
Ian Halstead	Significant Corporate Risks	Page 4
Assistant Director Tel: 07730198839 lan.halsted@swapaudit.co.uk	Summary of Limited Assurances	Page 5
Amy Probert	Follow Up Audits and Added Value	Page 6
Principal Auditor Tel: 07801672647 amy.probert@swapaudit.co.uk	Summary of Control Assurance and Summary of Recommendations	Pages 7 -8
	Internal Audit Coverage of Risks	Pages 9-10
	Conclusion	Page 11

Internal Audit Definitions

Appendix C – Internal Audit Work Plan



Pages 12-13

Pages 14 -19

Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

Corporate Risks

No corporate risks identified to date.

High Priority Findings

No high priority findings to date.

The Headlines for audits completed to date for 2022/23



5 audits complete, 3 at report stage.

Includes assurance and advisory reviews.



Thematic Findings

No thematic findings identified to date.



Advisory work this quarter has identified a review of S106 processes would be beneficial to ensure that the **right level of openness**, **transparency and scrutiny is in place when decisions involving significant changes to section 106 agreements are made**. Although no controls failed or were circumvented the review has demonstrated that the framework requires improvement.



Early assurance and interim assurance work identifies the extent of control weaknesses, allows for action to be taken immediately, with further audit work scheduled to ensure control frameworks are implemented. Specifically, this early assurance work has highlighted concerns regarding the control framework relating to authorisation outside of the financial management system.



Continued development of the **Fraud Risk Assessment** and in particular the risk assessment matrix to allow for a more measurable and objective assessment.

Work has commenced to **streamline and make efficiencies to the grant assurance process**. SWAP has commenced work with the Corporate Grants Team to identify how this could work.

Internal Audit Assurance Opinions						
Substantial	0					
Reasonable	3					
Limited	0					
No Assurance	0					
Other	2					
Internal Audit Agreed Action	s					
Priority 1	0					
Priority 2	0					
Priority 3	1					
Total 0						



Our audit activity is split between:

- Operational Audit
- School Themes
- Governance Audit
- Key Control Audit
- IT Audit
- Grants
- Other Reviews

Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Chartered Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and the CIPFA Local Government Application Note. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 12th of April 2022.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grant Assurance Work
- Other Special or Unplanned Review

Outturn to Date - 2021/22



Internal Audit Work Programme 2021/22

The schedule provided at Appendix C contains a list of completed audits and audits at report stage, a list of audits in progress and the pipeline of audits for the next 12 to 18 months.

The pipeline of audits i.e., a rolling programme will provide the committee with a sufficient, strategic view of potential future audits.

As a result of this, you, the committee will see Internal Audit starting to remove the references to financial years, and even quarters which allows us hypothetically to deliver the annual audit opinion as at the 31st of March. It moves away from that concept of 'one audit in, one out', and instead allows the internal audit function to audit the risks as they arise i.e., move up the pipeline of audits. Planning meetings will continue with key stakeholders across the Council and the pipeline document will be updated and reported on accordingly to this committee.



Outturn to Date - 2021/22



Internal Audit Work Programme 2021/22

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of agreed actions that have been raised with management.

The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed in Appendix B of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service findings (priority 1 or 2), a copy of the one-page report will be given as part of this report. In circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised.

Audits Completed

This is the progress report as of the 24th of June 2022. Five audits have been completed and three audits are at report stage. Of the five audits completed two are advisory pieces of work completed at the request of the Chief Finance Officer and three relate to grant assurance work.

The audits completed since my last update are outlined below with their assurance rating and audit objective:



Audit	Assurance	Audit Objective
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarter 1	Reasonable Assurance	To provide assurance that Herefordshire Council has complied with DEFRA Property Flood Resilience Recovery Support Scheme (2020) Local Authority Guidance April 2020, in the authorisation of owner's expenditure on their property.
S106 Holmer Road - Special Review	Advisory	SWAP Internal Audit Services was commissioned by the Chief Finance Officer to complete a special review in relation to concerns raised by the Chief Executive regarding how the decision was made that there is no legal basis for the council to request the payment of part of the section 106 Transport Contribution assigned to the Holmer West Link.
Local Authority Community Testing Funding Grant Determination 2020/21: January, February, March	Reasonable Assurance	To provide assurance that the conditions of the Local Authority Community Testing Funding Grant Determination 2020/21: Nos 31/6054, 31/6097, and 31/6147 are adhered to and that all expenditure claimed is eligible within the scheme.
Payment Authorisation outside of Financial Management System	Advisory	The Interim Head of Corporate Finance (Deputy 151 Officer) requested that SWAP Internal Audit Services verify the controls in place within service areas, for requests received for payment approval outside of the financial management system (Business World).
Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Reasonable Assurance	The objective of the audit is to provide assurance that the terms of the Protect & Vaccinate Grant Determination (2021/22) (No.31/5912) have been adhered to.

Summary of significant High corporate risks



Significant Corporate Risks 2021/22

We provide a definition of the three Risk Levels for Corporate risk applied within audit reports. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with 'High' corporate risks.



SWAP Performance - Summary of Limited Opinions

These are actions that we have identified as being high priority and that we believe should be brought to the attention of the Audit and Governance Committee.



Summary of Limited Assurances and Significant Service Findings (Priority 1 and 2) 2021/22

To date no limited assurances have been identified and no priority 2 actions have been agreed.

Although not a limited assurance nor was a priority 1 or 2 action agreed we would like to draw your attention to the two advisory pieces of work that were completed at the request of the Chief Finance Officer as follows:

S106 Holmer Road - Special Review

SWAP Internal Audit Services was commissioned by the Chief Finance Officer to complete a special review in relation to concerns raised by the Chief Executive regarding how the decision was made that there is no legal basis for the council to request the payment of part of the section 106 Transport Contribution assigned to the Holmer West Link.

The decision to amend the section 106 transport contribution assigned to the Holmer West Link of the Western Relief Road was a significant decision in that the Developer was to provide £1,110,025. Whilst the decision was made under delegated authority following the Councils decision to stop the Western Relief Road and therefore there was no legal basis for the council to request the payment there are some processes that the Council may wish to consider and review to ensure the right level of openness, transparency and scrutiny is in place when decisions involving significant changes to section 106 agreements are made:

SWAP Internal Audit Services have suggested that the council review the processes to ensure that the right level of openness, transparency and scrutiny is in place when decisions involving significant changes to section 106 agreements are made. A priority 3 action has been agreed with the relevant officers to address this.

Payment Authorisation outside of Financial Management System

The review confirmed that controls regarding the authorisation of payments outside of the financial management system require improvements. SWAP Internal Audit Services liaised with a number of service areas to idetfify current controls in place and the improvements required.

Further work is required by the Council and the Chief Finance Officer has initiated a task group to address the issues raised. A further audit is scheduled in the pipeline to provide assurance the controls have been implemented and the risk to the Council reduced.



Follow Up audits are completed where the auditor could only provide limited assurance.



Follow Up Audits

Follow Up audits are completed where the Auditor could only provide limited assurance. The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level. Evidence is obtained to demonstrate implementation and progress made in relation to all 2020/21 priority 1 and 2 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers.

Where a key control audit received Reasonable or Substantial assurance, the key control is included in the plan to follow up on all recommendations to provide assurance that action has been taken to address the recommendations. For key control follow up audits evidence is obtained to demonstrate implementation and progress for all recommendations.

To date no follow up work has been completed.

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily, Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control.

The SWAP definition of "added value" is "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

The following cross comparison reports have been shared across the Partnership:

• Finance/HR Systems Comparisons Report



SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Limited
- No

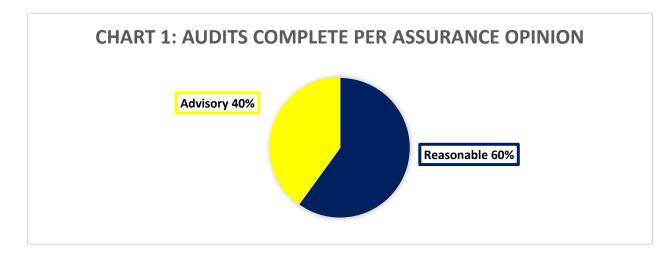
We also undertake Advisory / Non-Opinion work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Where we follow up on a previous adverse audit opinion the opinion is stated as follow up.



Summary of Audit Opinion 2022/23

A total of five audits have been finalised. The opinions offered are summarised below in Chart 1.

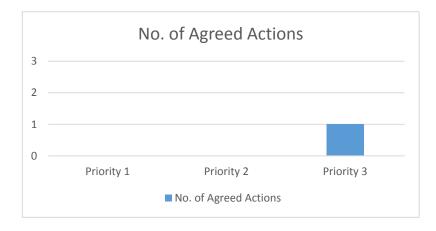




Summary of Agreed Audit Actions by Priority

Summary of Agreed Actions by priority per update for 2022/23

We rank the agreed actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of fundamental concern requiring immediate corrective action.





Internal Audit Coverage of Corporate Risks



Internal Audit Coverage of Corporate Risks

Based on the corporate risks in the corproate risk register presented to committee in April 2022 we have assessed internal audit coverage of these risks. This includes audits completed in 2020/21, 2021/22 and the current financial year (2022/23) and also future planned audits. Please note as future audits are not scoped yet there is potential for coverage to increase or decrease.

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

Table below shows the corporate risk and the internal audit coverage:

Corporate Risk	Audit Coverage	Future Audit Coverage
CRR.60	None	Some
CRR.61	Good	None
CRR.63	Good	Some
CRR.64	None	Some
CRR.66	None	Some
CRR.67	None	None
CRR.68	None	None
CRR.69	Good	Some



Internal Audit Coverage of Corporate Risks



Internal Audit Coverage of Corporate Risks

Corporate Risks as presented to Audit and Governance Committee April 2022

CRR.60	Development of Sufficiency strategy to support best value model. IF: the sufficiency strategy is not effective in
	a timely manner in order to meet outcomes for C&YP. THEN: high costs demands in order to meet service
	need will continue within the budget
CRR.61	CRR.61 - Market workforce economy. IF: the current limited capacity within the social care workforce
	continues. THEN: there will be a significant impact on availability of services - this is currently affecting the
	Domiciliary care sector in particular and qualified nurse and management and other roles amongst care
	homes
CRR.63	Hereford City Centre Transport Package. IF the balance of land payments and costs for the BP garage and
	associated interests (Arrow Plant & Lincoln Properties) is higher than the allocated budget. THEN this could
	result in the land budget being exceeded which would further reduce the budget available for the remaining
	scheme elements. If this further eduction was too significant then it may not be possible to meet the
	objectives of the business case without further capital funding. This increase would arise from both an
	increase in value of the claim and also possible costs associated with the matter being referred to the upper
	land tribunal.
CRER.64	Inability to recruitment and retain social care staff and other key roles within the service. IF: Unable to retain
	and recruit social care staff and other key roles. THEN: Retention and recruitment to critical key roles of
	experienced staff will not be achieved
CRR.66	Ofsted inspection. IF: There is an adverse Ofsted inspection outcome. THEN: This will have an impact on
	staffing and the progress on improvement
CRR.67	Ash Dieback (Chalara). IF: An action plan is not adopted to deal with the onset of Ash Die Back within the
	County boundaries. THEN: the authority faces significant unplanned financial burden linked to removal of a
	significant percentage of tree stock and an increased liability linked to personal injury and third party damage
	claims.
CRR.68	Waste Collection Vehicles - lead time for supply of new vehicles. IF: Supply chain issues continue. THEN: there
	is a risk that we will not be able to secure the required new waste collection vehicles in time for the
	mobilisation of the new waste collection service in Nov 23.
CRR.69	CRR.69 - Hereford City Centre Improvement (HCCI) Programme. IF Delivery of HCCI is not delivered to
	programme. THEN this could increase revenue pressure on Public Realm



Conclusion



Conclusion

Five audits have been completed to date. Three audits are at reporting stage, and we have 10 audits in progress (scoping stages).

For the five audits completed: three were reasonable assurance work and two were advisory pieces of work. No priority 1 or 2 findings have been agreed to date and there are no significant corporate risks identified.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality, and professionalism. A score of 95% would reflect the fact that the client agreed that the review was delivered to a good standard of quality i.e., agreed with the statement in the questionnaire and satisfied with the audit process and report. For 2022/23 the feedback score is 100%.



Internal Audit Framework Definitions

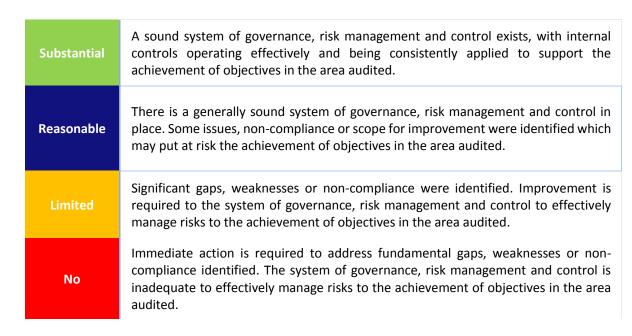
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Limited
- No
- Advisory



Audit Framework Definitions

Control Assurance Definitions



Advisory Report – In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.



Internal Audit Framework Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

Risk	Reporting Implications
	In addition to the corporate risk assessment, it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Each recommendation has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.



Audits Complete/Report Stage								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of	Recommendation 1 = Major 3 = Medium		
		•			Rec	1	2	3
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) - Quarter 1	Economy and Place	Grant Certification (Quarterly Review with End of Scheme Report).	Complete	Reasonable	0	0	0	0
S106 Holmer Road - Special Review	Economy and Place	Additional request from the CFO	Complete	Advisory	1	0	0	1
Local Authority Community Testing Funding Grant Determination 2020/21: January, February, March Corporate Centre		Grant Certification	Complete	Reasonable	0	0	0	0
Payment Authorisation outside of Financial Management System	Corporate	Additional Request of S151 Officer (further assurance work to be completed in future)	Complete	Advisory	0	0	0	0
Protect and Vaccinate Grant Determination 2021/2022 No 31/5912	Adults and Communities	Grant Certification	Complete	Reasonable	0	0	0	0
Court of Protection – Special Review	Adults and Communities	Additional request from the CFO	Draft Report					
Homelessness Prevention Grant (HPG) GRANT DETERMINATION (2021/22) [No. 31/5546] & [No. 31/5863]	Adults and Communities	Grant Certification	Draft Report					
Supporting Families – Quarter 1	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Draft Report					



		Audits In Progress						
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec		mmend 1 = Major = Mediu 2	r
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 - October, November, and December	Corporate Centre	Grant Certification	In Progress			-	2	3
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 (January, February, March)	Corporate Centre	Grant Certification	In Progress					
Direct Payments	Adults and Communities	To provide assurance that the Council has processes and procedures in place to appropriately deal with potential fraud or mis use of direct payment funds via direct payment cards and that supporting processes and procedures are in place across adult social care teams to assist in identifying and dealing with fraud.	In Progress					
Payroll Follow Up	Corporate Centre	To provide assurance agreed actions have been implemented.	In Progress					
Green Homes Grant	Corporate Centre	Audit report issued 2021/22. Evidence and documentation not available at that time to allow internal audit sign off therefore further work required.	In Progress					
Incident Management Review	Corporate (ICT)	Identified as an area for further work via the Cyber Security Framework audit.	In Progress					
Infection Control and Testing	Adults and Communities	Assurance that the grant monies have been spent correctly and achieved desired outcomes (note: not grant certification work).	In Progress					
Data Quality/Data Management	Corporate Centre	Response from CLT to thematic issue raised in Internal Audit Progress Reports 2021/22.	Scoping					
Public Health Grant – Review of processes	Corporate	Request of Chief Finance Officer to provide assurance that funding has been spent and achieved intended objectives/outcomes.	Scoping					
Local Transport Block Funding	Economy and Place	Grant Certification	Scoping					



		Pipeline Audits						
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of Rec	:	mmend L = Major = Mediur 2	r
Leavers Process	Corporate Centre (ICT)	Provide assurance control framework operating effectively between service areas, HR and IT. Ensuring Councils assets are accounted for.	Not Started				2	
Local Authority Covid 19 Test and Trace Contain Outbreak Management Fund Grant Determination 2021/22: No 31/5518	Corporate	Grant Certification	Not Started					
Schools Thematic Audit	Children and Families	Themed assurance audit to provide assurance to the Council regarding school's preparedness for the latest white paper.	Not Started					
Condition Funding Grant Determination (2021): No 31/5501	Children and Families	Grant Certification	Not Started					
Disabled Facilities Grant Capital	Adults and Communities	Grant Certification	Not Started					
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarter 2	Economy and Place	Grant Certification (Quarterly Review with End of Scheme Report).	Not Started					
Supporting Families – Quarter 2	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Not Started					
Supporting Families – Quarter 3	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Not Started					
Supporting Families – Quarter 4	Children and Families	Grant Certification (Monthly Review with Quarterly Report)	Not Started					
Careleavers 16+	Children and Families	Assurance that control frameworks, processes and procedures are in place for the Council to complete its statutory duties.	Not Started					
Homes for Ukraine	Adults and Communities	Assurance payments being made are appropriate and in line with outlined processes. Appropriate monitoring processes are in place once payments made.	Not Started					



		Pipeline Audits						
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status Opinion Not Started		No of Rec	Recommendat 1 = Major 3 = Medium		r
Bus Subsidy Grant	Economy and Place	Grant Certification				1	2	3
Baseline Assessment for the Maturity of Fraud – Follow Up	Corporate	Follow up of baseline assessment to demonstrate progress in fraud maturity.	Not Started					
Fraud Risk Assessment	Corporate	Ongoing advisory work to update and maintain the Fraud Risk Assessment	Advisory					
Accounts Payable	Corporate	Key Financial Controls – Full Audit	Not Started					
Accounts Receivable	Corporate	Key Financial Controls – Full Audit	Not Started					
Council Tax	Corporate	Key Financial Controls – Full Audit	Not Started					
National Non-Domestic Rates	Corporate	Key Financial Controls – Full Audit	Not Started					
Housing and Council Tax Benefit	Corporate	Key Financial Controls – Full Audit	Not Started					
Main Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.	Not Started					
Treasury Management	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented. CIPFA published the revised 2021 Treasury Management Code and Prudential Code on 20th December 2021 – assurance that the Council are compliant with required changes.	Not Started					
Capital Accounting Follow Up	Corporate	Follow up audit to provide assurance previously agreed actions have been implemented.	Not Started					
Capital Programme/ Capital Projects	Corporate	Provide assurance that the newly implemented corporate processes are embedded and functioning effectively addressing previous control weaknesses.	Not Started					
ICT Governance Framework Review	Corporate (ICT)	To support the future direction of the ICT Service by providing a focussed and targeted ICT audit plan, SWAP propose to undertake an outline ICT Risk and Governance advisory review of the Council's ICT Service's strategy, infrastructure, estate, and projects.	Not Started					



		Pipeline Audits						
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of	Recommendation 1 = Major 3 = Medium		
		·			Rec	1	2	3
Quality Assurance and Supervision Practices	Children's and Families	Assurance that quality assurance and supervision process are in place following the Councils high court judgement.	Not Started					
Provider Portal Implementation Adults and Communities		Provide assurance that previous actions agreed as part of the Provider Payments and Client have been actioned and that the new provider portal is operating and embedded to improve the control framework.	Not Started					
Disaster Recovery Follow Up	Corporate (ICT)	Provide assurance previously agreed actions in the limited assurance report have been completed.	Not Started					
Education Health Care Plans Follow Up	Children's and Families	Provide assurance previously agreed actions in the limited assurance report have been completed.	Not Started					
Pool Cars Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed. Data analysis of usage to be completed if data allows.	Not Started					
Green Homes Grant Phase 2	Economy and Place	Grant Certification	Not Started					
Payment authorisations outside of the Financial Management System	Corporate	Following on from the advisory work completed at the beginning of the year assurance that implemented control frameworks are operating effectively.	Not Started					
Petty Cash & Procurement Cards	Corporate	Identified as an area for potential further work from the Fraud Risk Assessment. Chief Finance Officer would like assurance that the appropriate checks and balances are in place for Petty Cash and Procurement Cards. To include follow up of previously agreed actions in these areas.	Not Started					



Pipeline Audits								
Audit	Directorate	Corporate Risk / Reason for inclusion in Plan / Brief outline of scope.	Status	Opinion	No of	Recommendatio 1 = Major 3 = Medium		
		·			Rec	1	2	3
Public Realm Contract	Economy and Place	Provide assurance regarding historic changes to the public realm contract and work carried outside of the annual plan in preparation for the contract ending. To include a follow up of the Contract Management BBLP, Commissioning and Value for Money (BBLP) agreed actions.	Not Started					
Enterprize Zone - reflection/Lessons Learnt	Economy and Place	Assurance that the Council achieved what it set out to achieve and lessons learnt for future work (model farm).	Not Started					
Building Maintenance and Cleaning Agreement Follow Up	Corporate	Provide assurance previously agreed actions in the limited assurance report have been completed.	Not Started					
Staff Car Parking Business Passes – Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.	Not Started					
S106 Follow Up	Economy and Place	Provide assurance previously agreed actions in the limited assurance report have been completed.	Not Started					







Appendix B

Herefordshire Council

Counter Fraud Update

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Internal Audit = Risk = Special Investigations = Consultancy

Counter Fraud Update

Overview:

A joint quarterly fraud update is provided to the committee from Herefordshire Council's Counter Fraud Department and SWAP Internal Audit.

An annual fraud report is provided to the committee each year by the Council's Counter Fraud Manager.



Quarterly Fraud Update

National Fraud Geographic -Summary Update

Invoice scams lead to more business losses than any other type of fraud.

New data from Barclays, shows 55% of the money lost to scammers between December 2021 and February 2022 was lost through invoice scams.

The Cost of living crisis and the ongoing Ukraine /Russia Conflict are continuing to fuel the increased fraud risk nationally.

In 2022, fraud now accounts for 40% of crime in the UK, according to the Police Foundation. Costing public services, businesses, and individuals hundreds of billions of pounds per year. The offence has increased nearly 20% as a direct result of the pandemic (Office of National Statistics).

Large energy providers issue more warnings.

Customers of large energy providers have all been issued an urgent warning amid a rise in meter scams which has conned almost 200,000 people.

The scams involve being offered "cut-price energy" for those people who use prepayment meters. Criminals use cloned keys to top up energy credit illegal. People are offered a cut price deal on their doorstep e.g., £50 of electricity top up for a cash payment of £25. However, energy companies detect that they have not received payment for energy used and the customer ends up paying for the energy twice.



Counter Fraud Update

Purpose:

To help raise awareness of the fraud risks on a National geographic level and to provide the committee with a quarterly summary update corporate fraud prevention work undertaken across the Council.

There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

Fighting Fraud Locally, 2020



Quarterly Fraud Update



SWAP Fraud Alerts

Impersonation of a member of staff relating to a fraudulent payment request attempt.

One of SWAPs partners CFO's received an email purported to be from a member of the Leadership Team requesting the payment of an invoice. Email was received in the junk box and the email address was not related to the organisation. However, the alias used in the 'from' box is an existing member of the Leadership Team. It is therefore believed that this was a deliberate attempt to impersonate a member of staff.

Actions/ongoing work

- The Council's Counter fraud risk assessment was completed in 2021/22 and will inform the planning processes for the 2022/23 Internal Audit Plan to assist in the ongoing monitoring and review of counter fraud controls. This fraud risk assessment will be maintained as a live document fed by intelligence, instances of fraud and internal audit actions.
- The Counter Fraud Manager (CFM) continues to assist the Finance, Revenues and Adult Social Care departments across the Council in counter fraud prevention and investigation work. This has now extended to the Delegated Grants and Insurance teams.
- The CFM sat on the decision panel for the recruitment of a new assurance role within the delegated grants team, and is part of Delegated Grants working group, which will aim to provide a clear oversight of the grants distributed across the Council services and develop grant assurance capabilities.
- Covid Business Grant Assurance reporting to central government remains ongoing, with reconciliations, random audit sampling, and debt recovery work being finalised in 2022.
- The Council has now joined CIFAS membership. (Credit Industry Fraud Avoidance System). CIFAS is a fraud prevention database which has over 600+ members within the private sector, insurance, banking institutions and local authorities. The CFM has been and continues to work with services across the Council to integrate the system, with the aim of implementing the system in as many functional areas as possible in the coming months, to increase prevention and detection of fraud.
- The Council's counter fraud department provided anti-fraud guidance and support on the panels for the 'Energy Rebate' Scheme and the 'Homes for Ukraine' scheme.
- A new Anti-Fraud, Bribery and Corruption Policy has been created and approved by the committee.





Title of report: Update to Finance and Contract Procedure Rules

Meeting: Audit and Governance Committee

Meeting date: Monday 25 July 2022

Report by: Interim Head of Corporate Finance and Head of Corporate Services

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards)

Purpose

To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes appended to this report. The rules were last updated and approved by the committee in January 2021.

To ensure council financial and contract procedure rules are up-to-date and provide clarity of roles, accountabilities and process in order to ensure transparency about how public resources are used and controlled to mitigate the potential for fraud and ensure compliance with relevant legislation.

Recommendation(s)

That the following updated Council documents be reviewed and approved:

- (a) The Contract Procedure Rules at Appendix 1;
- (b) Financial Procedure Rules at Appendix 2; and
- (c) Financial Procedure Rules Guidance Notes at Appendix 3.

Alternative options

1. The council could continue with its current financial and contract procedure rules. This is not recommended as this introduces the risk that they would not be fit-for-purpose and provide clarity of roles and processes for those charged with undertaking financial and procurement activity. Further this would mean that the contract procedure rules were not in accordance with the revised procurement thresholds set out in PPN10/21.

Key considerations

- 2. The council's Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
- 3. The Financial Procedure Rules set out the framework which the council will use in managing its financial affairs. They set out levels of responsibility and give authority to the Cabinet Members and Officers and are intended to promote good practice in the use of public funds.
- 4. The Financial Procedures Rules give detailed guidance on how the overarching framework is implemented.
- 5. In line with good practice, a regular review of these rules is important to ensure that they remain up-to-date with any changes to the council's statutory responsibilities, relevant legislation, the council's constitution and/or how the council conducts its business.
- 6. Both the contract procedure rules and finance procedure rules were last reviewed, updated and approved by the Audit and Governance Committee on 26 January 2021.
- 7. For ease of reference, tracked-changes versions of both the contract procedure rules and finance procedure rules are attached in order for Members to see where amendments have been made, together with final, clean versions of those documents for approval.

Contract Procedure Rules

- 8. A final copy of the latest proposed contract procedure rules is attached at Appendix 1. The proposed updates and amendments are also attached as a tracked changes version at Appendix 4.
- 9. Key Changes include:
 - a. Legislative changes to the UK Procurement Thresholds.
 - b. A new paragraph on the Basic Principles has been included to provide clarity and ensure consistency on factors to take into account when initiating a procurement.
 - c. A new paragraph has been included to support the existing guidance on the principles of evaluating procurements and is included in line with audit recommendations.

Financial Procedure Rules

10. A final copy of the latest proposed financial procedure rules is attached at Appendix 2. The proposed updates and amendments are also attached as a tracked changes version at Appendix 5.

- 11. A final copy of the Financial Procedures Rules Guidance Notes is attached at Appendix 3 and a tracked changes version at Appendix 6. The key changes which have been made to both documents can be summarised as follows:
 - a. Changes to roles and responsibilities
 - b. Deletion of anything that is no longer relevant
 - c. The section on "Revenue Expenditure Budgetary control" has been refreshed to clarify the processes in relation to under and over spends of approved budget
 - d. A new paragraph on Staffing Budgets has been inserted to provide clarity on the approvals process for changes to staffing budgets
 - e. Maximum permitted limits for imprest and petty cash accounts have now been included
 - f. A new paragraph on "Netting off of Expenditure" has been included to ensure income and expenditure is authorised appropriately in line with an outstanding internal audit recommendation
- 12. Any amendments made are to reflect changes to the organisation structure and any relevant financial statutory obligations.

Community impact

- 13. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.
- 14. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed and supports the council's corporate plan objectives to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.

Environmental impact

- 15. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
- 16. Whilst this is a procedural update and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example both sets of procedure rules encourage the use of online facilities available rather than using a paper trail.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this decision relates to improving internal processes, we do not believe that it will have an impact on our equality duty.

Resource implications

19. There are no specific resource implications from this report and the updating of the Council's rules.

Legal implications

20. The council must prepare and keep up to date a constitution in accordance with s37 of the Local Government Act 2000. The minimum requirements for the content are set out in The Local Government Act 2000 (Constitutions) (England) Direction 2000 which includes a description of the rules and procedures for the management of the council's financial affairs including: procedures for auditing and financial rules. The contract procedure rules and the finance procedure rules meet the requirements of the Local Government Act (Constitutions) (England) Direction 2000 and are the rules that officers follow in the day-to-day operation of the council as set out within this council's budget and statutory framework.

Risk management

21. The current regulations and standing orders are out of date, in some places, and this creates potential for confusion, errors and misunderstandings. Updating the rules will address these issues and problems and ensure that the council continues to have sound financial management policies in place.

Consultees

None

Appendices

Appendix 1 - Update to Contract Procedure Rules

Appendix 2 - Update to Financial Procedure Rules

Appendix 3 - Update to Financial Procedure Rules Guidance Notes

Appendix 4 - Update to Contract Procedure Rules with tracked changes

Appendix 5 - Update to Financial Procedure Rules with tracked changes

Appendix 6 - Update to Financial Procedure Rules Guidance Notes with tracked changes

Background papers

None identified



Section 6 - Contract Procedure Rules

Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
Low value Below £25,000	Evidence best value	 Best value must be demonstrated. This might be a comparison of costs for services that you have procured previously and where you understand and can evidence the costs. Or, where you have been able to compare costs with information published such as catalogues or framework pricing. Consider local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector interest. Otherwise, identify at least three suppliers to obtain a simple quote. The procurement process can be undertaken outside of the council's e-tendering portal. Where the opportunity is above £20,833 you must publish a contract award notice on Central government's Contracts Finder. 	Director's delegated authority under Scheme of Delegation	Operational decisions-Only assistant director or above are authorised to award and sign a contract. Key Decisions: Only assistant director or above are authorised to award and sign a contract, subject to approval or
Medium Value £25,001 to £75,000	4 quote process	 A minimum of 4 competitive quotes sought from appropriately qualified and competent suppliers. Include at least two suppliers within the county and/or local VCSE and /or SME sector interest where appropriate. Where 4 suppliers cannot be identified, the opportunity must be: Openly advertised using the councils e-tendering portal or Procured via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process for both scenarios must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. 	Director's as per delegated authority under Scheme of Delegation and FPR authorised spend levels Procurement above £50,000. Decision must be recorded as operational or non-key officer decision	cabinet/cabinet member. All amounts exclude VAT. The following must be sealed by the council: contracts above the key decision value (£500,000);



Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
		 Where the opportunity is being openly advertised and is above £20,833, the opportunity must also be advertised on Central government's Contracts Finder. Advertising in trade journals and other local publications if appropriate (recommended). Where the opportunity is above £20,833 you must publish a contract award notice on Central government's Contracts Finder. 	Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.	all building and works-related contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is
High Value £75,001 to: • £177,897 (goods and services £213,477 Incl VAT) • £4,447,447 (works £5,336,937 Incl VAT) • £552,950 (light touch regime for health/ social services £663,540 Incl VAT)	Open tendering	 Open tendering procedures must be followed. The opportunity must be advertised using the Invitation to Tender template to the open market or Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. The opportunity must also be advertised on Central government's Contracts Finder. Where the opportunity is above £20,833 you must publish a contract award notice on Central government's Contracts Finder. 		required.

Part 4 – Procedure Rules Updated: 30 January 2022

Unless otherwise stated all figures exclude VAT

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.



Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
UK Tenders. Over: • £177,897 (goods and services £213,477 Incl VAT) • £4,447,447 (works £5,336,937 Incl VAT) • £552,950 (light touch regime for health/ social services £663,540 Incl VAT)	Use UK compliant procedures	 Open tendering procedures must be followed, or Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. The opportunity must also be advertised on Central government's Contracts Finder and the UK Find a Tender service (FTS). Contract award notices must also be published on these portals. Seek advice and support from the Commercial Services Team before progressing the procurement. 		
Framework Agreements	New framework Use one of the above procedures relative to the framework value.	 The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using: FTS advert and contract award notice (where above UK threshold); and, Central government's Contracts Finder (mandatory); or, Make the purchase via a compliantly let framework agreement. 		New frameworks must be sealed by the council

Part 4 – Procedure Rules Updated: 30 January 2022

Unless otherwise stated all figures exclude VAT

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.

Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
		You must follow the procedure set out in the framework agreement for direct awards and mini competitions.		

Part 4 – Procedure Rules Updated: 30 January 2022 Unless otherwise stated all figures **exclude VAT**

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.



INTRODUCTION

What are Contract Procedure Rules?

- 4.6.1 The Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. They apply to all services across the council.
- 4.6.2 The CPRs should not be seen in isolation, but rather as part of the overall regulatory framework of the council as set out in the Constitution.
- 4.6.3 The content of these CPRs is supported by additional guidance and documentation contained in the Commercial Services section of the council intranet.

Why are CPRs Needed?

- 4.6.4 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These CPRs are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.5 The council is also subject to UK law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with UK law.
- 4.6.6 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties and associated council policies. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.7 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value. The CPRs do not apply to:
 - (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this



- does not apply to any external professional services linked to the purchase or sale.
- (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
- (c) Grant agreements, where the council is giving an unconditional grant.
- (d) Sponsorship agreements regulated by the sponsorship rules.
- (e) Supply of works, goods and services by the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
- (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
- (g) Litigation advice and services.

4.6.8 Authority to conduct procurement activity

The authority for an officer to undertake;

- (a) a procurement;
- (b) award a contract;
- (c) extend or vary a contract;
- (d) terminate a contract during a contract period (early contract termination).

is provided by either of the following;

- (a) scheme of delegation either as an operational or non-key executive decision,
- (b) any key executive decision for example through a Cabinet or Cabinet member decision.

Basic Principles

- 4.6.9 All procurement procedures must:
 - (a) Realise value for money by seeking to achieve the optimum combination of whole life costs and quality of outcome,
 - (b) Be consistent with the highest standards of integrity,
 - (c) Operate in a transparent manner,
 - (d) Ensure fairness in allocation of public contracts,
 - (e) Support all relevant Council priorities and policies including the Medium Term Financial Plan,
 - (f) Comply with the Council's Procurement Strategy, the Social Value Statement, and:
 - g. Comply with all legislative requirements including Public Contract Regulations (2015) Procurement Principles, which are as follows:



- i. transparency contract procedures must be transparent and contract opportunities should generally be publicised;
- ii. equal treatment and non-discrimination potential suppliers must be treated equally;
- iii. proportionality procurement procedures and decisions must be proportionate;
- iv. procurement procedures must be designed in a manner that does not intentionally seek to exclude it from the rules
- (g) Be funded through the allocation of an appropriately established budget.
- 4.6.10 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

Operational or non-key executive decisions

- 4.6.11 Where the scheme of delegation provides the authority and in accordance with financial procedure rules:
 - (a) officers as agreed by the director or assistant director in the corporate centre may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £25,000.
 - (b) managers who report to heads of service may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £100,000.
 - (c) heads of service (as defined by head of service pay grades) may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £250,000.
 - (d) assistant directors, directors or the chief executive (as defined by the requisite pay grade) may authorise commencement of a procurement activity, or commencement of a contract variation activity for total aggregate contract value up to £500,000.
 - (e) Commencement of a procurement activity, or contract variation for a contract in excess of £500,000 must be authorised by directors or the chief executive (as defined by the requisite pay grade).
- 4.6.12 Where an award of a contract is above £50,000, a decision will be required and will need to be published, including the financial amount in the decision / recommendation. Additionally, a decision will be required for procurements of contracts jointly with one or more other contracting authorities.
- 4.6.13 Where a contract extension is incorporated in the original contract agreement and the aggregate value of the contract is under £500,000 there is no need for a new decision, if the original decision to procure/award the contract authorised the extension.

A decision will be required for:

(a) Contract extensions where the aggregate value of the contract is above £50,000, if the original decision did not authorise the extension.



- (b) All contract extensions where the aggregate value of the contract is £500,000 or above.
- (c) Contract extension where the extension was not incorporated as part of the original contract agreement, as this is deemed to be a contract variation.

For contract variations where the aggregate value of the contract is above £50,000, a decision will be required and must be published.

Additionally, a decision will also be required for variations where:

- (a) Extension of contracts where the extension was not incorporated as part of the original contract agreement.
- (b) Price increases in contracts where the proposed price increase is either:
 - Above that provided for in the contract; or
 - Above inflation (consumer price index (CPI))
- 4.6.14 Officers must give due regard to the CPR Guidance which sets out the required approval process for contract variations, extensions and exemptions to the CPRs.

Key Executive Decisions

4.6.15 Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a recommendation in the decision and procurement options considered must be documented as an element of the report.

Planning a Procurement

- 4.6.16 Sufficient planning time must be built into any procurement activity to allow for adequate pre-tender market engagement /testing where relevant, development of good quality specifications and tender documentation, and a reasonable time for the market to respond to the tender paying due regard to the recommended procurement timescales which can be found on the commercial services intranet pages.
- 4.6.17 When engaging with potential suppliers, the council must not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from anyone who may have a commercial interest in them, and where this may prejudice the equal treatment of all potential bidding organisations or distort competition.

Specifications and Options appraisal

- 4.6.18 At the start of any commissioning activity that will require a procurement, the commissioning officer must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identifies at a minimum:
 - (a) Why the service is being commissioned; what is the need?
 - (b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can



- actively participate in the designing, delivery and quality-monitoring of their service.
- (c) Which social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
- (d) Alternative options that have been considered.
- (e) Financial implications.
- (f) Risks associated.
- 4.6.19 Decisions must clearly document the procurement options considered and recommendations to be taken forward.

Procurement Thresholds

4.6.20 Low value contracts/purchases (under £25,000) – no requirement for formal quotations or tender process but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.

Officers must use appropriate council templates for quotation requests and contracts when engaging suppliers for goods/services where appropriate. These can be found on commercial services intranet pages.

Consideration must be given as to whether the procurement would be of interest to local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector, who should be engaged to provide quotations where appropriate to do so.

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £20,833.

4.6.21 Medium value contracts/purchases (between £25,001 and £75,000)

No contract with an estimated total cost over £25,001 shall be let, or any purchase of that value made, unless at least four written quotations have been sought from appropriately qualified and competent suppliers, suppliers within the county and/or local VCSE and /or SME sector where appropriate.

Formal tender documents must be used outlining the terms of the procurement. Tender must be advertised for a minimum of 15 working days.

For closed competitions up to £25,000, e-mail can be used to obtain quotes. The council's e-tendering portal should normally be used to obtain quotations with a value above £25,000. Other mechanisms may be used having secured written approval from the Commercial Services Team where the value of the contract is very low and/or the contract is of a specialist nature.

For purchases where four appropriately qualified and competent suppliers cannot be identified you must either: advertise the opportunity to all suppliers using the council's e-tendering portal; or, make the purchase via a compliantly let Framework Agreement. Regard should also be given to advertisement of the opportunity within trade journals and other publications as appropriate.



Contracts with an estimated total value of over £25,000 that are openly advertised must also be advertised on Central government's Contracts Finder.

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £20,833.

4.6.22 High value contracts/purchases (between £75,001 and up to relevant UK threshold Limit)

Open tendering procedures must be followed.

Formal tender documents must be used to outline the terms of the procurement. All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal. Contract award notices must also be published on Contracts Finder.

Tender must be advertised for a minimum of 15 working days

4.6.23 Above the relevant UK threshold limit (currently £177,897 (£213,477 Incl VAT) for goods and services, £4,447,447 (£5,336,937 Incl VAT) for works and £552,950 (£663,540 Incl VAT) for light touch regime services)

Contracts with a value in excess of the relevant UK threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under UK law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

Note UK Threshold Figures have changed on 1st January 2022 in line with Procurement Policy Note 10/21. New figures are now stated as including VAT. This a departure from previous updates. However for the purposes of advertising, the estimated contract value will continue to be provided exclusive of VAT. Similarly for contract award notices, these will continue to be published exclusive of VAT. Therefore in order to maintain continuity in these rules and avoid confusion we have included the excluding VAT figures where these thresholds are referred to.

Reserving below UK threshold procurements

- 4.6.24 In line with Procurement Policy Note 11/20, on a case by case basis, supplier participation in procurements below the UK threshold may be reserved:
 - (a) By supplier location this means being able to run a competition and specify that only suppliers located in a geographical area can bid; and
 - (b) For Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) this means being able to run a competition and specify that only SMEs and VCSEs can bid.
- 4.6.25 The provision of 4.6.24(a) only applies to services contracts where it is necessary and expedient to do so to enable or facilitate compliance with a duty imposed by section 1 of the Public Services (Social Value) Act 2012.
- 4.6.26 Specific considerations and criterion must be met when using the provision of 4.6.24, therefore officers must engage with Commercial Services for further guidance and written approval to use this provision.



EVALUATION CRITERIA AND STANDARDS

Evaluation Criteria

- 4.6.27 In any procurement exercise the successful bid should be the one which either:
 - (a) Offers the lowest price, or:
 - (b) Offers the most economically advantageous balance between quality and price.

The choice between (a) or (b) must be based on careful consideration as to whether price alone or price and quality must be used to determine the successful bid.

In the latter case, the Council will use criteria linked to the subject matter of the contract to determine that an offer is the most economically advantageous, for example: price, quality, technical merit, aesthetic and functional characteristics, social value, environmental characteristics, running costs, cost effectiveness, aftersales service, technical assistance, delivery date, delivery period and period of completion.

- 4.6.28 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 subcontractors. 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.
- 4.6.29 These criteria should be assessed through either:
 - (a) Essential Criteria assessed on a pass / fail basis, or:
 - (b) Technical Questions assessed on a scored basis.
- 4.6.30 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
- 4.6.31 As part of the evaluation process the Council must undertake due diligence checks which seek to determine the commercial stability of the shortlisted Bidders to inform the decision to award a contract. This can include:
 - (a) Search on the governments Companies House database
 - (b) A recent credit report on the organisation
 - (c) An assessment of completed financial workbook
 - (d) A recent assessment of fraud



Awarding a contract (signature and sealing).

- 4.6.32 Where the scheme of delegation provides the authority:
 - (a) service directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value up to £500,000
 - (b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority to sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision.
- 4.6.33 Contracts can be signed by the authorised officer as set out in 4.6.32 however contracts must be executed as deeds by affixing the common seal of the council in the following circumstances::
 - (a) contracts above the key decision value unless agreed otherwise by legal services:
 - (b) new framework agreements;
 - (c) all building and works-related contracts unless agreed otherwise by legal services:
 - (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
 - (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.
- 4.6.34 Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.
- 4.6.35 Officers shall ensure that each contract is entered into in accordance with the finance procedure rules.



Exemptions (Waivers)

- 4.6.36 An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value.
- 4.6.37 Exemptions from the contract procedure rules should be by exception and not standard practice. Exemptions should not be considered for administrative convenience or because of lack of time caused by inadequate forward planning.
- 4.6.38 An "Exemption to Contract Procedure Rules" form must be completed by the officer seeking the exemption, and must provide evidenced reasons as to the legitimate need for the exemption to be granted.
- 4.6.39 The exemption form must be completed in consultation with commercial, finance and legal services, and the completed form considered by the assistant director or director as the accountable officer. Based on this judgement the assistant director or director will agree or not, the validity of the exemption.
- 4.6.40 All exemptions must be supported by a decision, the reasons for the exemption, appointment of the supplier and value for money justification of that appointment must be published as part of the decision to award the contract.
- 4.6.41 Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.

Urgent decisions

- 4.6.42 Tenders need not be invited in accordance with the provisions of the council's CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service, if in the opinion of the relevant Director it is considered to be in the council's interests or necessary to meet the council's obligations under relevant legislation.
- 4.6.43 The council must be able to evidence that it is a genuine emergency, that the events causing extreme urgency were unforeseeable, that is impossible to comply with the usual timescales for a procurement including through a framework or accelerated procurement, that the situation is not attributable to the council (contracting authority).
- 4.6.44 Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member.



- 4.6.45 Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.
- 4.6.46 A formal record of the decision to award a contract must be published for contract values above £50,000 and financial value included within the decision.

Contract Management

- 4.6.47 Every contract entered into by the council will have a contract manager appointed by the relevant Director or Assistant Director in the Corporate Centre to manage that contract.
- 4.6.48 All contracts over £5,000 are to be entered on the council's contract register by the contract holder in order to comply with the transparency information/code. This information should be updated if there is a change in the contract value. Contracts and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform subsequent tender planning.
- 4.6.49 The contract manager shall manage the contract throughout its life cycle in accordance with the council's Contract Management Framework and in particular shall:
 - a) Classify the contract as Tier-3"routine", Tier-2 "focused /leveraged", "and Tier-1 "strategic" by value and risk;
 - b) Undertake a series of activities for each stage of the contract's life cycle set up, delivery and exit; and
 - c) Undertaking a formal contract review in accordance with the framework
- 4.6.50 The contract manager shall manage the contract throughout its life cycle having regard to the council's Contract Management Toolkit and good contract management practices.

Training

- 4.6.51 Where appropriate any officer leading a procurement activity shall be appropriately trained or have experience commensurate with the nature of the procurement activity being undertaken.
- 4.6.52 Where appropriate any officer designated contract management responsibilities shall be appropriately trained or have experience commensurate with the nature of the contract management activity being undertaken.
- 4.6.53 Completion of the Council's introductory finance and procurement module shall be mandatory for all officers with designated contract management or procurement responsibilities.

Section 7 - Financial Procedure Rules

Approving revenue payments - post securi	ng spend authority - with an order	
Value (before VAT)	Approval level	
Up to £25,000	Officers as agreed by the Corporate Director/Service Dire	ector
Between £25,001 and £100,000	Managers that report to Head of Service (up to and include	
Between £100,001 and £250,000	Head of Service (HC13 pay grade)	, , , , ,
Between £250,001 and £500,000	Service Directors (HoS1 and HoS2 pay grade)	
Above £500,001	Corporate Directors or Chief Finance Officer (pay in exce	ss of HoS2)
Approving capital payments - post securing	spend authority - with an order	
Value (before VAT)	Approval level	
Up to £500,000	Corporate Project Manager or the Corporate Capital Prog	ıramme Manager
Between £500,001 and £1,000,000	Director or Deputy S151 Officers and Strategic Capital Fil	
Above £1,000,001	Chief Finance Officer	
	e to the nature of the spend, for example period	dic payments to HMRC and the pension fu
Value (before VAT)	Approval level	
Up to £500,000	Deputy S151 Officers and Strategic Capital Finance Mana	ager)
Over £500,001	Chief Finance Officer	
Budget movements (revenue virements)		
Value	Approval required	Required to obtain consent from
Up to £100,000 – within a directorate	Spend Manager(s)	Finance Manager
Up to £100,000 – across directorates	Corporate Director / Service Director or Head of Service receiving budget	Both directorate Finance Managers
Between £100,001 & £250,000 – within a directorate	Budget holder	Deputy S151
Between £100,001 & £250,000 – across a directorate	Corporate Director / Service Director or Head of Service receiving budget	Chief Finance Officer and Corporate Director / Serv Director or Head of Service reducing budget
Between £250,001 & £500,000 – within a directorate	Corporate Director / Service Director or Head of Service	Chief Finance Officer
Over £250,001 – across directorates	Corporate Director and Cabinet member receiving budget	Chief Finance Officer, Corporate Director and Cabir member reducing budget
Over £500,001 – within a directorate	Corporate Director	Chief Finance Officer and Cabinet member
Sales of goods		
Value (before VAT)	Approval level	
Up to £2,000	Director or assistant director	
Between £2,001 and £10,000	Deputy S151 officer	
Over £10,001	Chief finance officer	
Use of reserves to fund spend		
Value	Approval required	Reported to
All	Chief Finance Officer	Cabinet
Staffing appointments		
Value	Approval required	Comments
All	Chief Finance Officer prior to advertisement	Must be recruited through BW following evidence of reoccurring base budget and within BW staffing establishment

Debt write off approval		
Value	Approval required	Reported to
Up to £20,000	Deputy S151	
Over £20,001	Chief Finance Officer	Cabinet
Bids for external grant funding		
Value	Approval required	Comment
Up to £10,000	Director	Expected savings to be held centrally
Over £10,001	Chief Finance Officer (in consultation with Corporate	Expected savings to be held centrally & record of officer
	Leadership Team) & relevant Cabinet member	decision required
Amendments to the approved capital progra	mme	
Change required	Approval required	Comment
New capital scheme (includes spend funded by S106	Council	Cabinet / Cabinet member report post Council approval
agreement where spend incurred before funds received)		required before spend can be incurred
New 100% funded externally scheme	Chief Finance Officer	
Revenue contributions to capital schemes	Chief Finance Officer	

Introduction

7.1 Procedures

Any organisation with a large financial turnover needs to lay down the procedures to be observed in its financial dealings. Such procedures are especially necessary in the case of a local authority which is limited by legislation in what it is able to do, is subject to statutory audit and must account for its actions and stewardship to the general public.

7.2 Purpose of Financial Procedure Rules

The purpose of these rules is therefore to set out, for the benefit of members, officers and the public, basic financial rules and guidance in order that everyone works to an approved common standard in the financial dealings of the council.

The rules are to be followed post obtaining the necessary decision approval required before incurring expenditure.

They do not over-ride the requirement to observe statute, including European Union Directives, in everyday matters.

These Financial Procedure Rules apply to all areas of the council and should be read in conjunction with the rest of the council's constitution.

7.3 Emergency situations

The provision of these rules does not prevent the council acting through the Chief Executive and director(s) from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or situation relating to Section 138 of the Local Government Act 1972. This is subject to the action being reported as soon as practicable to the appropriate authority.

7.4 Non-compliance with rules

Any non-compliance with these rules will follow the relevant council performance management procedure and may result in disciplinary action being taken, or criminal investigation as appropriate.

7.5 Approval of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer or a nominated representative must approve all financial implications on all decision reports and the relevant implications section of the report template must be completed.

7.6 Approval changes

The Head of Paid Service may agree changes to the approval authority where Corporate Directors, Service Directors or Chief Finance Officers are either working their notice or employed on an interim basis.

Internal audit and internal control

7.7 Regulations

The Chief Finance Officer or nominated officer shall in accordance with

the Accounts and Audit Regulations for the time being in force and future amendments, arrange for a continuous and current internal audit of all activities of the council.

7.8 Financial irregularities with regard to council functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit and follow the relevant procedures as disclosed in the anti-money laundering, anti-bribery, fraud and corruption and whistleblowing policies (with reference to Treasury Management Practice Statement 9) as necessary.

Treasury management

7.9 Activities of treasury management

All treasury management activities will be carried out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2021 and the "Treasury Management Policy Statement" as currently approved by the Chief Finance Officer and included in the Treasury Management Policy approved by Council.

Banking Arrangements

7.10 Arrangements with council's bankers

No officer has authority to open a bank account without prior specific written delegation of that authority by the Chief Finance Officer or nominated officer.

7.11 Officer Involvement

Officers must declare an interest and absent themselves from any managerial involvement in any financial matter from which they or their family could directly or indirectly benefit as required in the employee code of conduct.

Revenue Expenditure - Control

7.12 Budgetary Control

Directors and the Chief Executive must ensure, that their Assistant Directors / Heads of Service are managing their budgets, including commitments, appropriately by requiring regular reports are presented to Management Board and their Department Management monthly budget monitoring meetings.

7.13 Role of Directors

Budgets are allocated to Corporate Directors and Service Directors to enable them to deliver services approved by Members through the budget setting process. Corporate Directors and Service Directors are required to ensure budgets are deployed in accordance with these rules to deliver policies and plans determined by members, and to ensure that there are processes and procedures in place within their directorates to be compliant with systems of internal control.



Financial Procedure Rules-Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at: http://www.opsi.gov.uk/legislation/uk

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1 Scope of Financial Procedure Rules

The purpose of the finance procedure rules is to ensure that:

- Corporate Directors, Service Directors and Heads of Service remain within their budget and only spend what they have in their budget;
- Corporate Directors, Service Directors and Heads of Service maintain adequate commitment records;
- Corporate Directors, Service Directors and Heads of Service monitor their budgets;
- Where there are any problems with overspend or failure to perform, these problems are reported at the earliest opportunity;
- Corporate Directors, Service Directors and Heads of Service should have effective reporting arrangements from their budget holders;
- Corporate Directors and Service Directors should have effective reporting arrangements from their Heads of Service.

2 Approval of Chief Finance Officer or Nominated Officer

Where matters are to be considered by the Corporate Leadership Team that in any way affect the finances of the Council or that require the supply of financial information by the Chief Finance Officer or nominated officer, the Chief Finance Officer or nominated officer must be notified by the Corporate Director or Head of Service / Service Director (or equivalent) concerned, in sufficient time, to enable the Chief Finance Officer or nominated officer to report.

The Legal Framework

3 Current Regulations

The Statutes and Statutory Instruments and Regulations which currently affect these rules are as follows:

The Accounts and Audit Regulations 2015 – Regulation 5
requires the accounting system, the form of its accounts and
supporting accounting records to be determined by the
responsible Financial Officer who shall ensure that the
accounting systems determined by them are observed and
that the accounts and supporting records of the body are
maintained in accordance with proper practices and kept up to
date.

4 Review of the Systems of Internal Control – Regulation 4

Regulation 4 of the Accounts and Audit Regulations 2015 requires the Council to carry out a review of the effectiveness of the system of internal control. The results of this review, contained in the Annual Governance Statement, are considered by the Audit and Governance Committee.

5 Accounting Records - Regulation 5

Regulation 5 of the Accounts and Audit Regulations 2015 also requires that the accounting records required by the Financial Officer will be sufficient to show the Council's transactions and to enable the responsible Financial Officer to ensure that any statement of accounts, income and expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts comply with the Accounts and Audit Regulations 2015.

In particular this means that accounting records must contain:

- a. Entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure or receipts and payments account relate:
- b. a record of the assets and liabilities of the body; and
- c. a record of incoming expenditure of the body in relation to claims made or to be made by them for contribution grant or subsidy from any Minister of the Crown, a body to whom such a Minister may pay sums out of monies provided by Parliament or an European Union Institution.

Regulation 5 requires that the accounting controls systems ensure that the financial transactions of the Council are recorded as soon and as accurately as reasonably possible, that there are measures in place to enable the prevention and detection of inaccuracies and fraud and there is the ability to reconstitute any lost records.

Regulation 5 also requires that the duties of Officers dealing with financial transactions are identified and the division of responsibilities of those Officers are identified in relation to significant transactions and that procedures for uncollectable amounts including bad debts will not be written off except with the approval of a responsible Financial Officer or a member of staff nominated by the responsible Financial Officer.

6 Internal Audit – Regulation 6

Regulation 6 of the Accounts and Audit Regulations 2015 require the Council to carry out an effective internal audit of its accounting records and system of internal control in accordance with "proper practices" in relation to Internal Control. Officers must implement accepted recommendations from internal audit. This is monitored by the Audit and Governance Committee.

7 Local Government Finance Act 1988 – Section 114

The s151 Officer will report to the Council if they have reason to believe that the Council or any part of the Council:

- has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
- has taken or is about to take a course of action which if pursued to its conclusion would be unlawful and likely to cause loss or deficiency on the part of the Authority, or

c. is about to enter an item of account the entry of which is unlawful.

Under Section 114 of the <u>Local Government Finance Act 1988</u>, the s151 Officer will make a report if it appears to them that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Accounting and System Development

8 Accounting Procedures

All accounting procedures and records of the Council and its Officers shall be determined by the Chief Finance Officer or nominated officer in consultation, where necessary, with the appropriate Corporate Director or Head of Service / Service Director (or equivalent) concerned. Such procedures shall have regard to Section 151 of the Local Government Act 1972 and shall be in accordance with the relevant legislation and guidance for the time being in force and such other statutory provisions which affect the financial affairs of the whole Council or any specific service.

9 Responsibility of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer shall be responsible for the compilation of the main accounting records for the Council.

The Chief Finance Officer or nominated officer may from time to time issue written "financial instructions" dealing with detailed procedures to be followed in certain matters. Such instructions shall be issued after consultation with the Corporate Director, Service Director or Heads of Service affected.

The Chief Finance Officer or nominated officer shall be responsible for the maintenance of a management information system, the General Ledger.

10 Allocation of Accounting Duties

The following principles shall be observed in the allocation of accounting duties by all employees or consultants engaged by the Council:

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Internal Audit and Internal Control

11 Role of Internal Audit

This service is currently provided by the South West Audit

Partnership (SWAP). SWAP will assist Corporate Directors, Service Directors, Heads of Service and Senior Managers in the effective discharge of their responsibilities by giving assurance on financial and management control systems, identifying weaknesses, giving advice on how to resolve financial and management problems and improve control, investigating suspected irregularities and by undertaking Value for Money (VFM) reviews and management studies.

12 Accounts and Audit Regulations required by the Secretary of State

Any Member or Officer will make available documents relating to financial or other records of the Council which relate to their accounting. Other records, as appear to the Section 151 Officer necessary for the purpose of Internal Audit, will be supplied together with any such information and explanation as the Section 151 Officer considers necessary for that purpose.

13 Powers of Internal Audit (SWAP)

The Chief Finance Officer or nominated officer and all authorised Internal Audit staff are empowered to enter at reasonable times any premises or land owned by or in the control of the Council, if appropriate, and require employees to produce Council property and records under their control.

14 Financial Irregularities with Regard to Council Functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit or follow Antimoney Laundering procedures and Treasury Management Policy Statements as necessary.

Treasury Management

15 Chief Finance Officer Decisions Involving Finance

All Chief Finance Officer recommendations on borrowing, investment or financing is required to act in accordance with the Code and the "Treasury Management Policy Statement".

Banking Arrangements

16 Arrangements with Council's Bankers

All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer or nominated officer, who is authorised to operate such banking accounts and other electronic transactions as they may consider necessary.

17 Funds Held on Behalf of Others

All funds held on behalf of others (Trust or Private) shall be subject to an annual audit, which shall be undertaken by a suitably qualified person. A copy of all audit reports and the final accounts shall be made available, on request, to Internal Audit for information. In respect of Schools, the audit report and the findings shall be presented to their School Governors.

18 Value Added Tax

The appropriate officers who are responsible for the administration of Trust or Private funds shall be responsible for ensuring that all Value Added Tax is correctly accounted for, and shall have due regard to the treatment of Value Added Tax on donated funds (as detailed in Section 15 of the Local Government Act 1972).

19 Investment

Officers shall be responsible for ensuring that Trust and Private Funds are appropriately invested for the benefit of the fund. Advice as to the most appropriate method of investment will be obtained from the Chief Finance Officer or nominated officer.

Financial Planning 'Accounting' and the Budget Process

20 Financial Strategy

The Medium Term Financial Strategy will set out the parameters for the budget build process for the coming year in the light of likely grant settlement, service pressures, available balances, and consultation with clients and partners of the Council. The Budget and Policy Framework will be followed and the strategy will be approved by Council.

21 Capital and Revenue Budgets

The detailed form of capital and revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Corporate Leadership Team. The Budget and Policy Framework will be approved by Council following recommendation from cabinet.

Where a service area submits a bid for external funding they must have approval from the Council's Corporate Leadership Team made up of Corporate Directors, Service Directors and the Chief Executive and the relevant cabinet member prior to submission. Where there is an element of Council revenue or capital match funding identified this must already exist within the revenue budget or capital investment budget (or recommended by Cabinet for approval at the next Council meeting to add to the capital investment budget). When external grants are awarded and funding covers costs already in the current revenue budgets, the one off savings from these grants should be vired corporately so the available budget can be used on other priorities, or to top up reserves.

22 Capital Programme

In accordance with the Prudential Code for capital finance in local authorities 2021 the Chief Finance Officer will maintain a Capital Strategy which sets out capital and strategic resources. Directors and their nominated budget holders, in consultation with the Chief Finance Officer or nominated officer, shall jointly prepare for consideration by the Corporate Leadership Team, a draft Capital Investment Budget alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies

and timescales determined by the Cabinet. The Budget and Policy Framework, including the Capital Programme, will be approved by Council.

23 Approval of Estimates

The estimates, once approved by the Council shall become the Council's Revenue Budget and Capital Investment Budget for the next financial year.

Approval of the annual estimates by the Council will confer authority on the Corporate Directors, Service Directors and Heads of Service of the Council to incur revenue expenditure so provided for the next financial year subject to compliance with the relevant provisions of the Contract Procedure Rules.

Revenue Expenditure – Budgetary Control

24 Role of Corporate Directors and Service Directors

It is the responsibility of each Corporate Director and Service Director to ensure that the budgets for which they are responsible are used to deliver the Service Plan and are not overspent. Where budget pressures indicate that overspending may occur, then the Corporate Director and Service Directors must apply the rules set out under cash limited budgets below.

Corporate Directors and Service Directors are responsible for allocating responsibility for managing each cost centre within their service. They must inform the Chief Finance Officer or nominated officer of the allocation and any changes as soon as they occur.

Corporate Directors and Service Directors must ensure that their managers who are budget holders are properly trained in budget management and apply adequate budgetary control through local commitment accounting by requiring regular reports from budget holders.

25 Moving Budgets between Cost Centres

The rules for moving budgets between revenue cost centres (virement) are shown in the table in the financial procedure rules.

The following transfers will not count as virement for these purposes:

- (a) Budget movements which occur as a result of year end procedures
- (b) Transfers of budgets when a whole or part service transfers from one directorate to another as a result of a service restructure or change in line management responsibilities
- (c) Income and expenditure budget changes reflecting additional grants not included in the Council's approved budget
- (d) Transfers arising from changes in legislation
- (e) Any support service recharges (allocation of overheads) for accounting purposes.

Any in-year unplanned contributions from reserves will need to be reported in line with the Reserves Policy; those at year end are considered by Cabinet as part of approving the Council's financial statements. The use of funds in an emergency are set out in the financial procedure rules (Emergency Situations).

26 Directorate under/overspends

Corporate Directors (excluding interims and those working their notice period), may authorise expenditure which would otherwise exceed the approved budget for a cost centre, provided that the expenditure:

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure;
- will not constitute capital expenditure or result in:
 - (a) a change in the level of service provision; or
 - (b) a commitment to incur expenditure in future years;or
 - (c) a change in policy; or
 - (d) a breach of the Council's Workforce and Organisation Development Strategy.
- is not a virement from a support service recharge code.
- is notified in the prescribed form to the Chief Finance Officer or nominated officer who may if they consider that the expenditure is significant, require a report to be submitted to Cabinet.

However any permanent budgetary pressures or surplus budgets must be reported through the monitoring process and notified to the Chief Finance Officer.

27 Monthly Forecasting

The Council will operate a monthly budget forecasting process. Budget holders are required to provide forecasts of expenditure and income for the financial year on a monthly basis. They are also required to provide details of any management action plans to contain any potential overspends. Budget holders will also be required to provide comprehensive explanations for any budget variances.

Quarterly budget monitoring reports will be presented to Cabinet.

28 Approved Budgets and unauthorised overspends

In the event that a director forecasts that they cannot contain expenditure within their approved budget this is regarded as an unauthorised overspend unless alternative funding sources have been secured or agreed by the Chief Finance Officer.

Any potential directorate overspends must be reported to the Corporate Leadership Team for consideration.

The Corporate Leadership Team will need to take a view on what is a significant overspend in terms of the overall budget for the Council and anything which they consider significant should be reported to Cabinet. Approval from the Chief Finance Officer will only be given in exceptional circumstances. In all cases Financial Procedure Rules must be complied with. The approval of the additional expenditure budget may include provision for the repayment of the overspend.

29 Carry Forward of Under and Overspends

Where budget holders wish to carry forward any unspent budget into the next financial year, then they must provide a business case (https://apps.herefordshire.gov.uk/financetoolkit/SitePages/Business%20Case%20templates.aspx) to the Chief Finance Officer.

These cases will be assessed against the relevant accounting guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Chief Finance Officer.

30 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates.

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Corporate Leadership Team and after consultation with Cabinet.

Journal transfers may only be actioned by the finance support team.

Budget holders may only charge expenditure against budgets for which they are responsible.

31 Staffing Budgets

Service directors are responsible for maintaining their staffing establishment in line with their approved budget.

Any changes to the establishment list must go through the council's approval process.

Service directors are not permitted to engage supernumerary staff, whether on a permanent or interim basis, unless the funding source has been identified and agreed.

When the funding source has been fully utilised the contracts for supernumerary staff must end.

32 Earmarked reserves

When establishing reserves the council needs to ensure that it is complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

A reserve is a budget amount kept to fund a future event.

A provision is recorded as a cost against a cost centre when the council has a present obligation as a result of a past event, it is probable that the cost will be paid to settle the obligation, and a reliable estimate of the value of the cost can be made.

New reserves may be created at any time, but must be approved by The Cabinet member when a reserve is established. The setting, reporting and reviewing of reserves must be in accordance with the council's Reserves Policy.

The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed.

The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the Council's earmarked reserves for relevance of propose and adequacy.

Any amendments to earmarked reserves will be reported to the Cabinet.

Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another similar purpose earmarked reserve or surrendered to General Reserves.

Capital Expenditure - Control

33 Council Approval of Capital Investment Budget

Council's approval of the Capital Investment Budget, known as the capital programme, – The Budget and Policy Framework - constitutes allocation of:

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
- Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the Capital Strategy and Programme.
- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility

woks, new capital schemes and monitoring of those schemes.

34 Variations to the Approved Capital Strategy and Programme

The Council's Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is agreed by Council. External grant funded schemes can be approved by the Chief Finance Officer, the rules for capital budgets are shown in the table in the Financial Procedure Rules.

35 Other Additional Expenditure Requests

Any other additions to capital budgets outside the agreed Budget and Policy Framework must be approved by Council.

36 Official Orders

Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments (rent + rates), petty cash purchases, or such exceptions as the Chief Finance Officer or nominated officer may approve. Orders must clearly state the quantity of the goods and nature of the work or services and whether covered by contract or an agreed price and discounts specified therein or an estimated value. In line with the Councils no purchase order no pay, no payment will be made to suppliers without a purchase order having been raised. Unless payment falls within the procurement card policy.

37 Raising a Purchase Requisition

The Head of Service / Service Director (or equivalent) shall nominate those Officers eligible to raise purchase requisitions on the Council's financial system. The financial system converts the purchase requisition into a purchase order upon the approval of the budget holder or nominated authorising officer.

38 Placing an Order

Unless the service has a budget an order should not be placed. Placing an order commits the Council to spending the money.

All official orders for goods and services must be raised using the Council's Financial System. Exceptions to this requirement require written approval from the Chief Finance Officer or nominated Officer. Purchases made using a Corporate Procurement Card do not require a purchase order. Requirements for use of the Corporate Procurement Card are contained within the Corporate Procurement Card Policy and should also be adhered to at all times.

The Council's Finance system will generate the appropriate commitment accounting record of outstanding orders. Verbal orders must not be made except as a matter of genuine urgency and must be confirmed immediately with a written order produced through the Council's Finance System.

Other than in cases of genuine emergency, no supplier shall be asked to provide goods or services before a purchase order has

been issued to them.

39 Regular Periodic Payments

Any circumstances causing the cessation or variation of a regular periodical payment must be notified immediately to the Payments Manager.

40 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Corporate Director or Service Director. Nominations shall be set up by submitting an authorised signatory form in the financial system which will workflow for the relevant approval before the roles are allocated.

Orders can be approved in line with the approval limits detailed in the financial procedure rules.

Goods properly supplied or work done without an official order due to a genuine emergency must be covered as soon as possible by a confirmation order.

Whenever practicable the duties of requisitioning goods or services and the subsequent confirmation of their receipt (goods received note process) shall not be performed by the Officer authorising the Order.

Each Head of Service / Service Director (or equivalent) shall be responsible for all orders issued from their Service.

41 Goods Received Process

The Head of Service / Service Director (or equivalent) or Delegated Officer shall ensure that the Corporate Finance System is promptly updated when goods or services are received. Before completing the Goods Received Note process the verifying Officer shall, save to the extent that the Chief Finance Officer or nominated Officer may otherwise determine, be satisfied:

- that the goods have been duly received examined and approved as being in accordance with the specification or match the official order and are satisfactory;
- that the works done or services rendered have been satisfactorily carried out and that, where applicable, the materials used were of the requisite standard;
- that the proper entries have been made in the inventories or stores records, where appropriate;
- that the Council's purchasing guidance has been followed.

Payment of Accounts

42 Payment of Invoices

It is the Council's policy to pay all invoices within 30 days of invoice date. It is therefore the responsibility of all staff to assist the Payments Team in ensuring invoices can be processed for payment as soon as possible through full compliance with all the relevant financial procedures.

43 Other Payment Requests

Payment requests shall be prepared in accordance with the format determined by the Chief Finance Officer or nominated officer who if satisfied, shall process and pay in accordance with a timetable prepared by them.

44 Destination of Invoices

Invoices for payment must be sent in the first instance to the Payments Team in Plough Lane.

45 Amendments and Deletions

Amendments to or deletions from an invoice must only be made in exceptional circumstances and must be authorised by the Chief Finance Officer or nominated officer. Where changes are required they must be made in ink of a distinctive colour and initialled by, or on behalf of the Head of Service / Service Director (or equivalent), and the reasons, if not obvious, briefly stated on the invoice. No alterations to a Value Added Tax invoice may be made but a new invoice or credit note must be sought from the supplier. To avoid the possibility of duplicate payments photocopies or faxes are not accepted as valid invoices except in emergencies.

46 Payment of Invoices

The Chief Finance Officer or nominated officer shall pay all invoices and other payment requests which they are satisfied are in order, apart from petty cash imprest accounts or local bank accounts.

The Chief Finance Officer shall ensure that appropriate arrangements are in place for ensuring that invoices received by the Payments Team are matched against official orders. Payment of invoices shall only be made when:

- the ordering Service has confirmed that the goods have been duly received, examined and approved;
- the prices are in accordance with the order;
- the payment is in accordance with council policy and legally payable;
- the account is correct, and that VAT is properly accounted for where appropriate;
- the item has not been previously passed for payment and is a proper liability of the Council.

The normal method of payment of money due form the Council shall be by cheque, electronic transfer or other instrument drawn on the Council's bank account by the Chief Finance Officer or nominated officer. Alternatively credit cards are used to pay for goods, these transactions are uploaded onto the financial system and payment made to the card supplier in the normal process.

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract

procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on-line.

Corporate Directors and Service Directors shall provide the Chief Finance Officer with a list of authorised officers showing their signing levels as specified below, with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

Authorisation limits are shown in the Financial Procedure Rules.

47 Examination of Accounts

The Chief Finance Officer or nominated officer may at their discretion examine the verified accounts passed for payment, as to their compliance with the minutes and Council regulations, contracts, accepted tenders or other authorities and for this purpose shall be entitled to receive such information and explanation as may be required.

Local Bank Accounts - Imprest / Petty Cash Accounts 48 Imprest / Petty Cash Advances

The Chief Finance Officer or nominated officer will provide imprest and petty cash advances, where appropriate, to officers for the purpose of defraying expenses.

The maximum permitted limit for imprest and petty cash is 10% of the service area budget. For schools the maximum limit is 2% of the school DSG allocation plus £1,000 per Hoople employee (this is to allow Hoople invoices for the recruitment of Teaching Assistants etc. to be paid by Direct Debit from the school imprest account).

A receipt shall be signed in respect of each advance by the officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of floats issued to officers.

49 Changes to Officers

Any changes to Officers responsible must be immediately notified to the Chief Finance Officer or nominated officer. An outgoing imprest holder must reconcile the imprest to the total amount held, whilst the incoming responsible Officer should satisfy themselves that all is in order before accepting responsibility for the imprest.

50 Disbursements

Vouchers for disbursements must be obtained, and attached to claims for reimbursement. Claims must be properly certified and forwarded for payment to the Payments Team at specified intervals, normally not exceeding one month.

51 Security of Cash

Heads of Service are responsible for ensuring that all cash is kept in a safe and secure place and that bank accounts are reconciled on a regular basis, not less than monthly. A bank statement must be received at least monthly for all imprest bank accounts.

52 Use of Imprest Accounts

Imprest accounts can be used for amounts agreed by the Chief Finance Officer or nominated officer:

- to pay for local purchases by cheque at the time of collection or delivery;
- to secure discounts or take advantage of special offers;
- to reimburse staff who have purchased small value items directly; All such payments must be supported by VAT invoices or receipts.

53 Use of Imprest Funds

Imprest funds must never be used to pay salaries, wages, or other employee expenses i.e., travel/subsistence and removal/relocation expenses, without the specific approval of the Chief Finance Officer or nominated officer. Such payments may attract liability to Income Tax or National Insurance contributions and must therefore be made via the payroll system.

54 Examination of Local Bank Accounts

The Chief Finance Officer or nominated officer may at their discretion examine and reconcile local bank accounts and for this purpose shall be entitled to receive such information and explanation as may be required.

55 Partnership Arrangements

Where it is intended that the Council should enter into a partnership arrangement to further the delivery of Council policy and/or services, this must comply with the council's framework for partnership governance and a supporting assurance self-assessment process must be completed.

The Council's partnership governance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, and in all cases where the Council's financial contribution to the partnership exceeds £100,000 per annum, including any grant or external funding for which the Council would act as Accountable Body, a full assessment must be carried out using the self-assessment process.

Income

56 Collection of Monies

The framework and regulation of the collection of all monies due to the Council shall be subject to the approval of the Chief Finance Officer or nominated officer and shall comply with these Financial Procedure Rules.

The general ledger shall be updated promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer or nominated officer shall have the right to inspect any documents or other evidence in this connection as they may decide.

57 Invoicing for Sums Due

Each Head of Service / Service Director (or equivalent) shall establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

58 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council shall contain a statement that payment must be made direct to the Chief Finance Officer or nominated officer and that cheques, money orders, and postal orders should be made payable to Herefordshire Council.

All cheques, money orders and postal orders received in any Service Unit shall be crossed "Herefordshire Council". Personal Cheques must not be cashed out of the money held on behalf of the Council.

Our preferred payment method is though utilising the Bankers Clearing Automated System (BACS).

59 Netting off of expenditure

Where a third party owes the council monies, but the council also owes that third party a debt then the two transactions must not be netted off. This is to ensure that expenditure is appropriately authorised.

Where this situation arises the gross income to the council should be recorded by way of a sales invoice and the gross expenditure incurred should also be recorded on the council's finance system and approved in the normal way.

A purchase invoice must be supplied by the third party.

60 Introduction of New Electronic Payment Facility

The Chief Finance Officer or nominated officer shall be consulted at an early stage on any proposals to introduce a new electronic payment facility. No such facility shall go live without the specific authorisation of the Chief Finance Officer or nominated officer.

The Council prohibits the use of any PayPal or any similar electronic payment facilities (unless specific authority has been obtained).

61 Payment into Council Account

All monies received by an Officer on behalf of the Council shall, without delay, be paid to the Chief Finance Officer or nominated officer. No deduction may be made from such money save to the extent that the Chief Finance Officer or nominated officer may specifically authorise.

Officers who bank money shall enter on the paying in slip and on the reverse of each cheque a reference to the related debt (receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

The name of the originating Service/Section shall be recorded on the paying in slip.

62 Issue of Receipts

Every sum received by a cashier or other Officer of the Council shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in the case of cheques other arrangements may only be established with the express approval of the Chief Finance Officer or nominated officer.

All official receipts, tickets, books and other cash tokens shall, except by special arrangements approved by the Chief Finance Officer, be controlled and issued by the Chief Finance Officer or nominated officer, who shall keep a register of their receipt and issue. Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

63 Recording Receipt of Monies

Each Officer who receives monies on behalf of the Council, or for which they are accountable to the Council, shall keep records in a form approved by the Chief Finance Officer or nominated officer.

64 Transfer of Monies

Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

65 Grants and External Funding

The acceptance and spend of grants may be recorded as record of officer decisions as long as they are part of an approved strategy of the council and there is a delegation in place in either a scheme of delegation or a bespoke delegation from Cabinet or Cabinet Member. The relevant strategy and delegation will need to be stated in the record of officer decision. If neither of these are in place, then an executive decision will need to be taken before the grant can be accepted. Any grants awarded above £500k are treated as key decisions

Authorisation to submit a bid for grant or other external funding, or accept an offer of such funding, must be obtained in advance of bid documents or acceptance documents being signed. This includes a situation where the council intends to act as Accountable Body in respect of partnership funding, in which case authorisation to accept this Accountable Body status must also be obtained.

The Chief Finance Officer shall be consulted on, and certify if necessary, any application for grant or external funding.

The Chief Finance Officer shall:

- (i) agree the terms and conditions of all grant offers made to the Council, and
- (ii) accept such grant offers and sign appropriate documentation on behalf of the Council,

Where the application for grant, or other external funding, is being

made on behalf of a partnership, for which the council will take on the Accountable Body role, the Corporate Director or Service Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and the Solicitor to the Council, shall agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the Council.

The Chief Finance Officer shall be responsible for the completion, authorisation and submission of any grant or external funding claim forms to the relevant organisation(s) and, if necessary, the Internal or External Auditor, in accordance with any guidelines applicable to the claim(s) in question. The Chief Finance Officer can give delegated authority to relevant and responsible team to conduct this function for specific works.

Senior responsible officers shall ensure that records are retained to enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

For funding requests over £10k the agreement to be sourced from the Corporate Leadership Team in advance of submission of grant application using the set template "External Funding Proceed Agreement".

That Grants and Programmes team are given a copy of the "External Funding Proceed Agreement" along with the Corporate Leadership Team to view potential cross funding streams and to keeps a register of external funding received.

A record of officer decision published on acceptance of the external funding, making clear the amount awarded and its purpose.

66 Developer Contributions S106

Developer contributions continue to support investment need associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risk to the Council that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

Write-Offs - Income

67 Discharge of Debts

No debt due to the Council, after it has been correctly established, shall be discharged otherwise than by payment in full or by the writing-off of the debt or the unpaid portion of it, on the authority of the Chief Finance Officer or nominated officer where either:

(a) the debt is not enforceable or that attempted recovery is likely to involve expensive litigation with limited hope of success; or

(b) the cost of recovery would be disproportionate to the amount involved.

68 Written-off Debts

The approval limits for debt write offs are set out in the financial procedure rules.

Budget Holders will be provided with details of those debts where write off is appropriate. Such details are to include information on recovery action already taken.

In exceptional circumstances Corporate Finance may recommend to the chief finance officer that a debt should not be written off to the service budget but will be written off corporately.

Charging for Services

69 Review of Service Charges

As per Fees and Charges Policy

70 Unmet Estimates

Where it appears that income targets as set out in the Council's estimates will not be met then the Head of Service / Service Director (or equivalent) shall either meet the shortfall from within the service budgets or apply for an additional budget.

Salaries and Wages

71 Responsibility for Payments to Employees

The Chief Finance Officer shall be responsible for making arrangements for the payment of all salaries, wages, pensions and other payments to all current and former employees of the Council.

Travelling and Subsistence

72 Claims for Payment

All claims for payment of officer car allowances, subsistence allowances, travelling and incidental expenses shall be made through Business World

Officer's claims should be submitted promptly at the end of each month in which the journeys were made or the expenses incurred. The Chief Finance Officer or nominated officer may refuse to make payment of claims over 2 month old.

Stocks / Stores

73 Responsibility for Stocks

Each Head of Service / Service Director (or equivalent) shall ensure:

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery

quantities and delivery periods;

- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard:
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the number of slow moving items and disposing of obsolete stock items;
- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer:
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

74 Surplus or Deficiency

Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Chief Finance Officer shall be advised and disciplinary action taken where necessary.

75 Checking of Stock

The Chief Finance Officer or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

Disposal of Surplus or Obsolete Goods, Plant and Stocks

76 Authorisation for Disposal

Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £2,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Corporate Director or Service Director of the Service Unit concerned. Where the value is between £2,001 and £10,000 the authorisation of the Deputy S151 Officer or nominated officer must also be obtained. Where the value exceeds £10,000, authorisation from the Chief Finance Officer must be obtained.

In relation to inventory items (e.g. desk and chairs) with a potential value but surplus to requirements be considered for reuse within different part of the organisation For sale best value or price should be consideration (balanced with cost of disposal). Options should also be considered for release to voluntary sector organisations and

schools on a fair and equitable basis. A records of options retained and decision of disposal agreed at head of service level or above.

IT equipment through a disposal provider with all information wiped.

77 Sale of Stock

Sale must be effected by public tender except when, in the opinion of the appropriate Head of Service / Service Director (or equivalent) concerned and the Chief Finance Officer or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

78 Recording Disposal

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

79 Income from Disposal

Income from disposals shall be credited to the cost centre unless a capital receipt. Capital receipts are sales of assets recorded on the asset register in excess of £10,000. These are credited to the capital receipts reserve and used to fund the capital investment budget.

80 VAT

Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Chief Finance Officer or nominated officer should be contacted if clarification of the VAT position is required.

81 Voluntary funds

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

The Chief Finance Officer shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports.

Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and examined annually by a competent person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the Chief Finance Officer immediately after the examination. The Chief Finance Officer shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

82 Accountable body status

Where it is intended that the council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

The Corporate Director or Service Director to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and Monitoring Officer, will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the council.

Unless there is explicit agreement to the contrary, which must be documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow both the Financial and Contract Procedure Rules agreed by the council.

In all cases, where the partnership funding includes grants or other external funding, then the provisions contained in the Financial Procedure Rules will apply. Approval must be obtained by the relevant Cabinet member and Council.

Insurance

83 Responsibility for Insurance

The Chief Finance Officer or nominated officer is responsible for the arrangement of risk funding on advice from Internal Audit. The administration and resolution of all losses is the responsibility of the nominated officer in consultation with other Officers where necessary by reporting to the Chief Finance Officer or nominated officer.

84 Record of Insurances

The Chief Finance Officer will keep a permanent record of all insurances, risks covered, premiums paid and of all self-funded risks and losses paid. This includes third parties arranging insurance where the Council has an insurable interest. Documents to be permanently retained must include policy schedules and all liability insurance certificates for every period of insurance. Such responsibilities may be delegated to the nominated officer.

85 Incident / Accident Reporting

Every event with the potential to give rise to a financial loss, or involving injury to a member of staff, an elected Councillor or client of the Council, must be reported in accordance to the Health & Safety Arrangements Policy.

86 Review of Risk Financing Arrangements

The Chief Finance Officer or nominated officer and Internal Auditor shall annually review the Council's risk financing arrangements and look at adequacy of provision in the light of changes in the environment including new legislation, imposed or contractual responsibilities, legal precedent, newly identified and quantified risks, or other concerns identified.

87 Consultation

Before any indemnity requested from the Council is provided, the

Head of Service / Service Director (or equivalent) responsible shall obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

Security

88 Responsibility for Security

All Heads of Services are responsible for maintaining proper security at all times for all information, buildings, stocks, stores, furniture, equipment and cash under their control. They should report to Facilities Management where they consider security is thought to be defective or where they consider special arrangements are needed.

Appropriate security controls for all assets shall be identified by the risk assessment process and by referring to security standards and procedures. Arrangements shall be agreed as above.

Maximum limits for cash holdings shall be identified by the risk assessment process and agreed with the Chief Finance Officer or nominated officer and shall not be exceeded without permission.

Key holders for safes and similar security receptacles are to be agreed by each Head of Service / Service Director (or equivalent) in conjunction with the Chief Finance Officer or nominated officer. The loss of keys shall be reported immediately using the security incident reporting procedures.

89 Data Protection Legislation

The Chief Executive in conjunction with the Chief Operating Officer (Hoople Ltd) and Corporate Support, and in consultation with Heads of Service and the Data Controller, will ensure that all computer systems and written records, (including those in the possession of elected Councillors) which store sensitive personal data are operated in accordance with the Council's Data Protection Policy, Data Protection legislation, and that proper security and confidentiality is maintained. IT systems only installed by the council's IT service.

90 Anti money laundering, bribery and corruption

All staff must have regard to the Council's Anti-Money Laundering Policy and Anti Bribery and Corruption Policy. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £5,000 or more of cash to the Money Laundering Officer (the Head of Corporate Finance); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Officer.

Staff should also have regard to the Council's Gifts and Hospitality Protocol. All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.

Estates

91 Responsibility of Corporate Directors and Service Directors in Relation to Asset Register

The Chief Finance Officer or nominated officer will maintain an asset register of all land and properties owned by the Council recording the purpose for which the property is held, the location, extent and plan reference(s), purchase details where available, details of interest and rents payable and particulars of tenancies of other interests granted. This register is also updated by the assets team as appropriate.

All changes to the asset register must be communicated through business world.

92 Valuation of Assets

The Chief Finance Officer or nominated officer shall ensure that all assets are valued (reinstatement and open market valuation) for capital accounting purposes in accordance with the latest CIPFA code.

93 Notification of Purchase or Disposal of land and / or buildings

Any purchases or disposals of property must be actioned on Business World (including requiring a valuation prior to disposal).

Acquisitions of land and / or properties must follow the completion of an independent Royal Institute of Chartered Surveyors (RICS) red book valuation.

94 Leases to external organisations (excluding nonmaintained schools)

All leases must be provided on commercial terms and not included in waived terms of contract award. To be agreed in consultation with the Head of Programme Management Officer.

Section 6 - Contract Procedure Rules

Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
Low value Below £25,000	Evidence best value	 Best value must be demonstrated. This might be a comparison of costs for services that you have procured previously and where you understand and can evidence the costs. Or, where you have been able to compare costs with information published such as catalogues or framework pricing. Consider local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector interest. Otherwise, identify at least three suppliers to obtain a simple quote. The procurement process can be undertaken outside of the council's e-tendering portal. Where the opportunity is above £20,833 you must publish a contract award notice on Central government's Contracts Finder. 	Director's delegated authority under Scheme of Delegation	Operational decisions-Only assistant director or above are authorised to award and sign a contract. Key Decisions: Only assistant director or above are authorised to award and sign a contract, subject to approval or specific delegation by
Medium Value £25,001 to £75,000	4 quote process	 A minimum of 4 competitive quotes sought from appropriately qualified and competent suppliers. Include at least two suppliers within the county and/or local VCSE and /or SME sector interest where appropriate. Where 4 suppliers cannot be identified, the opportunity must be: Openly advertised using the councils e-tendering portal or Procured via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process for both scenarios must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. Where the opportunity is being openly advertised and is above £20,8335,000, the opportunity must also be advertised 	Director's as per delegated authority under Scheme of Delegation and FPR authorised spend levels Procurement above £50,000. Decision must be recorded as operational or non-key officer decision	cabinet/cabinet member. All amounts exclude VAT. The following must be sealed by the council: contracts above the key decision value (£500,000); all building and works-related

Herefordshire Council

Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
High Value £75,001 to: • £177,897 (goods and services £213,477 Incl VAT) • £4,447,447 (works £5,336,937 Incl VAT) • £552,950 (light touch regime for health/ social services £663,540 Incl VAT)	Open tendering	 On Central government's Contracts Finder. Advertising in trade journals and other local publications if appropriate (recommended). Where the opportunity is above £20,8335,000 you must publish a contract award notice on Central government's Contracts Finder. Open tendering procedures must be followed. The opportunity must be advertised using the Invitation to Tender template to the open market or Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. The opportunity must also be advertised on Central government's Contracts Finder. Where the opportunity is above £205,833000 you must publish a contract award notice on Central government's Contracts Finder. 	Procurement that is above the key decision value (£500,000) must be subject to approval by cabinet/cabinet member.	contracts; and, other high risk contracts (as advised by Legal Services) where a longer limitation period of 12 years is required.

Part 4 – Procedure Rules Updated: 30 January 2022

Unless otherwise stated all figures exclude VAT

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.

Herefordshire Council

Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	Authority to procure	Authority to award a contract/ appoint contractor (signing/ sealing)
UK Tenders. Over: • £177,897 (goods and services £213,477 Incl VAT) • £4,447,447 (works £5,336,937 Incl VAT) • £552,950 (light touch regime for health/ social services £663,540 Incl VAT)	Use UK compliant procedures	 Open tendering procedures must be followed, or Make the purchase via a compliantly let framework agreement. (Note: framework agreements must have more than one supplier). The procurement process must be undertaken using the council's e-tendering portal, unless another method has been approved by commercial services. The opportunity must also be advertised on Central government's Contracts Finder and the UK Find a Tender service (FTS). Contract award notices must also be published on these portals. Seek advice and support from the Commercial Services Team before progressing the procurement. 		
Framework Agreements	New framework Use one of the above procedures relative to the framework value.	The opportunity must be advertised and undertaken utilising the council's e-tendering portal. The opportunity should also be advertised using: • FTS advert and contract award notice (where above UK threshold); and, • Central government's Contracts Finder (mandatory); or, • Make the purchase via a compliantly let framework agreement.		New frameworks must be sealed by the council

Part 4 – Procedure Rules Updated: 30 January 2022

Unless otherwise stated all figures exclude VAT

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.



Whole contract period total Value Excluding VAT *	Competition	Advertising and Process	-	Authority to award a contract/ appoint contractor (signing/ sealing)
		You must follow the procedure set out in the framework		
		agreement for direct awards and mini competitions.		

Part 4 – Procedure Rules Updated: 30 January 2022

Unless otherwise stated all figures exclude VAT

*Note UK Threshold Figures have changed on 1st January 2022 (PPN 10/21) they have also been stated as including VAT, a departure from previous updates. In order to maintain continuity in these rules we have included the excluding VAT figures where thresholds are referred to.

INTRODUCTION

What are Contract Procedure Rules?

- 4.6.1 The Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. They apply to all services across the council.
- 4.6.2 The CPRs should not be seen in isolation, but rather as part of the overall regulatory framework of the council as set out in the Constitution.
- 4.6.3 The content of these CPRs is supported by additional guidance and documentation contained in the Commercial Services section of the council intranet.

Why are CPRs Needed?

- 4.6.4 The Local Government Act 1972 requires the council to have standing orders for how it enters into contracts. These CPRs are the standing orders required by the 1972 Act. They form part of the council's Constitution and are, in effect, the instructions of the council to officers and elected members for entering into contracts on behalf of the council. The purpose of these CPRs is to set clear rules for the purchase of works, goods, services, consultancy, grants and concessions for the council and are intended to promote good purchasing practice, public accountability and to deter bribery and corruption, in which the probity and transparency of the council's procurement process will be beyond reproach or challenge. In acting on behalf of the council, officers must also have regard to any guidance and procedures issued to support compliance with CPRs.
- 4.6.5 The council is also subject to UK law with regard to public procurement, which requires all contract procedures, of whatever value, to be open, fair and transparent. These CPRs and associated guidance provide a basis for true and fair competition in contracts, by providing clear and auditable procedures, which, if followed, will give confidence that the council has a procurement regime that is fully accountable and compliant with UK law.
- 4.6.6 The council is under a legal duty to promote Best Value and to consider the Public Services (Social Value) Act 2013 and the Public Sector Equality Duty and every officer engaged in the letting of contracts shall have regard to these duties and associated council policies. Where compliance with these duties contradicts the requirements of any statutory legislation or specific best practice guidance, the views of legal and commercial services teams must be obtained.
- 4.6.7 The CPRs apply to all contracts for the supply of works, goods, services, consultancy, grants and concessions to the council, regardless of value. The CPRs do not apply to:
 - (a) Contracts for the actual purchase or sale of any interest in land (including leasehold interests) for which the financial regulations applies. Note that this

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- does not apply to any external professional services linked to the purchase or sale.
- (b) Contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies under a corporate contract.
- (c) Grant agreements, where the council is giving an unconditional grant.
- (d) Sponsorship agreements regulated by the sponsorship rules.
- (e) Supply of works, goods and services by the council. However, the solicitor to the council must be consulted where the council is contemplating this route.
- (f) Contracts procured in collaboration with other local authorities where the council is not the lead authority (subject to the necessary approvals having been obtained from the appropriate decision maker at the council). The CPRs of the lead authority shall apply. Assurance should be sought that the lead authority is in compliance with its own contract procedure rules.
- (g) Litigation advice and services.

4.6.8 Authority to conduct procurement activity

The authority for an officer to undertake;

- (a) a procurement;
- (b) award a contract;
- (c) extend or vary a contract;
- (d) terminate a contract during a contract period (early contract termination).

is provided by either of the following;

- (a) scheme of delegation either as an operational or non-key executive decision,
- (b) any key executive decision for example through a Cabinet or Cabinet member decision.

Basic Principles

4.6.9 All procurement procedures must:

- (a) Realise value for money by seeking to achieve the optimum combination of whole life costs and quality of outcome,
- (b) Be consistent with the highest standards of integrity,
- (c) Operate in a transparent manner,
- (d) Ensure fairness in allocation of public contracts,
- (e) Support all relevant Council priorities and policies including the Medium Term Financial Plan,
- (f) Comply with the Council's Procurement Strategy, the Social Value Statement, and:
- g. Comply with all legislative requirements including Public Contract Regulations (2015) Procurement Principles, which are as follows:



- <u>i.transparency</u> <u>contract procedures must be transparent and contract opportunities should generally be publicised;</u>
- <u>ii.equal treatment and non-discrimination potential suppliers must be treated equally;</u>
- <u>iii.proportionality procurement procedures and decisions must be</u> proportionate;
- <u>iv.</u> <u>procurement procedures must be designed in a manner that does not</u> intentionally seek to exclude it from the rules
- (g) Be funded through the allocation of an appropriately established budget.
- 4.6.10 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

Operational or non-key executive decisions

- 4.6.94.6.11 Where the scheme of delegation provides the authority and in accordance with financial procedure rules:
 - (a) officers as agreed by the director or assistant director in the corporate centre may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £25,000.
 - (b) managers who report to heads of service may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £100,000.
 - (c) heads of service (as defined by head of service pay grades) may authorise commencement of a procurement activity or commencement of a contract variation activity for total aggregate contract value up to £250,000.
 - (d) assistant directors, directors or the chief executive (as defined by the requisite pay grade) may authorise commencement of a procurement activity, or commencement of a contract variation activity for total aggregate contract value up to £500,000.
 - (e) Commencement of a procurement activity, or contract variation for a contract in excess of £500,000 must be authorised by directors or the chief executive (as defined by the requisite pay grade).
- 4.6.104.6.12 Where an award of a contract is above £50,000, a decision will be required and will need to be published, including the financial amount in the decision / recommendation. Additionally, a decision will be required for procurements of contracts jointly with one or more other contracting authorities.
- 4.6.114.6.13 Where a contract extension is incorporated in the original contract agreement and the aggregate value of the contract is under £500,000 there is no need for a new decision, if the original decision to procure/award the contract authorised the extension.

A decision will be required for:

(a) Contract extensions where the aggregate value of the contract is above £50,000, if the original decision did not authorise the extension.

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- (b) All contract extensions where the aggregate value of the contract is £500,000 or above.
- (c) Contract extension where the extension was not incorporated as part of the original contract agreement, as this is deemed to be a contract variation.

For contract variations where the aggregate value of the contract is above £50,000, a decision will be required and must be published.

Additionally, a decision will also be required for variations where:

- (a) Extension of contracts where the extension was not incorporated as part of the original contract agreement.
- (b) Price increases in contracts where the proposed price increase is either:
 - · Above that provided for in the contract; or
 - Above inflation (consumer price index (CPI))
- 4.6.124.6.14 Officers must give due regard to the CPR Guidance which sets out the required approval process for contract variations, extensions and exemptions to the CPRs.

Key Executive Decisions

4.6.134.6.15 Where the authority to commence a procurement activity, contract variation or award a contract is from a key decision taken (for example a capital investments programme decision), the scope of the authority must be set out as a recommendation in the decision and procurement options considered must be documented as an element of the report.

Planning a Procurement

- 4.6.144.6.16 Sufficient planning time must be built into any procurement activity to allow for adequate pre-tender market engagement /testing where relevant, development of good quality specifications and tender documentation, and a reasonable time for the market to respond to the tender paying due regard to the recommended procurement timescales which can be found on the commercial services intranet pages.
- 4.6.154.6.17 When engaging with potential suppliers, the council must not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from anyone who may have a commercial interest in them, and where this may prejudice the equal treatment of all potential bidding organisations or distort competition.

Specifications and Options appraisal

- 4.6.164.6.18 At the start of any commissioning activity that will require a procurement, the commissioning officer must develop and present service specifications and/or existing service designs for approval with the requisite business case or service plans that identifies at a minimum:
 - (a) Why the service is being commissioned; what is the need?
 - (b) What is the best form of community or service-user engagement or consultation? Consideration should be given to how service users can

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- actively participate in the designing, delivery and quality-monitoring of their service.
- (c) Which social value outcomes will be achieved from the commissioning exercise, and how can it contribute towards meeting the council's overall priorities.
- (d) Alternative options that have been considered.
- (e) Financial implications.
- (f) Risks associated.
- 4.6.174.6.19 Decisions must clearly document the procurement options considered and recommendations to be taken forward.

Procurement Thresholds

4.6.184.6.20 Low value contracts/purchases (under £25,000) – no requirement for formal quotations or tender process but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the CPRs have been followed and can be evidenced.

Officers must use appropriate council templates for quotation requests and contracts when engaging suppliers for goods/services where appropriate. These can be found on commercial services intranet pages.

Consideration must be given as to whether the procurement would be of interest to local suppliers and/or local voluntary, charity and social enterprise (VCSE) sector, who should be engaged to provide quotations where appropriate to do so.

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £20,833.

4.6.194.6.21 Medium value contracts/purchases (between £25,001 and £75,000)

No contract with an estimated total cost over £25,001 shall be let, or any purchase of that value made, unless at least four written quotations have been sought from appropriately qualified and competent suppliers, suppliers within the county and/or local VCSE and /or SME sector where appropriate.

Formal tender documents must be used outlining the terms of the procurement. Tender must be advertised for a minimum of 15 working days.

For closed competitions up to £25,000, e-mail can be used to obtain quotes. The council's e-tendering portal should normally be used to obtain quotations with a value above £25,000. Other mechanisms may be used having secured written approval from the Commercial Services Team where the value of the contract is very low and/or the contract is of a specialist nature.

For purchases where four appropriately qualified and competent suppliers cannot be identified you must either: advertise the opportunity to all suppliers using the council's e-tendering portal; or, make the purchase via a compliantly let Framework Agreement. Regard should also be given to advertisement of the opportunity within trade journals and other publications as appropriate.

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Contracts with an estimated total value of over £25,000 that are openly advertised must also be advertised on Central government's Contracts Finder.

A contract award notice must be published on Contracts Finder for all quotes/tenders above the value of £20,8335,000.

4.6.204.6.22 High value contracts/purchases (between £75,001 and up to relevant UK threshold Limit)

Open tendering procedures must be followed.

Formal tender documents must be used to outline the terms of the procurement. All tenders must be advertised on Central Government's Contracts Finder and the council's e-tendering portal. Contract award notices must also be published on Contracts Finder.

Tender must be advertised for a minimum of 15 working days

4.6.214.6.23 Above the relevant UK threshold limit (currently £177,897 (£213,477 Incl VAT) for goods and services, £4,447,447 (£5,336,937 Incl VAT) for works and £552,950 (£663,540 Incl VAT) for light touch regime services)

Contracts with a value in excess of the relevant UK threshold must be let in accordance with the relevant procurement legislation. Formal tender documents must be used and the entire process of advertising, selecting suppliers to tender, through to final award, is highly prescribed under UK law for all procurements over the relevant threshold. Advice must be sought from the commercial services team before commencing projects of this nature (including ensuring sufficient time is allowed to carry out a compliant process, which can take up to 18 months to prepare).

Note UK Threshold Figures have changed on 1st January 2022 in line with Procurement Policy Note 10/21. New figures are now stated as including VAT. This a departure from previous updates. However for the purposes of advertising, the estimated contract value will continue to be provided exclusive of VAT. Similarly for contract award notices, these will continue to be published exclusive of VAT. Therefore in order to maintain continuity in these rules and avoid confusion we have included the excluding VAT figures where these thresholds are referred to.

Reserving below UK threshold procurements

- 4.6.224.6.24 In line with Procurement Policy Note 11/20, on a case by case basis, supplier participation in procurements below the UK threshold may be reserved:
 - (a) By supplier location this means being able to run a competition and specify that only suppliers located in a geographical area can bid; and
 - (b) For Small and Medium sized Enterprises (SMEs) / Voluntary, Community and Social Enterprises (VCSEs) this means being able to run a competition and specify that only SMEs and VCSEs can bid.
- 4.6.234.6.25 The provision of 4.6.242(a) only applies to services contracts where it is necessary and expedient to do so to enable or facilitate compliance with a duty imposed by section 1 of the Public Services (Social Value) Act 2012.
- 4.6.244.6.26 Specific considerations and criterion must be met when using the provision of 4.6.244.6.24.6.22, therefore officers must engage with Commercial Services for further guidance and written approval to use this provision.

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EVALUATION CRITERIA AND STANDARDS

Evaluation Criteria

- 4.6.27 In any procurement exercise the successful bid should be the one which either:
 - (a) Offers the lowest price, or:
 - (b) Offers the most economically advantageous balance between quality and price.

The choice between (a) or (b) must be based on careful consideration as to whether price alone or price and quality must be used to determine the successful bid.

In the latter case, the Council will use criteria linked to the subject matter of the contract to determine that an offer is the most economically advantageous, for example: price, quality, technical merit, aesthetic and functional characteristics, social value, environmental characteristics, running costs, cost effectiveness, aftersales service, technical assistance, delivery date, delivery period and period of completion.

- 4.6.28 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 subcontractors. 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.
- 4.6.29 These criteria should be assessed through either:
 - (a) Essential Criteria assessed on a pass / fail basis, or:
 - (b) Technical Questions assessed on a scored basis.
- 4.6.30 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
- 4.6.31 As part of the evaluation process the Council must undertake due diligence checks which seek to determine the commercial stability of the shortlisted Bidders to inform the decision to award a contract. This can include:
 - (a) Search on the governments Companies House database
 - (b) A recent credit report on the organisation
 - (c) An assessment of completed financial workbook
 - (d) A recent assessment of fraud



Awarding a contract (signature and sealing).

- 4.6.254.6.32 Where the scheme of delegation provides the authority:
 - (a) <u>assistant-service</u> directors and directors within the relevant directorate (as defined by the requisite pay grade) have authority to award and sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value up to £500,000
 - (b) directors within the relevant directorate (as defined by the requisite pay grade) and the chief executive have authority to sign a contract, authorise a contract variation/ extension or authorise an early contract termination of a contract value in excess of £500,000, providing authority to award the contract has been obtained by way of a key decision.
- 4.6.264.6.33 Contracts can be signed by the authorised officer as set out in 4.6.324.6.32 however contracts must be executed as deeds by affixing the common seal of the council in the following circumstances::
 - (a) contracts above the key decision value unless agreed otherwise by legal services;
 - (b) new framework agreements;
 - (c) all building and works-related contracts unless agreed otherwise by legal services;
 - (d) where there is no consideration (i.e. money or money's worth) by one party (e.g. grant agreements, where the council is paying a voluntary sum to an organisation but the organisation is not giving anything in return); and,
 - (e) other high risk contracts (as advised by legal services) where a longer limitation period of 12 years is required.
- 4.6.274.6.34 Before a contract can be sealed by the council, the officer must provide legal services with the relevant decision to award in writing from the appropriate decision maker. The sealing of the contract by legal services is simply affixing the common seal and does not indicate that legal advice has been sought or that legal services approve the contract.
- 4.6.284.6.35 Officers shall ensure that each contract is entered into in accordance with the finance procedure rules.

Exemptions (Waivers)

- 4.6.294.6.36 An exemption to the CPRs is a permission to proceed without complying with one or more of the rules. Officers are responsible for ensuring that exemptions to the rules are approved in advance of any action undertaken in all instances where CPRs cannot be complied with such as, but not limited to: no quotations have been sought or the purchase cannot be made via a compliant framework agreement. If an application to let a contract without genuine competition is granted, the officer responsible for the contract must demonstrate that the price obtained is not in excess of the market price and that the contract represents best value.
- 4.6.304.6.37 Exemptions from the contract procedure rules should be by exception and not standard practice. Exemptions should not be considered for administrative convenience or because of lack of time caused by inadequate forward planning.
- 4.6.314.6.38 An "Exemption to Contract Procedure Rules" form must be completed by the officer seeking the exemption, and must provide evidenced reasons as to the legitimate need for the exemption to be granted.
- 4.6.324.6.39 The exemption form must be completed in consultation with commercial, finance and legal services, and the completed form considered by the assistant director or director as the accountable officer. Based on this judgement the assistant director or director will agree or not, the validity of the exemption.
- 4.6.334.6.40 All exemptions must be supported by a decision, the reasons for the exemption, appointment of the supplier and value for money justification of that appointment must be published as part of the decision to award the contract.
- 4.6.344.6.41 Officers must ensure completed exemption forms are returned to commercial services who will record them on the exemptions register.

Urgent decisions

- 4.6.354.6.42 Tenders need not be invited in accordance with the provisions of the council's CPRs if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service, if in the opinion of the relevant Director it is considered to be in the council's interests or necessary to meet the council's obligations under relevant legislation.
- 4.6.364.6.43 The council must be able to evidence that it is a genuine emergency, that the events causing extreme urgency were unforeseeable, that is impossible to comply with the usual timescales for a procurement including through a framework or accelerated procurement, that the situation is not attributable to the council (contracting authority).
- 4.6.374.6.44 Wherever possible though, at least 3 credible quotations must be sought and any decision made or contract awarded shall be reported to the relevant director and cabinet member.

Part 4 – Procedure Rules Updated: 2 March 2022



- 4.6.384.6.45 Such emergency contracts should be let for as short a period as possible to allow their replacement with a contract that is fully compliant with the CPRs at the earliest practical opportunity.
- 4.6.394.6.46 A formal record of the decision to award a contract must be published for contract values above £50,000 and financial value included within the decision.

Contract Management

- 4.6.404.6.47 Every contract entered into by the council will have a contract manager appointed by the relevant Director or Assistant Director in the Corporate Centre to manage that contract.
- 4.6.414.6.48 All contracts over £5,000 are to be entered on the council's contract register by the contract holder in order to comply with the transparency information/code. This information should be updated if there is a change in the contract value. Contracts and commissioning officers are to update and add additional contracts to the register, as they are let, using the register to inform subsequent tender planning.
- 4.6.424.6.49 The contract manager shall manage the contract throughout its life cycle in accordance with the council's Contract Management Framework and in particular shall:
 - Classify the contract as Tier-3"routine", Tier-2 "focused /leveraged", "and Tier-1 "strategic" by value and risk;
 - b) Undertake a series of activities for each stage of the contract's life cycle set up, delivery and exit; and
 - c) Undertaking a formal contract review in accordance with the framework
- 4.6.434.6.50 The contract manager shall manage the contract throughout its life cycle having regard to the council's Contract Management Toolkit and good contract management practices.

Training

- 4.6.444.6.51 Where appropriate any officer leading a procurement activity shall be appropriately trained or have experience commensurate with the nature of the procurement activity being undertaken.
- 4.6.454.6.52 Where appropriate any officer designated contract management responsibilities shall be appropriately trained or have experience commensurate with the nature of the contract management activity being undertaken.
- 4.6.464.6.53 Completion of the Council's introductory finance and procurement module shall be mandatory for all officers with designated contract management or procurement responsibilities.

Part 4 – Procedure Rules Updated: 2 March 2022

Section 7 - Financial Procedure Rules

alternative arrangements must obtain chief finance offic	Appendix 5		
Approving revenue payments - post securi	Approving revenue payments – post securing spend authority - with an order		
Value (before VAT)	Approval level		
Up to £25,000	Officers as agreed by the Corporate Delirector/Service Director		
Between £25,001 and £100,000	Managers that report to Head of Service (up to and inc		
Between £100,001 and £250,000	Head of Service (HC13 pay grade)		
Between £250,001 and £500,000	Assistant Service Directors (HoS1 and HoS2 pay grade)		
Above £500,001	Corporate Directors or Cehief Ffinance Oefficer (pay in		
Approving capital payments – post securing	ments – post securing spend authority - with an order		
Value (before VAT)	Approval level		
Up to £500,000	Corporate Project Manager or the Corporate Capital Pr	ogramme Manager	
Between £500,001 and £1,000,000	Director or <u>Cchief Efinance Oofficer direct reports</u> (being dDeputy S151 eOfficers and Setrategic Ceapital Efinance Mmanager)		
Above £1,000,001	Chief Ffinance Oefficer		
, ,		odic payments to HMRC and the pension fund	
Value (before VAT)	Approval level	care payments to minite and and periodoli faila	
Up to £500,000		s151 eOfficers and Setrategic Ceapital Ffinance Mmanager)	
Over £500,001	Chief Ffinance Oefficer	vior ognicoro ana gonatogio goapitai i iniano i inianager)	
Budget movements (revenue virements)	Chief Findings Someti		
Value	Approval required	Required to obtain consent from	
Up to £100,000 – within a directorate	Spend Manager(s)	Finance Manager	
Up to £100,000 – across directorates	Corporate Director / assistant-Service Delirector or	Both directorate <u>F</u> finance <u>Mm</u> anagers	
Op to £100,000 – across directorates	Head of Service receiving budget	Both directorate <u>I minaria</u>	
Between £100,001 & £250,000 – within a directorate	Budget holder	Deputy S151	
Between £100,001 & £250,000 – across a directorate	Corporate Director / assistant-Service Delirector or	Chief Ffinance Oefficer and Corporate Delirector /	
200,001 & 2200,000 adiose a directorate	Head of Service receiving budget	Serviceassistant Delirector or Hhead of Service	
	Hilload of Scottise receiving badget	reducing budget	
Between £250,001 & £500,000 – within a directorate	Corporate Director / assistant-Service dDirector or	Chief Ffinance Oefficer	
	Hhead of Service	Sinoi Emilio Series	
Over £250,001 – across directorates	Corporate Director and Cabinet member receiving	Chief Ffinance Oefficer, Corporate Delirector and	
	budget	Cabinet member reducing budget	
Over £500,001 – within a directorate	Corporate Director	Chief Ffinance Oefficer and Cabinet memebermember	
Sales of goods			
Value (before VAT)	Approval level		
Up to £2,000	Director or assistant dService Directorirector		
Between £2,001 and £10,000	Deputy S151 officer		
Over £10,001	Chief finance officer		
Use of reserves to fund spend			
Value	Approval required	Reported to	
All	Chief Finance Officer	Cabinet	
Staffing appointments			
Value	Approval required	Comments	
All	Chief Finance Officer prior to advertisement	Must be recruited through BW following evidence of	
\(\alpha\)	Onier i mance Onicer prior to advertisement	I must be recluited through DW following evidence of	

		reoccurring base budget and within BW staffing estabilishment			
Debt write off approval					
Value	Approval required	Reported to			
Up to £20,000	Deputy S151				
Over £20,001	Chief Finance Officer	Cabinet			
Bids for external grant funding	Bids for external grant funding				
Value	Approval required	Comment			
Up to £10,000	Director	Expected savings to be held centrally			
Over £10,001	Chief Finance Officer (in consultation with Management	Expected savings to be held centrally & record of officer			
	Board Corporate Leadership Team) & relevant Cabinet	decision required			
	member				
Amendments to the approved capital programme					
Change required	Approval required	Comment			
New capital scheme (includes spend funded by S106	-Council	Cabinet / Cabinet member report post Council approval			
agreement where spend incurred before funds received)		required before spend can be incurred			
New 100% funded externally scheme	Chief <u>F</u> finance <u>O</u> ⊕fficer				
Revenue contributions to capital schemes	Chief Ffinance Oefficer				

Introduction

7.1 Procedures

Any organisation with a large financial turnover needs to lay down the procedures to be observed in its financial dealings. Such procedures are especially necessary in the case of a local authority which is limited by legislation in what it is able to do, is subject to statutory audit and must account for its actions and stewardship to the general public.

7.2 Purpose of Financial Procedure Rules

The purpose of these rules is therefore to set out, for the benefit of members, officers and the public, basic financial rules and guidance in order that everyone works to an approved common standard in the financial dealings of the council.

The rules are to be followed post obtaining the necessary decision approval required before incurring expenditure.

They do not over-ride the requirement to observe statute, including European Union Directives, in everyday matters.

These Financial Procedure Rules apply to all areas of the council and should be read in conjunction with the rest of the council's constitution.

7.3 Emergency situations

The provision of these rules does not prevent the council acting through the Chief Executive and director(s) from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency or situation relating to Section 138 of the Local Government Act 1972. This is subject to the action being reported as soon as practicable to the appropriate authority.

7.4 Non-compliance with rules

Any non-compliance with these rules will follow the relevant council performance management procedure and may result in disciplinary action being taken, or criminal investigation as appropriate.

7.5 Approval of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer or a nominated representative must approve all financial implications on all decision reports and the relevant implications section of the report template must be completed.

7.6 Approval changes

The Head of Paid Service may agree changes to the approval authority where <u>Corporate D</u>directors, <u>Service Directors</u> or <u>C</u>ehief <u>F</u>finance <u>O</u>efficers are either working their notice or employed on an interim basis.

Internal audit and internal control

7.7 Regulations

The Chief Finance Officer or nominated officer shall in accordance with

the Accounts and Audit Regulations for the time being in force and future amendments, arrange for a continuous and current internal audit of all activities of the council.

7.8 Financial irregularities with regard to council functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit and follow the relevant procedures as disclosed in the anti-money laundering, anti-bribery, fraud and corruption and whistleblowing policies (with reference to Treasury Management Practice Statement 9) as necessary.

Treasury management

7.9 Activities of treasury management

All treasury management activities will be carried out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017–2021 and the "Treasury Management Policy Statement" as currently approved by the Chief Finance Officer and included in the Treasury Management Policy approved by Council.

Banking Arrangements

7.10 Arrangements with council's bankers

No officer has authority to open a bank account without prior specific written delegation of that authority by the Chief Finance Officer or nominated officer.

7.11 Officer Involvement

Officers must declare an interest and absent themselves from any managerial involvement in any financial matter from which they or their family could directly or indirectly benefit as required in the employee code of conduct.

Revenue Expenditure - Control

7.12 Budgetary Control

Directors and the Chief Executive must ensure, that their <u>Service</u> <u>Directors Assistant Directors</u> / Heads of Service are managing their budgets, including commitments, appropriately by requiring regular reports are presented to Management Board and their Department Management monthly budget monitoring meetings.

7.13 Role of Directors

Budgets are allocated to <u>Corporate</u> Directors (and covering <u>AssistantService</u> Directors in the corporate centre) to enable them to deliver services approved by Members through the budget setting process. <u>Corporate</u> Directors and <u>Service Directors</u> are required to ensure budgets are deployed in accordance with these rules to deliver policies and plans determined by members, and to ensure that there are processes and procedures in place within their directorates to be compliant with systems of internal control.



Appendix 6

Financial Procedure Rules-Guidance notes

Any Acts, Rules or Regulations mentioned in the text of this document can be accessed on the Office of Public Sector Information website at: http://www.opsi.gov.uk/legislation/uk

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Financial Procedure Rules- Guidance	7

1 Scope of Financial Procedure Rules

The purpose of the finance procedure rules is to ensure that:

- <u>Corporate</u> Directors, <u>Assistant-Service</u> Directors and Heads of Service remain within their budget and only spend what they have in their budget;
- <u>Corporate</u> Directors, <u>Assistant Service</u> Directors and Heads of Service maintain adequate commitment records;
- <u>Corporate Directors</u>, <u>Assistant Service Directors</u> and Heads of Service monitor their budgets;
- Where there are any problems with overspend or failure to perform, these problems are reported at the earliest opportunity;
- <u>Corporate</u> Directors, <u>Assistant Service</u> Directors and Heads of Service should have effective reporting arrangements from their budget holders:
- <u>Corporate</u> Directors and <u>AssistantService</u> Directors should have effective reporting arrangements from their Heads of Service.

2 Approval of Chief Finance Officer or Nominated Officer

Where matters are to be considered by the Management-BeardCorporate Leadership Team that in any way affect the finances of the Council or that require the supply of financial information by the Chief Finance Officer or nominated officer, the Chief Finance Officer or nominated officer must be notified by the Corporate Director or Head of Service / Assistant Service Director (or equivalent) concerned, in sufficient time, to enable the Chief Finance Officer or nominated officer to report.

The Legal Framework

3 Current Regulations

The Statutes and Statutory Instruments and Regulations which currently affect these rules are as follows:

1. The Accounts and Audit Regulations 2015 – Regulation 5 requires the accounting system, the form of its accounts and supporting accounting records to be determined by the responsible Financial Officer who shall ensure that the accounting systems determined by them are observed and that the accounts and supporting records of the body are maintained in accordance with proper practices and kept up to date.

4 Review of the Systems of Internal Control – Regulation 4

Regulation 4 of the Accounts and Audit Regulations 2015 requires the Council to carry out a review of the effectiveness of the system of internal control. The results of this review, contained in the Annual Governance Statement, are considered by the Audit and

Governance Committee.

5 Accounting Records - Regulation 5

Regulation 5 of the Accounts and Audit Regulations 2015 also requires that the accounting records required by the Financial Officer will be sufficient to show the Council's transactions and to enable the responsible Financial Officer to ensure that any statement of accounts, income and expenditure account, balance sheet or record of receipts and payments and additional information to be provided by way of notes to the accounts comply with the Accounts and Audit Regulations 2015.

In particular this means that accounting records must contain:

- Entries from day to day of all sums of money received and expended by the body and the matters to which the income and expenditure or receipts and payments account relate;
- a record of the assets and liabilities of the body; and
- c. a record of incoming expenditure of the body in relation to claims made or to be made by them for contribution grant or subsidy from any Minister of the Crown, a body to whom such a Minister may pay sums out of monies provided by Parliament or an European Union Institution.

Regulation 5 requires that the accounting controls systems ensure that the financial transactions of the Council are recorded as soon and as accurately as reasonably possible, that there are measures in place to enable the prevention and detection of inaccuracies and fraud and there is the ability to reconstitute any lost records.

Regulation 5 also requires that the duties of Officers dealing with financial transactions are identified and the division of responsibilities of those Officers are identified in relation to significant transactions and that procedures for uncollectable amounts including bad debts will not be written off except with the approval of a responsible Financial Officer or a member of staff nominated by the responsible Financial Officer.

6 Internal Audit - Regulation 6

Regulation 6 of the Accounts and Audit Regulations 2015 require the Council to carry out an effective internal audit of its accounting records and system of internal control in accordance with "proper practices" in relation to Internal Control. Officers must implement accepted recommendations from internal audit. This is monitored by the Audit and Governance Committee.

7 Local Government Finance Act 1988 - Section 114

The s151 Officer will report to the Council if they have reason to believe that the Council or any part of the Council:

- has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful, or
- b. has taken or is about to take a course of action which if

pursued to its conclusion would be unlawful and likely to cause loss or deficiency on the part of the Authority, or

 is about to enter an item of account the entry of which is unlawful.

Under Section 114 of the <u>Local Government Finance Act 1988</u>, the s151 Officer will make a report if it appears to them that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Accounting and System Development

8 Accounting Procedures

All accounting procedures and records of the Council and its Officers shall be determined by the Chief Finance Officer or nominated officer in consultation, where necessary, with the appropriate Corporate Director or Head of Service / Assistant-Service Director (or equivalent) concerned. Such procedures shall have regard to Section 151 of the Local Government Act 1972 and shall be in accordance with the relevant legislation and guidance for the time being in force and such other statutory provisions which affect the financial affairs of the whole Council or any specific service.

9 Responsibility of Chief Finance Officer or Nominated Officer

The Chief Finance Officer or nominated officer shall be responsible for the compilation of the main accounting records for the Council.

The Chief Finance Officer or nominated officer may from time to time issue written "financial instructions" dealing with detailed procedures to be followed in certain matters. Such instructions shall be issued after consultation with the Corporate Director, assistant-service Delirector or Heads of Service affected.

The Chief Finance Officer or nominated officer shall be responsible for the maintenance of a management information system, the General Ledger.

10 Allocation of Accounting Duties

The following principles shall be observed in the allocation of accounting duties by all employees or consultants engaged by the Council:

- The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
- Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

Internal Audit and Internal Control

11 Role of Internal Audit

This service is currently provided by the South West Audit Partnership (SWAP). SWAP will assist Corporate Directors, Assistant-Service Directors, Heads of Service and Senior Managers in the effective discharge of their responsibilities by giving assurance on financial and management control systems, identifying weaknesses, giving advice on how to resolve financial and management problems and improve control, investigating suspected irregularities and by undertaking Value for Money (VFM) reviews and management studies.

12 Accounts and Audit Regulations required by the Secretary of State

Any Member or Officer will make available documents relating to financial or other records of the Council which relate to their accounting. Other records, as appear to the Section 151 Officer necessary for the purpose of Internal Audit, will be supplied together with any such information and explanation as the Section 151 Officer considers necessary for that purpose.

13 Powers of Internal Audit (SWAP)

The Chief Finance Officer or nominated officer and all authorised Internal Audit staff are empowered to enter at reasonable times any premises or land owned by or in the control of the Council, if appropriate, and require employees to produce Council property and records under their control.

14 Financial Irregularities with Regard to Council Functions

Where matters arise which involve or are thought to involve financial irregularities this will be referred to audit or follow Antimoney Laundering procedures and Treasury Management Policy Statements as necessary.

Treasury Management

15 Chief Finance Officer Decisions Involving Finance

All Cehief Efinance Oefficer recommendations on borrowing, investment or financing is required to act in accordance with the Code and the "Treasury Management Policy Statement".

Banking Arrangements

16 Arrangements with Council's Bankers

All arrangements with the Council's bankers must be made by or under arrangements approved by the Chief Finance Officer or nominated officer, who is authorised to operate such banking accounts and other electronic transactions as they may consider necessary.

17 Funds Held on Behalf of Others

All funds held on behalf of others (Trust or Private) shall be subject to an annual audit, which shall be undertaken by a suitably qualified person. A copy of all audit reports and the final accounts shall be made available, on request, to Internal Audit for information. In

respect of Schools, the audit report and the findings shall be presented to their School Governors.

18 Value Added Tax

The appropriate officers who are responsible for the administration of Trust or Private funds shall be responsible for ensuring that all Value Added Tax is correctly accounted for, and shall have due regard to the treatment of Value Added Tax on donated funds (as detailed in Section 15 of the Local Government Act 1972).

19 Investment

Officers shall be responsible for ensuring that Trust and Private Funds are appropriately invested for the benefit of the fund. Advice as to the most appropriate method of investment will be obtained from the Chief Finance Officer or nominated officer.

Financial Planning 'Accounting' and the Budget Process

20 Financial Strategy

The Mmedium Tterm Ffinancial Setrategy will set out the parameters for the budget build process for the coming year in the light of likely grant settlement, service pressures, available balances, and consultation with clients and partners of the Council. The Budget and Policy Framework will be followed and the strategy will be approved by Council.

21 Capital and Revenue Budgets

The detailed form of capital and revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Management Board Corporate Leadership Team. The Budget and Policy Framework will be approved by Council following recommendation from cabinet.

Where a service area submits a bid for external funding they must have approval from the Ceouncil's management boardCorporate Leadership Team made up of Corporate Ddirectors, Service Directors and the Cehief Eexecutive and the relevant cabinet member prior to submission. Where there is an element of Council revenue or capital match funding identified this must already exist within the revenue budget or capital investment budget (or recommended by Cabinet for approval at the next Council meeting to add to the capital investment budget). When external grants are awarded and funding covers costs already in the current revenue budgets, the one off savings from these grants should be vired corporately so the available budget can be used on other priorities, or to top up reserves.

22 Capital Programme

In accordance with the Prudential Code for capital finance in local authorities 2021 tThe Chief Finance Officer will maintain a Capital Strategy which sets out capital and strategic resources to feed intethe annual Capital Programme. Directors and their nominated budget holders, in consultation with the Chief Finance Officer or

nominated officer, shall jointly prepare for consideration by the Management Board Corporate Leadership Team, a draft Capital Investment Budget alongside the revenue income and expenditure budgets. These must be prepared in accordance with the policies and timescales determined by the Cabinet. The Budget and Policy Framework, including the Capital Programme, will be approved by Council.

23 Approval of Estimates

The estimates, once approved by the Council shall become the Council's Revenue Budget and Capital Investment Budget for the next financial year.

Approval of the annual estimates by the Council will confer authority on the <u>Corporate</u> Directors, <u>Assistant-Service</u> Directors and Heads | of Service of the Council to incur revenue expenditure so provided for the next financial year subject to compliance with the relevant provisions of the Contract Procedure Rules.

Revenue Expenditure — <u>Budgetary</u> Control

24 Role of Corporate Directors and Service Directors

It is the responsibility of each <u>Corporate</u> <u>Director</u> (and <u>assistantService</u> <u>D</u>director<u>in the corporate centre</u>) to ensure that the budgets for which they are responsible are used to deliver the Service Plan and are not overspent. Where budget pressures indicate that overspending may occur, then the <u>Corporate</u> <u>Directorand Service Directors</u> must apply the rules set out under cash limited budgets below.

<u>Corporate</u> Directors <u>and Service Directors</u> are responsible for allocating responsibility for managing each cost centre within their service. They must inform the Chief Finance Officer or nominated officer of the allocation and any changes as soon as they occur.

<u>Corporate</u> Directors <u>and Service Directors</u> must ensure that their managers who are budget holders are properly trained in budget management and apply adequate budgetary control through local commitment accounting by requiring regular reports from budget holders.

25 Moving Budgets between Cost Centres

The rules for moving budgets between revenue cost centres (virement) are shown in the table in the financial procedure rules.

The following transfers will not count as virement for these purposes:

- (a) Budget movements which occur as a result of year end procedures
- (b) Transfers of budgets when a whole or part service transfers from one directorate to another as a result of a service restructure or change in line management responsibilities
- (c) Income and expenditure budget changes reflecting additional grants not included in the Council's approved budget
- (d) Transfers arising from changes in legislation

 Any support service recharges (allocation of overheads) for accounting purposes.

Any in_year unplanned contributions from reserves will need to be reported in line with the Reserves Ppolicy; those at year end are considered by Cabinet as part of approving the Council's financial statements. The use of funds in an emergency are set out in the financial procedure rules (Emergency Situations).

<u>26 Exceeding-Directorate under/overspendsCost Centre-Estimate</u>

Corporate Directors (excluding interims and those working their notice period), may authorise expenditure which would otherwise exceed the approved budget for a cost centre, provided that the expenditure:

- can be met from savings or under spending on other cost centres within the same service with the exception of windfall increases in income or decreases in expenditure;
- will not constitute capital expenditure or result in:
 - (a) a change in the level of service provision; or
 - (b) a commitment to incur expenditure in future years; or
 - (c) a change in policy; or
 - (d) a breach of the Council's Workforce and Organisation Development Strategy.
- is not a virement from a support service recharge code.
- is notified in the prescribed form to the Chief Finance Officer
 or nominated officer who may if they consider that the
 expenditure is significant, require a report to be submitted
 to Cabinet.

However any permanent budgetary pressures or surplus budgets must be reported through the monitoring process and notified to the Chief Finance Officer.

26 Unauthorised Overspend

The unauthorised overspend of a cost centre budget may lead todisciplinary action being taken against the budget holder. The unauthorised overspend overall by a service may lead todisciplinary action being taken against the Head of Service / Assistant Director (or Director).

27 Unexpected underspends

Underspends are not to be used to conceal overspends elsewhere. Budget virements must follow the financial procedure rules.

Unexpected underspends must be clearly identified and made available to be held centrally.

2827 Monthly Forecasting

The Chief Finance Officer works with the Head of Management Accounts to provide monthly forecasting in accordance with the Directorate / corporate Management Team Meetings. The Council

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Budget holders will also be required to provide comprehensive explanations for any budget variances.

Quarterly budget monitoring reports will be presented to Cabinet.

2928 Approved Cash Limited Budgets and unauthorised overspends

In the event that a director forecasts that they cannot contain expenditure within their approved budget this is regarded as an unauthorised overspend unless alternative funding sources have been secured or agreed by the Chief Finance Officer.

Any potential directorate overspends must be reported to the Corporate Leadership Team for consideration.

Budgets are limited to the net annual budget for the relevantservice. The Council maintains a general reserve which is to beused in exceptional circumstances where there is an uncontrollable overspend position at the end of the financial year. Therefore, Directors must ensure that they and their budget holders do notoverspend their service budgets.

Revenue Expenditure may not be incurred which cannot be metfrom the amount provided in the revenue budget under thedirectorate Service for that Head of Service / Assistant-Director Service Director (or equivalent) to which the expenditurewould be charged unless alternative funding sources have been secured or agreed.

The Head of Service / Assistant Director (or equivalent) <u>Service-Director</u> can present overspend to the relevant <u>Corporate</u> Directorwho can consider whether the overspend can be contained within the overall service grouping. The Director and Head of Service / Assistant Director (or equivalent) will then report to Management Board for consideration and approval.

The chief finance officer must be consulted on overspends.

Management Board The Corporate Leadership Team will need to take a view on what is a significant overspend in terms of the overall budget for the Council and anything which they consider significant should be reported to Cabinet. Approval from the Cehief Ffinance Oefficer will only be given in exceptional circumstances. In all cases Financial Procedure Rules must be complied with. The approval of the additional expenditure budget may include provision for the repayment of the overspend.

301 Exceeding Cost Centre Estimate

Directors, excluding interims and those working their notice period, may authorise expenditure which would otherwise exceed the estimate for a cost centre, provided that the expenditure:

 can be met from savings or under spending on other cos centres within the same service with the exception of windfall increases in income or decreases in expenditure;

- will not constitute Capital Expenditure or result in:
 - (a) a change in the level of service provision; or
 - (b) a commitment to incur expenditure in future years; or
 - (c) a change in policy; or
 - (d) a breach of the Council's Workforce StrategyWorkforce and Organisation Development Strategy.
- is not a virement from a support service recharge code.
- is notified in the prescribed form to the Chief Finance Officer or nominated officer who may if they consider that the expenditure is significant, require a report to be submitted to Cabinet.

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3129 Carry Forward of Under and Overspends

Genuine provisions for liability as recognised by the Code in force-must be accounted for in accordance with this guidance. Where budget holders wish to carry forward any unspent <u>budgetmonies</u> into the next financial year, then they must provide a business case (https://apps.herefordshire.gov.uk/financetoolkit/SitePages/Business%20Case%20templates.aspx) to the Chief Finance Officer.

These cases will be assessed against the relevant accounting guidance and the explanations provided in the case. The final decision for the carry forward of under spends is for the Chief Finance Officer.

Overspends are not permitted to be carried forward; all knownoverspends where no action can take place to rebalance budgets should be corrected via service repayments and approved by the Council when setting the next financial year's budget.

3230 Coding of Expenditure and Income

All expenditure and income must be charged / credited to the cost centre and appropriate account code to which it relates. Miscoding-expenditure / income distorts the Council's financial information-and, therefore, may result in disciplinary action being taken against the Officer responsible.

The detailed form of Capital and Revenue budgets shall be determined by the Chief Finance Officer or nominated officer consistent with the general directions of the Management-Beard Corporate Leadership Team and after consultation with Cabinet.

Journal transfers may only be actioned by the finance support team.

Budget holders may only charge expenditure against budgets for which they are responsible.

31 Staffing Budgets

Service directors are responsible for maintaining their staffing establishment in line with their approved budget.

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Any changes to the establishment list must go through the council's approval process.

Service directors are not permitted to engage supernumerary staff, whether on a permanent or interim basis, unless the funding source has been identified and agreed.

When the funding source has been fully utilised the contracts for supernumerary staff must end.

3332 Earmarked reserves

When establishing reserves the council needs to ensure that it is complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

A reserve is a budget amount kept to fund a future event.

A provision is recorded as a cost against a cost centre when the council has a present obligation as a result of a past event, it is probable that the cost will be paid to settle the obligation, and a reliable estimate of the value of the cost can be made.

New reserves may be created at any time, but must be approved by The Cabinet member when a reserve is established. The setting, reporting and reviewing of reserves must be in accordance with the council's Reserves Policy.

The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed.

The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the Council's earmarked reserves for relevance of propose and adequacy.

Any amendments to earmarked reserves will be reported to the Cabinet.

Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another similar purpose earmarked reserve or surrendered to General Reserves.

Capital Expenditure - Control

3433 Council Approval of Capital Investment Budget

Council's approval of the Capital Investment Budget, known as the capital programme, – The Budget and Policy Framework - constitutes allocation of:

- Capital expenditure to be incurred in the budget year and for commitments to be made on capital schemes included for the budget year and for the previous years to the extent that provision has already been made. This is not an authority to spend, this requires executive approval to proceed;
- Expenditure to be incurred or commitments to be made for advance site acquisition, design fees and other associated preliminary expenditure but only if an appropriate budget allocation has been approved in the relevant year within the Capital Strategy and Programme.
- All authority is to be in line with the capitalisation policy that describes the process to be followed in relation to feasibility woks, new capital schemes and monitoring of those schemes.

3534 Variations to the Approved Capital Strategy and Programme

The Council's Capital Strategy and Programme, which forms an integral part of the Council's Budget and Policy Framework, is agreed by Council. External grant funded schemes can be approved by the Cehief Ffinance Oefficer, the rules for capital budgets are shown in the table in the Ffinancial Perocedure Reules.

3635 Other Additional Expenditure Requests

Any other additions to capital budgets outside the agreed Budget and Policy Framework must be approved by Council.

3736 Official Orders

Official orders shall be issued for all work, goods or services to be supplied to the Council except for supplies of public utility services, for periodical payments (rent + rates), petty cash purchases, or such exceptions as the Chief Finance Officer or nominated officer may approve. Orders must clearly state the quantity of the goods and nature of the work or services and whether covered by contract or an agreed price and discounts specified therein or an estimated value. In line with the Councils no purchase order policy no payment will be made to suppliers without a purchase order having been raised. Unless payment falls within the procurement card policy.

3837 Raising a Purchase Requisition

The Head of Service / Assistant-Service Director (or equivalent) shall nominate those Officers eligible to raise peurchase requisitions on the Council's financial system. The feinanciale system converts the peurchase requisition into a peurchase

o⊖rder upon the approval of the bBudget hHolder or nominated aAuthorising o⊖fficer.

3938 Placing an Order

Unless the service has a budget an order should not be placed. Placing an order commits the Council to spending the money.

All official orders for goods and services must be raised using the Council's Financial System. Exceptions to this requirement require written approval from the Chief Finance Officer or nominated Officer. Purchases made using a Corporate Procurement Card do not require a purchase order. Requirements for use of the Corporate Procurement Card are contained within the Corporate Procurement Card Policy and should also be adhered to at all times

The Council's Finance system will generate the appropriate commitment accounting record of outstanding orders. Verbal orders must not be made except as a matter of genuine urgency and must be confirmed immediately with a written order produced through the Council's Finance System.

Other than in cases of genuine emergency, no supplier shall be asked to provide goods or services before a purchase order has been issued to them.

4039 Regular Periodic Payments

Any circumstances causing the cessation or variation of a regular periodical payment must be notified immediately to the Payments Manager.

4140 Approval of Order

The ability to raise a requisition for goods or services and the subsequent approval and creation of the Order must only be undertaken by Officers nominated by the Corporate Director or Service Director. Nominations shall be set up by submitting an authorised signatory form in the financial system which will workflow for the relevant approval before the roles are allocated.

Orders can be approved in line with the approval limits detailed in the financial procedure rules.

Goods properly supplied or work done without an official order due to a genuine emergency must be covered as soon as possible by a confirmation order.

Whenever practicable the duties of requisitioning goods or services and the subsequent confirmation of their receipt (goods received note process) shall not be performed by the Officer authorising the Order.

Each Head of Service / Assistant Service Director (or equivalent) shall be responsible for all orders issued from their Service.

4241 Goods Received Process

The Head of Service / Assistant Service Director (or equivalent) or Delegated Officer shall ensure that the Corporate Finance System is promptly updated when goods or services are received. Before

completing the Goods Received Note process the verifying Officer shall, save to the extent that the Chief Finance Officer or nominated Officer may otherwise determine, be satisfied:

- that the goods have been duly received examined and approved as being in accordance with the specification or match the official order and are satisfactory;
- that the works done or services rendered have been satisfactorily carried out and that, where applicable, the materials used were of the requisite standard;
- that the proper entries have been made in the inventories or stores records, where appropriate;
- that the Council's purchasing guidance has been followed.

Payment of Accounts

4342 Payment of Invoices

It is the Council's policy to pay all invoices within 30 days of invoice date. It is therefore the responsibility of all staff to assist the Payments Team in ensuring invoices can be processed for payment as soon as possible through full compliance with all the relevant financial procedures.

4443 Other Payment Requests

Payment requests shall be prepared in accordance with the format determined by the Chief Finance Officer or nominated officer who if satisfied, shall process and pay in accordance with a timetable prepared by them.

4544 Destination of Invoices

Invoices for payment must be sent in the first instance to the Payments Team in Plough Lane.

4645 Amendments and Deletions

Amendments to or deletions from an invoice must only be made in exceptional circumstances and must be authorised by the Chief Finance Officer or nominated officer. Where changes are required they must be made in ink of a distinctive colour and initialled by, or on behalf of the Head of Service / Assistant-Service Director (or equivalent), and the reasons, if not obvious, briefly stated on the invoice. No alterations to a Value Added Tax invoice may be made but a new invoice or credit note must be sought from the supplier. To avoid the possibility of duplicate payments photocopies or faxes are not accepted as valid invoices except in emergencies.

4746 Payment of Invoices

The Chief Finance Officer or nominated officer shall pay all invoices and other payment requests which they are satisfied are in order, apart from petty cash imprest accounts or Local beank aAccounts.

The Chief Finance Officer shall ensure that appropriate arrangements are in place for ensuring that invoices received by the Payments Team are matched against official orders. Payment of invoices shall only be made when:

- the ordering Service has confirmed that the goods have been duly received, examined and approved;
- · the prices are in accordance with the order;
- the payment is in accordance with <u>c</u>-ouncil <u>p</u>-olicy and legally payable;
- the account is correct, and that VAT is properly accounted for where appropriate;
- the item has not been previously passed for payment and is a proper liability of the Council.

The normal method of payment of money due form the Council shall be by cheque, electronic transfer or other instrument drawn on the Council's bank account by the Chief Finance Officer or nominated officer. Alternatively credit cards are used to pay for goods, these transactions are uploaded onto the financial system and payment made to the card supplier in the normal process.

The Chief Finance Officer shall be responsible for authorising the issue of corporate procurement cards and determining spending limits. Cardholders are required to comply with the policy issued by the Chief Finance Officer regulating the use of corporate credit cards. Purchases must be made in accordance with the contract procedure rules. This policy will include the requirement for cardholders to obtain a receipt for each transaction and monthly coding of all transactions on the Smart Data OnLine (SDOL) banking system, within 7 days of the monthly card statement being available on—line.

<u>Corporate</u> Directors and <u>Service Directors</u> shall provide the <u>Cehief Ffinance Oefficer</u> with a list of authorised officers showing their signing levels as specified below, with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

Authorisation limits are shown in the Efinancial Perocedure Reules.

4847 Examination of Accounts

The Chief Finance Officer or nominated officer may at their discretion examine the verified accounts passed for payment, as to their compliance with the minutes and Council regulations, contracts, accepted tenders or other authorities and for this purpose shall be entitled to receive such information and explanation as may be required.

Local Bank Accounts - Imprest / Petty Cash Accounts

4948 Imprest / Petty Cash Advances

The Chief Finance Officer or nominated officer will provide imprests and petty cash advances, where appropriate, to officers for the purpose of defraying expenses.

The maximum permitted limit for imprest and petty cash is 10% of the service area budget. For schools the maximum limit is 2% of the school DSG allocation plus £1,000 per Hoople employee (this is to allow Hoople invoices for the recruitment of Teaching Assistants etc. to be paid by Direct Debit from the school imprest account).

A receipt shall be signed in respect of each advance by the officer concerned, who shall be responsible for accounting for monies. A receipt should be signed in respect of floats issued to officers.

5049 Changes to Officers

Any changes to Officers responsible must be immediately notified to the Chief Finance Officer or nominated officer. An outgoing imprest holder must reconcile the imprest to the total amount held, whilst the incoming responsible Officer should satisfy themselves that all is in order before accepting responsibility for the imprest.

5450 Disbursements

Vouchers for disbursements must be obtained, and attached to claims for reimbursement. Claims must be properly certified and forwarded for payment to the Payments Team at specified intervals, normally not exceeding one month.

5251 Security of Cash

Heads of Service are responsible for ensuring that all cash is kept in a safe and secure place and that bank accounts are reconciled on a regular basis, not less than monthly. A bank statement must be received at least monthly for all imprest bank accounts.

5352 Use of Imprest Accounts

Imprest accounts can be used for amounts agreed by the Chief Finance Officer or nominated officer:

- to pay for local purchases by cheque at the time of collection or delivery;
- to secure discounts or take advantage of special offers;
- to reimburse staff who have purchased small value items directly; All such payments must be supported by VAT invoices or receipts.

5453 Use of Imprest Funds

Imprest funds must never be used to pay salaries, wages, or other employee expenses i.e., travel/subsistence and removal/relocation expenses, without the specific approval of the Chief Finance Officer or nominated officer. Such payments may attract liability to Income Tax or National Insurance contributions and must therefore be made via the payroll system.

5554 Examination of Local Bank Accounts

The Chief Finance Officer or nominated officer may at their discretion examine and reconcile Local beank accounts and for this purpose shall be entitled to receive such information and explanation as may be required.

5655 Partnership Arrangements

Where it is intended that the Council should enter into a partnership arrangement to further the delivery of Council policy and/or services, this must comply with the council's framework for partnership governance and a supporting assurance self-assessment process must be completed.

The Ceouncil's pPartnership gGovernance risk assessment must be carried out, and for any proposed partnership that is ranked High or Medium risk under that assessment, and in all cases where the Council's financial contribution to the partnership exceeds £100,000 per annum, including any grant or external funding for which the Council would act as Accountable Body, a full assessment must be carried out using the self-assessment process.

Income

5756 Collection of Monies

The framework and regulation of the collection of all monies due to the Council shall be subject to the approval of the Chief Finance Officer or nominated officer and shall comply with these Financial Procedure Rules.

The general ledger shall be updated promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Chief Finance Officer or nominated officer shall have the right to inspect any documents or other evidence in this connection as they may decide.

5857 Invoicing for Sums Due

Each Head of Service / Assistant-Service Director (or equivalent) shall establish procedures to ensure that invoices are raised on the Council's Finance System in respect of work done, goods supplied, services rendered and all other amounts due to the Council. These procedures must ensure that all invoices due are raised promptly in order to assist recovery of the debts.

5958 Payment of Amounts Due

All accounts rendered in respect of amounts due to the Council shall contain a statement that payment must be made direct to the Chief Finance Officer or nominated officer and that cheques, money orders, and postal orders should be made payable to Herefordshire Council.

All cheques, money orders and postal orders received in any Service Unit shall be crossed "Herefordshire Council". Personal Cheques must not be cashed out of the money held on behalf of the Council.

Our preferred payment method is though utilising the Bankers Clearing Automated System (BACS).

59 Netting off of expenditure

-Where a third party owes the council monies, but the council also owes that third party a debt then the two transactions must not be netted off. This is to ensure that expenditure is appropriately authorised.

Where this situation arises the gross income to the council should be recorded by way of a sales invoice and the gross expenditure incurred should also be recorded on the council's finance system and approved in the normal way.

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A purchase invoice must be supplied by the third party.

60 Introduction of New Electronic Payment Facility

The Chief Finance Officer or nominated officer shall be consulted at an early stage on any proposals to introduce a new electronic payment facility. No such facility shall go live without the specific authorisation of the Chief Finance Officer or nominated officer.

The Council prohibits the use of any PayPal or any similar electronic payment facilities (unless specific authority has been obtained).

61 Payment into Council Account

All monies received by an Officer on behalf of the Council shall, without delay, be paid to the Chief Finance Officer or nominated officer. No deduction may be made from such money save to the extent that the Chief Finance Officer or nominated officer may specifically authorise.

Officers who bank money shall enter on the paying in slip and on the reverse of each cheque a reference to the related debt (receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

The name of the originating Service/Section shall be recorded on the paying in slip.

62 Issue of Receipts

Every sum received by a cashier or other Officer of the Council shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in the case of cheques other arrangements may only be established with the express approval of the Chief Finance Officer or nominated officer.

All official receipts, tickets, books and other cash tokens shall, except by special arrangements approved by the Chief Finance Officer, be controlled and issued by the Chief Finance Officer or nominated officer, who shall keep a register of their receipt and issue. Departments shall keep proper records of the issue and use of all receipts, tickets and cash tokens.

63 Recording Receipt of Monies

Each Officer who receives monies on behalf of the Council, or for which they are accountable to the Council, shall keep records in a form approved by the Chief Finance Officer or nominated officer.

64 Transfer of Monies

Every transfer of official money from one member of staff to another will be evidenced in the records of the departments concerned by the signature of the receiving Officer.

65 Grants and External Funding

The acceptance and spend of grants may be recorded as record of officer decisions as long as they are part of an approved strategy of the council and there is a delegation in place in either a scheme of delegation or a bespoke delegation from Cabinet or Cabinet Member.

The relevant strategy and delegation will need to be stated in the record of officer decision. If neither of these are in place, then an executive decision will need to be taken before the grant can be accepted. —Any grants awarded above £500k are treated as key decisions

Authorisation to submit a bid for grant or other external funding, or accept an offer of such funding, must be obtained in advance of bid documents or acceptance documents being signed. This includes a situation where the council intends to act as Accountable Body in respect of partnership funding, in which case authorisation to accept this Accountable Body status must also be obtained.

The Chief Finance Officer shall be consulted on, and certify if necessary, any application for grant or external funding.

The Chief Finance Officer shall:

- (i) agree the terms and conditions of all grant offers made to the Council, and
- (ii) accept such grant offers and sign appropriate documentation on behalf of the Council,

Where the application for grant, or other external funding, is being made on behalf of a partnership, for which the council will take on the Accountable Body role, the <u>Corporate</u> Director or <u>Service Director</u> to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and the Solicitor to the Council, shall agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the Council.

The Chief Finance Officer shall be responsible for the completion, authorisation and submission of any grant or external funding claim forms to the relevant organisation(s) and, if necessary, the Internal or External Auditor, in accordance with any guidelines applicable to the claim(s) in question. The Chief Finance Officer can give delegated authority to relevant and responsible team to conduct this function for specific works.

Senior responsible officers shall ensure that records are retained to enable audit requirements to be met and provide explanations, as necessary, for any matters raised during the audit.

For funding requests over £10k the agreement to be sourced from Management Boardthe Corporate Leadership Team in advance of submission of grant application using the set template "External Funding Proceed Agreement".

That Grants and Programmes team are given a copy of the "External Funding Proceed Agreement" along with Management Boardthe Corporate Leadership Team to view potential cross funding streams and to keeps a register of external funding received.

A record of officer decision published on acceptance of the external funding, making clear the amount awarded and its purpose.

66 Developer Contributions S106

Developer contributions continue to support investment need

associated with developments throughout the Country. Once a S106 has been completed, planning permission has been granted and the development subject to agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risk to the Council that if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard.

Write-Offs - Income

67 Discharge of Debts

No debt due to the Council, after it has been correctly established, shall be discharged otherwise than by payment in full or by the writing-off of the debt or the unpaid portion of it, on the authority of the Chief Finance Officer or nominated officer where either:

- (a) the debt is not enforceable or that attempted recovery is likely to involve expensive litigation with limited hope of success; or
- (b) the cost of recovery would be disproportionate to the amount involved.

68 Written-off Debts

The approval limits for debt write offs are set out in the financial procedure rules.

Budget Holders will be provided with details of those debts where write off is appropriate. Such details are to include information on recovery action already taken.

In exceptional circumstances Corporate Finance may recommend to the chief finance officer that a debt should not be written off to the service budget but will be written off corporately.

Charging for Services

69 Review of Service Charges

As per Fees and Charges Policy (http://hc-modgov:9070/documents/s50005729/Cabinet.pdf)

70 Unmet Estimates

Where it appears that income targets as set out in the Council's estimates will not be met then the Head of Service / Assistant—Service Director (or equivalent) shall either meet the shortfall from within the service budgets or apply for an additional budget.

Salaries and Wages

71 Responsibility for Payments to Employees

The Chief Finance Officer shall be responsible for making arrangements for the payment of all salaries, wages, pensions and

other payments to all current and former employees of the Council.

Travelling and Subsistence

72 Claims for Payment

All claims for payment of officer car allowances, subsistence allowances, travelling and incidental expenses shall be made through Business World

Officer's claims should be submitted promptly at the end of each month in which the journeys were made or the expenses incurred. The Chief Finance Officer or nominated officer may refuse to make payment of claims over 2 month old.

Stocks / Stores

73 Responsibility for Stocks

Each Head of Service / Assistant Service Director (or equivalent) shall ensure:

- the proper custody of their stocks and stores in their Service Unit and shall ensure that they are subject to an effective system of stock recording and control;
- that stores are held in reasonable quantities and that consideration has been given to turnover, value, delivery quantities and delivery periods;
- that practicable steps are taken to ensure that a delivery note is submitted by a supplier for every delivery at the time of delivery;
- as soon as practicable after the delivery has been made that goods are checked to ensure that the correct quantity has been delivered and that they meet the appropriate quality standard:
- that no articles or goods are removed from stock without proper authority;
- that an annual review of stocks held is undertaken with a view to reducing the number of slow moving items and disposing of obsolete stock items;
- that obsolete or other stocks no longer required for the purpose acquired are disposed of under the disposals policy;
- that accounts and records are maintained in connection with the receipt and issue of stores in such form and timetable as the Chief Finance Officer;
- that on the 31st March each year the value of stocks held is certified and reported to the Chief Finance Officer or nominated officer.

74 Surplus or Deficiency

Where any surplus or deficiency is revealed in excess of £5,000 in any item of stock the Chief Finance Officer shall be advised and disciplinary action taken where necessary.

75 Checking of Stock

The Chief Finance Officer or nominated officer is entitled to check stores and be supplied with any information relating to the accounting, costing, and financial records of the Council.

Disposal of Surplus or Obsolete Goods, Plant and Stocks

76 Authorisation for Disposal

Surplus or obsolete goods or plant, whether held in store, on inventories or otherwise up to the value of £2,000 per item or group of like items, must not be disposed of either by sale or destruction except upon the authorisation of the appropriate Corporate Director or Service Director of the Service Unit concerned. Where the value is between £2,001 and £10,000 the authorisation of the Deputy S151 Officer or nominated officer must also be obtained. Where the value exceeds £10,000, authorisation from the Chief Finance Officer must be obtained.

In relation to inventory items (e.g. desk and chairs) with a potential value but surplus to requirements be considered for reuse within different part of the organisation For sale best value or price should be consideration (balanced with cost of disposal). Options should also be considered for release to voluntary sector organisations and schools on a fair and equitable basis. A records of options retained and decision of disposal agreed at head of service level or above.

IT equipment through a disposal provider with all information wiped.

77 Sale of Stock

Sale must be effected by public tender except when, in the opinion of the appropriate Head of Service / Assistant Service Director (or equivalent) concerned and the Chief Finance Officer or nominated officer, the financial interest of the Council is better served by disposal by any other means. This could be by public auction.

78 Recording Disposal

A record of each disposal should be maintained (i.e. the approval, the price obtained and if appropriate the alternative method of disposal used). Inventories or stock records should be up-dated in a timely fashion to reflect the disposal. Officer decisions for disposals in excess of £50,000 must be published.

79 Income from Disposal

Income from disposals shall be credited to the cost centre unless a capital receipt. Capital receipts are sales of assets recorded on the asset register in excess of £10,000. These are credited to the capital receipts reserve and used to fund the capital investment budget.

80 VAT

Value Added Tax shall be accounted for on the sale proceeds if appropriate and the amount identified when banking the income. The Chief Finance Officer or nominated officer should be contacted if clarification of the VAT position is required.

81 Voluntary funds

A voluntary fund is any fund which is held or controlled by the Council as trustee for the benefit of a third party and/or for a specified purpose. Such funds may be administered solely, or in part, by an officer by reason of his or her employment with the Council.

The Chief Finance Officer shall be informed of the purpose and nature of all voluntary funds maintained or managed by any Officer in the course of their duties with the Council.

Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent person, and must meet the timescales set out for such reports.

Voluntary funds not registered with the Charity Commissioners shall have formal accounts prepared and examined annually by a competent person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the Chief Finance Officer immediately after the examination. The Chief Finance Officer shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.

82 Accountable body status

Where it is intended that the council should act as Accountable Body for a partnership and related funding, authorisation must be obtained before entering into such an arrangement.

The <u>Corporate Director or Service Director</u> to whom the Accountable Body role is relevant, in consultation with the Chief Finance Officer and Monitoring Officer, will agree the terms and conditions of that Accountable Body role, and sign associated documentation on behalf of the council.

Unless there is explicit agreement to the contrary, which must be documented fully in the Accountable Body agreement, the governance rules of the partnership will be expected to follow both the Financial and Contract Procedure Rules agreed by the council.

In all cases, where the partnership funding includes grants or other external funding, then the provisions contained in the Financial Procedure Rules will apply. Approval must be obtained by the relevant Cabinet member and full-Council.

Insurance

83 Responsibility for Insurance

The Chief Finance Officer or nominated officer is responsible for the arrangement of risk funding on advice from Internal Audit. The administration and resolution of all losses is the responsibility of the nominated officer in consultation with other Officers where necessary by reporting to the Chief Finance Officer or nominated officer.

84 Record of Insurances

The Chief Finance Officer will keep a permanent record of all insurances, risks covered, premiums paid and of all self-funded risks and losses paid. This includes third parties arranging insurance where the Council has an insurable interest. Documents to be permanently retained must include policy schedules and all liability insurance certificates for every period of insurance. Such responsibilities may be delegated to the nominated officer.

85 Incident / Accident Reporting

Every event with the potential to give rise to a financial loss, or involving injury to a member of staff, an elected Councillor or client of the Council, must be reported in accordance to the Health & Safety Arrangements Policy.

86 Review of Risk Financing Arrangements

The Chief Finance Officer or nominated officer and Internal Auditor shall annually review the Council's risk financing arrangements and look at adequacy of provision in the light of changes in the environment including new legislation, imposed or contractual responsibilities, legal precedent, newly identified and quantified risks, or other concerns identified.

87 Consultation

Before any indemnity requested from the Council is provided, the Head of Service / Assistant-Service Director (or equivalent) responsible shall obtain written agreement from the Chief Finance Officer or the nominated officer. Generally Heads of Service should not allow burdens or responsibilities to be imposed on the Council through contract that would not otherwise be imposed by common law or statute.

Security

88 Responsibility for Security

All Heads of Services are responsible for maintaining proper security at all times for all information, buildings, stocks, stores, furniture, equipment and cash under their control. They should report to Facilities Management where they consider security is thought to be defective or where they consider special arrangements are needed.

Appropriate security controls for all assets shall be identified by the risk assessment process and by referring to security standards and procedures. Arrangements shall be agreed as above.

Maximum limits for cash holdings shall be identified by the risk assessment process and agreed with the Chief Finance Officer or nominated officer and shall not be exceeded without permission.

Key holders for safes and similar security receptacles are to be agreed by each Head of Service / Assistant Service Director (or equivalent) in conjunction with the Chief Finance Officer or nominated officer. The loss of keys shall be reported immediately using the security incident reporting procedures.

89 Data Protection Legislation

The Chief Executive in conjunction with the Chief Operating Officer (Hoople Ltd) and Corporate Support, and in consultation with Heads of Service and the Data Controller, will ensure that all computer systems and written records, (including those in the possession of elected Councillors) which store sensitive personal data are operated in accordance with the Council's Data Protection Policy, Data Protection legislation, and that proper security and confidentiality is maintained. IT systems only installed by the council's IT service.

90 Anti money laundering, bribery and corruption

All staff must have regard to the Council's Anti-Money Laundering Policy and Anti Bribery and Corruption Policy. A member of staff should consider, in line with the Policy and Guidance, reporting any transaction which involves the receipt of £5,000 or more of cash to the Money Laundering Officer (the Head of Corporate Finance); notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash should report the matter to the Council's Money Laundering Officer.

Staff should also have regard to the Council's Gifts and Hospitality Protocol. All staff must immediately report to their manager or the Monitoring Officer any circumstances where inappropriate gifts or hospitality have been offered to them.

Estates

91 Responsibility of <u>Corporate</u> Directors <u>and Service</u> <u>Directors</u> in Relation to Asset Register

The Cehief Efinance Oefficer or nominated officer will maintain an asset register of all land and properties owned by the Council recording the purpose for which the property is held, the location, extent and plan reference(s), purchase details where available, details of interest and rents payable and particulars of tenancies of other interests granted. This register is also updated by the assets team as appropriate.

All changes to the asset register must be communicated through business world.

92 Valuation of Assets

The Chief Finance Officer or nominated officer shall ensure that all assets are valued (reinstatement and open market valuation) for capital accounting purposes in accordance with the latest CIPFA code.

93 Notification of Purchase or Disposal of land and / or buildings

Any purchases or disposals of property must be actioned on Business World (including requiring a valuation prior to disposal).

Acquisitions of land and / or properties must follow the completion of an independent Royal Institute of Chartered Surveyors (RICS) red book valuation.

94 Leases to external organisations (excluding nonmaintained schools)

All leases must be provided on commercial terms and not included in waived terms of contract award. To be agreed in consultation - with the Head of Programme Management Officer.



Title of report: Work programme update

Meeting: Audit and Governance Committee

Meeting date: Monday 25 July 2022

Report by: Democratic Services Officer

Classification

Open

Decision type

This is not an executive decision.

Wards affected

(All Wards)

Purpose

To consider the committee's work programme.

Recommendation(s)

That subject to any updates made by the committee, the work programme for the Audit and Governance Committee be agreed.

Alternative options

1 There are no alternative options, as the committee requires such a programme in order to set out its work for the coming year.

Reasons for recommendations

- 2 Updating the work programme is recommended, as the committee is required to define and make known its work. This will ensure that matters pertaining to audit and governance are tracked and progressed in order to provide sound governance for the council.
- The committee is asked to consider any further adjustments.

Key considerations

The routine business of the committee has been reflected as far as is known, including the regular reporting from both internal and external auditors.

Community impact

A clear and transparent work programme provides a visible demonstration of how the committee is fulfilling its role as set out in the council's constitution.

Environmental impact

Whilst this is an update on the work programme and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

7 This report does not impact on this area.

Resource implications

8 There are no financial implications.

Legal implications

9 The work programme reflects any statutory or constitutional requirements.

Risk management

The programme can be adjusted in year to respond as necessary to risks as they are identified; the committee also provides assurances that risk management processes are robust and effective.

Consultees

11 The Director of Finance and Assurance / S151 Officer, Director of Governance and Legal Services / Monitoring Officer, and committee members contribute to the work programme; the work programme is reviewed at each meeting of the committee.

Appendices

Appendix A Work programme for Audit and Governance Committee

Background papers

None identified.

	Governance Committtee Constitution	Report	May	June	July	September	October	November	January	March
3.5.9	The purpose of an audit committee is to provide independent assurance or									
	the adequacy of the risk management framework together with the									
	internal control of the financial reporting and annual governance									
	processes.									
3.5.10	Internal Audit	Internal Audit								
a	To consider the Head of Internal Audit's annual report and opinion, and a	Internal Audit Plan and Internal Audit Charter			Opinion					Internal Audit Pla
	summary of internal Audit activity (actual and proposed) and the level of	Progress Report on internal audit plan (see part b for timing)								and Audit Charte
	assurance it can give over the Council's corporate governance	Internal Audit Annual Opinion								
	arrangements.	·								
b	To consider summaries of specific Internal Audit reports and the main	Progress Report on internal audit plan	Progress report				Progress report		Progress report	Progress report
	issues arising and seek assurance that action has been taken where		30 333 343 3						10 222 342 3	
	necessary.									
r	To consider reports dealing with the management and performance of the									
Č	providers of Internal Audit Services.									
4	To consider a report from Internal Audit on agreed recommendations not	Tracking of internal and external audit recommendations	+	Tracking Report				Tracking Report		
u	implemented within a reasonable timescale.	Tracking of internal and external addit recommendations		Tracking Keport				Tracking Report		
	implemented within a reasonable timescale.									
e	To be able to call senior officers and appropriate members to account for	No specific activity required as part of normal questioning								
	relevant issues within the remit of the Committee.	activity								
f	The Committee will not receive detailed information on investigations	Progress Report on internal audit plan (see part b for timing)								
	relating to individuals. The general governance principles and control									
	issues may be discussed, in confidential session if applicable, at an									
	appropriate time, to protect the identity of individuals and so as not to									
	prejudice any action being taken by the Council.									
3.5.11	External Audit	External Audit								
a	Review and agree the External Auditors annual plan, including the annual	Annual audit fee letter	Auditor's Annual	External Audit Plan				Auditor's Annual	External Audit Plan	
	audit Fee and annual letter and receive regular update reports on progress	 External Audit progress update (see part b for timing)	Report	(including indicative				Report		
		Tracking of internal and external audit recommendations (see		fee)						
		part 3.5.10d for timing)								
		Annual Audit Letter Auditor's Annual Report								
		External Audit Annual Plan								
b	To consider specific reports from the External Auditor.	External Audit Armuai Fran	Progress Report						Progress Report	Progress Report
<u> </u>	To meet privately with the External Auditor once a year if required.	Not required to be scheduled on work programme	Frogress Report						Frogress Report	Frogress Report
4		No specific activity required as part of normal questioning	+							
u	it gives value for money.									
	To recommend appointment of the council's local (external) auditor.	activity	+						+	
t e	Ensure that there are effective relationships between external and internal	No specific activity required as part of paymed avacticating	+						+	
1										
	·	activity. External Audit can place limited reliance on Internal								
2 5 4 2	maximised.	Audit Work.								
3.5.12	Governance									
a	To maintain an overview of the council's Constitution, conduct a biennial		D 11: 1:		A 1: D 1:					
		Accounting Policy Update	Re-thinking		Accounting Policy		Re-presentation of			
	review and recommend any changes to council other than changes to the	Contract and Finance Procedure Rules	Re-thinking governance report		Update (if required)		Re-presentation of the Constitution			
	contract procedure rules, finance procedure rules which have been	_ · · · · ·	_		Update (if required) Contract and		·			
		Contract and Finance Procedure Rules	_		Update (if required) Contract and Financial Procedure		·			
	contract procedure rules, finance procedure rules which have been	Contract and Finance Procedure Rules	_		Update (if required) Contract and		·			
	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Contract and Finance Procedure Rules Re-thinking Governance	governance report		Update (if required) Contract and Financial Procedure Rules		the Constitution			
b	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management	Contract and Finance Procedure Rules Re-thinking Governance Work programme	governance report Work programme	Work programme	Update (if required) Contract and Financial Procedure	Work programme	·	Work programme	Work programme	
b	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption.	Contract and Finance Procedure Rules Re-thinking Governance	governance report	Work programme	Update (if required) Contract and Financial Procedure Rules	Work programme Corporate Risk	the Constitution	Work programme Corporate Risk	Work programme	Work programme Corporate Risk
b	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management	Contract and Finance Procedure Rules Re-thinking Governance Work programme	governance report Work programme	Work programme	Update (if required) Contract and Financial Procedure Rules		the Constitution		Work programme	
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b	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management	Contract and Finance Procedure Rules Re-thinking Governance Work programme	governance report Work programme Corporate Risk Register (update	Work programme Anti-fraud, bribery	Update (if required) Contract and Financial Procedure Rules Work programme	Corporate Risk	the Constitution	Corporate Risk	Work programme Annual update on	Corporate Risk register
b c	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management and corporate governance in the council.	Contract and Finance Procedure Rules Re-thinking Governance Work programme Corporate Risk Register	work programme Corporate Risk Register (update received in April)		Update (if required) Contract and Financial Procedure Rules Work programme	Corporate Risk	the Constitution	Corporate Risk	Annual update on	Corporate Risk register Anti-fraud update
b c	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management and corporate governance in the council. To maintain an overview and agree changes to the council policies on	Contract and Finance Procedure Rules Re-thinking Governance Work programme Corporate Risk Register Whistleblowing policy	Work programme Corporate Risk Register (update received in April) Anti-fraud update as part of internal	Anti-fraud, bribery and corruption	Update (if required) Contract and Financial Procedure Rules Work programme	Corporate Risk	the Constitution	Corporate Risk Register	Annual update on anti-fraud, bribery	Corporate Risk register Anti-fraud update as part of internal
b c	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management and corporate governance in the council. To maintain an overview and agree changes to the council policies on	Contract and Finance Procedure Rules Re-thinking Governance Work programme Corporate Risk Register Whistleblowing policy	Work programme Corporate Risk Register (update received in April) Anti-fraud update as part of internal audit progress	Anti-fraud, bribery	Update (if required) Contract and Financial Procedure Rules Work programme	Corporate Risk	the Constitution	Corporate Risk Register	Annual update on	Corporate Risk register Anti-fraud update as part of internal audit progress
b c	contract procedure rules, finance procedure rules which have been delegated to the committee for adoption. To monitor the effective development and operation of risk management and corporate governance in the council. To maintain an overview and agree changes to the council policies on whistleblowing and the 'Anti-fraud and corruption strategy'.	Contract and Finance Procedure Rules Re-thinking Governance Work programme Corporate Risk Register Whistleblowing policy Anti-fraud & corruption strategy	Work programme Corporate Risk Register (update received in April) Anti-fraud update as part of internal	Anti-fraud, bribery and corruption	Update (if required) Contract and Financial Procedure Rules Work programme	Corporate Risk	the Constitution	Corporate Risk Register	Annual update on anti-fraud, bribery	Corporate Risk register Anti-fraud update as part of internal
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Audit and Governance Committee Work Programme Meeting

			1						1	
Audit and		Report	May	June	July	September	October	November	January	March
h	To agree the annual governance statement (which includes an annual	Annual Governance Statement								
	review of the effectiveness of partnership arrangements together with	Annual Governance Statement Progress Report								
	monitoring officer, s151 officer, caldicott guardian and equality and									
:	compliance manager reviews). To adopt an audit and governance code.									
<u> </u>	To undertake community governance reviews and to make	On an ad hoc basis only								
J	recommendations to Council.	on an ad not basis only								
3.5.13	Waste Contract									
a.s.15	To review, in conjunction with external advisers advising the council as	Energy from Waste Loan Update				Energy from Waste				
	lender, the risks being borne as a result of the funding provided by the	Line 87 in Still Master 25th Charles				Loan Update				
	council to Mercia Waste Management Ltd and consider whether the risks									
	being borne by the council, as lender, are reasonable and appropriate									
	having regard to the risks typically assumed by long term senior funders to									
	waste projects in the United Kingdom and best banking practice.									
b	To monitor the administration of the loan to the waste project in line with	Energy from Waste Loan Update				Energy from Waste				
	best banking practice having regard to any such external advice, including					Loan Update				
	the terms of any waivers or amendments which may be required or are									
	desirable.									
С	Consider what steps should be taken to protect the interests of the council	Energy from Waste Loan Update				Energy from Waste				
	as lender in the event of a default or breach of covenant by Mercia Waste					Loan Update				
	Management Ltd, and make recommendations as appropriate to Council,									
	the council's statutory officers or cabinet as appropriate to ensure the									
	appropriate enforcement of security and litigation in relation to the loan to Mercia Waste Management Ltd									
d	Consider and recommend appropriate courses of action to protect the	Energy from Waste Loan Update				Energy from Waste				
ľ	position of the council as lender to the waste project:	Life 189 World Waste Loan Opuate				Loan Update				
	(i) make recommendation as appropriate to Council with regards to its					Louir opuate				
	budget and policy framework and the loan to the waste project									
	(ii) generally to take such other steps in relation to the loan within the									
	scope of these terms of reference as the committee considers to be									
	appropriate.									
3.5.14	Code of Conduct: To promote and maintain high standards of conduct by									
	members and co-opted members of the Council									
а	To support Town and Parish Councils within the county to promote and	Annual Code of Conduct Report							Annual code of	
	maintain high standards of conduct by members and co-opted members of								conduct report	
_	the Council.									
b	To recommend to Council the adoption of a code dealing with the conduct	Part of Re-thinking Governance Review	Re-thinking							
	that is expected of members and co-opted members of the Council.		Governance							
_	To be so the soule of sound on the soule of sound on the	Doub of Doubling Commence Double	De Alete latere							
C	To keep the code of conduct under review and recommend changes/replacement to Council as appropriate.	Part of Re-thinking Governance Review	Re-thinking Governance							
Ь	To publicise the adoption, revision or replacement of the Council's Code of	Part of Re-thinking Governance Review	Re-thinking							
u	Conduct.	art of the trifficing dovernance neview	Governance							
e	To oversee the process for the recruitment of the Independent Persons	Recruitment done on an as required basis and not currently	Governance							
	and make recommendations to Council for their appointment.	scheduled.								
	''									
f	To annually review overall figures and trends from code of conduct	Annual Code of Conduct Report							Annual code of	
	complaints which will include number of upheld complaints by reference to								conduct report	
	individual councillors within unitary, town and parish councils and when a									
	code of conduct complaint has been upheld by the Monitoring Officer or									
	by the Standards Panel, after the option of any appeal has been concluded									
	promptly to publish the name of the councillor, the council, the nature of									
	the breach and any recommendation or sanction applied.									
	T									
g	To grant dispensations under Section 33 (2)(b)(d) and (c) Localism Act 2011	On an ad hoc basis only								
<u></u>	or any subsequent amendment.	On an ad has basis only								
l ⁿ	To hear appeals in relation to dispensations granted under section 33 (2)(a	JUH AH AO NOC DASIS ONLY								
3.5.15	and (c) Localism Act 2011 by the monitoring officer.									
3.3.15	Accounts To review and approve the Statement of Accounts, external auditor's	Statement of Accounts			Statement of					
1	opinion and reports on them and monitor management action in response				Accounts					
1	to the issues raised by external audit.									
L	The state of the s	1	1					1	1	l

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