

## For Council: 11 March 2024 APPENDIX 3

### Lichfield City Council

#### Minutes of the Audit Committee meeting held remotely via 'Zoom' on Wednesday, 6 March 2024 at 6.30pm

- Present:** Councillor J Marshall (Chair) and Councillors A Fox, A Lax and P McDermott.
- In attendance:** A Briggs (Town Clerk and RFO), G Keatley (Internal Auditor).
- Apologies:** Councillors K Farrelly, S Hollingsworth and M Warfield, and A James (Accounts Officer).

#### 14 MINUTES

**RESOLVED:** *That the Minutes of the Audit Committee meeting held on 7 December 2023 be confirmed as a correct record. [Minutes adopted by the City Council on 11 December 2023].*

#### 15 INTERNAL AUDIT ANNUAL REPORT 2023-2024

The Committee considered the Internal Auditor's 2023-24 report, which incorporated the Management Risk Register. Members discussed the detail of the report and the recommendations therein and agreed the management response.

Cllr J Marshall raised the following queries:

**Market income significantly higher before COVID than after** - The Town Clerk advised that until the pandemic, the council supplied stalls for both the Friday and Saturday markets (but not for the Tuesday market). The cost of supply was met by traders, resulting in a significantly higher pitch fee for Friday and Saturday markets when compared to Tuesday markets. When the council ceased to supply the stalls, the market pitch fees were adjusted in line with the Tuesday model, resulting in significantly less income than previously, but balanced by the overall reduction in cost.

**Review of salary allocation to service heads** – The Chair asked whether this was a further review in addition to that carried out in 2023. The Town Clerk confirmed that this recommendation referred to that same review; the Internal Auditor's recommendations spanning the financial year, with some of these being already actioned.

The Chair also sought clarification on the following recommendations contained within the report:

**Review the grant to Lichfield Pride** – The Town Clerk stated this originated as a typographical error in the minutes, which then indicated the incorrect sum had been paid in grant monies. The Town Clerk stated that this matter had now been resolved following resolution of council.

**Review arrangements for the Chamber of Trade Fayre** – The Town Clerk advised that the 'free use' enjoyed by the Chamber was of uncertain origin and was raised as a matter that should be reconsidered by council. The matter was considered at the most recent meeting of the Markets Working Group and its recommendation subsequently adopted by council.

### **Review the Birthplace third party payment schedule**

The Internal Auditor stated this had been actioned, with the aim of tidying presentation and transferring to an Excel sheet to ensure amounts were correct.

Cllr Lax raised the following queries:

**Freedom of Information requests** – The Town Clerk confirmed that responses had previously been stored but were not centrally available. The Town Clerk also confirmed that no requests received that were relevant to LCC were contentious or concerning.

**Resilience** – Concern as to future planning for the internal audit function, and the current staffing situation. The Internal Auditor and Town Clerk both confirmed that such discussions were being held internally.

**GDPR – Retention of Documents** – The Town Clerk confirmed that a significant amount of paperwork had been appropriately destroyed in compliance with the policy, and that this was ongoing.

Cllr A Fox asked that future internal audit reports contain some background as to what triggered a particular recommendation, for example whether a set amount of time had elapsed since previous consideration and reconsideration was now warranted etc. The Internal Auditor confirmed this could be incorporated.

The Internal Auditor was thanked for a thorough and informative report.

***RECOMMENDATION TO COUNCIL: That the Council note the Internal Audit Annual Report 2023-2024, and adopt the recommendations and timescales as contained in that Report.***

## **16 ANNUAL REVIEW OF EFFECTIVENESS OF SYSTEM OF INTERNAL CONTROL**

Members undertook a review of the effectiveness of the System of Internal Control as required by Regulation 5 of the Accounts and Audit Regulations 2015 (Internal Audit). Cllr Marshall asked the Town Clerk whether he felt the current level of Internal Audit provided an appropriate mitigation and was not too overbearing. The Town Clerk stated that the Internal Audit function in its current guise provided significant benefits and security to senior council officers, notably the Town Clerk himself, and that such provision would be greatly missed if it were to cease. Cllr A Lax added that such detailed oversight was welcomed to mitigate risk as much as possible.

***RECOMMENDATION TO COUNCIL: That the Review findings as contained in Appendix A to these Minutes be adopted.***

## **17 TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT**

Consideration was given to the Treasury Management Policy and Strategy Statement.

***RECOMMENDATION TO COUNCIL: That the Council adopt the Treasury Management Policy and Strategy Statement 2024-2025, as contained in Appendix B to these Minutes.***

## 18 RESERVES POLICY

Consideration was given to the City Council's Reserves Policy. The Town Clerk stated that earmarked reserves were placed where there was greatest risk, but that these could be reprofiled if an issue was identified elsewhere. Cllr J Marshall stated that for those areas with no earmarked reserve the risk would not be zero, and it may therefore be worth returning to the document in the future to revisit this.

Cllr A Fox asked what was being done to rebuild the depleting capital reserve. The Town Clerk provided some background as to how this reserve was acquired, and that such a contribution was a 'one off.' There was agreement that careful consideration would need to be given as to the depletion of this reserve, how it could be stabilised/increased and its impact on the revenue budget. Cllr A Lax stated that the council's general reserve was healthy, and together with the capital reserve the council was in a good financial position. Cllr P McDermott added that as this policy is reviewed every year, it can be amended as necessary to reflect the reserves level and the impacts thereof as the situation evolves.

***RECOMMENDATION TO COUNCIL: That the Council adopt the Reserves Policy as contained in Appendix C to these Minutes.***

## 19 AUDIT PLAN

The Committee considered the Audit Plan which set out the proposed work programme for the Internal Auditor for 2024/25.

***RECOMMENDATION TO COUNCIL: That the Council adopt the Audit Plan as contained in Appendix D to these Minutes.***

## 20 PROCUREMENT POLICY

Following consideration of this matter at the Audit Committee meeting of 7 December 2023 (see minute 12), members considered the draft LCC Procurement Policy.

***RECOMMENDATION TO COUNCIL: That the Council adopt the draft Procurement Policy as contained in Appendix E to these Minutes.***

## 21 IMPREST ACCOUNT REVISION

Members considered the Town Clerk's request for the current £2,500 limit of the Imprest Account to be lifted to £5,000 to reduce administrative demands; the current figure having been in place since at least 2007.

***RECOMMENDATION TO COUNCIL: The Imprest Account threshold be raised from £2,500 to £5,000; the individual payment limit arrangements remaining unchanged.***

## 22 DATE AND TIME OF NEXT MEETING

Scheduled in the draft calendar of meetings as Thursday 6 June 2024 at 6.30pm.

**THERE BEING NO FURTHER BUSINESS**

**THE CHAIR DECLARED THE MEETING CLOSED AT 7.19 PM**

## **REVIEWING THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

### **Legislative framework**

Regulation 4 of the Accounts and Audit Regulations 2015 (Accounting records and control systems) requires the authority's responsible financial officer must determine, on behalf of the authority-

- 1) The form of its accounting records and supporting records ensuring that the authorities accounting records are kept up to date
- 2) Its financial control system including measures to ensure that the financial records are recorded timely and accurately, enable prevention and detection of inaccuracies and fraud, ensure risk is appropriately managed and identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

Regulation 5 of the Accounts and Audit Regulation 2015 (Internal Audit) requires that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance".

The starting point for the review will usually be an assessment against the internal audit standards set out in the guide. These include making an assessment in relation to:

- Scope of internal Audit
- Independence
- Competence
- Relationships
- Audit planning and reporting

A key point is that it is the responsibility of the body to conduct the annual review; it is not a review that will be carried out by the external auditor as part of the annual audit.

Whilst there will usually be input from the internal audit provider, he or she cannot be allowed to influence the direction or extent of the review.

The results of the review are then reported to and considered by a full meeting of the members for consideration. There are no hard and fast rules as to who actually performs the review, but bodies may wish to set up a small working party for this purpose.

### **What should the review of the system of internal audit cover?**

Under the 2015 Regulations a relevant authority must conduct an annual review of the system of internal audit which:

*Facilitates the effective exercise of its functions and achievement of its aims and objectives;*

*Ensures that the financial and operational management of the authority is effective; and*

*Includes effective arrangements for the management of risk.*

### **The outcome of the review**

The review of the effectiveness of the system of internal audit cannot be considered in isolation as it feeds into the review of the wider system of internal control. The report on the review should include an opinion as to whether or not the internal audit system is effective. Any areas for development or change should be identified in the report and an action plan produced, setting out the proposed remedial actions, the people responsible for delivering them, and the deadlines for completion of the actions.

## 1 Meeting the Standards

Expected Standard	Evidence of Achievement	Response
1. Scope of internal audit	Terms of reference were approved by full Council	Yes, Council adopts the Internal Audit Action Plan and work programme: Internal Auditor in receipt of Council formal engagement letter setting out requirements.
	Scope of audit work takes into account risk management processes and wider internal control	Yes, included in checks undertaken by Internal Auditor
	Terms of reference define audit responsibilities in relation to fraud	Yes, detailed in approved Anti-Fraud policy
2. Independence	Internal Auditor has direct access to those charged with governance.	Yes
	Reports are made in own name to management.	Yes
	Auditor does not have any other role within the council.	Yes
3. Competence	No evidence that internal audit work has not been carried out ethically, with integrity and objectivity.	Yes
4. Relationships	Responsible officers (Town Clerk (RFO), etc) are consulted on the internal audit plan and on the scope of each audit.	Yes
	Responsibilities for officers and internal audit are defined in relation to internal control, risk management and fraud and corruption matters.	Yes, defined in approved Standing Orders, Whistleblowing Policy
	The responsibilities of board/council members are understood; training of members is carried out as necessary.	Yes. Notably via the City Council's Audit Committee
5 Audit Planning and reporting	The Audit Plan properly takes account of corporate risk.	Yes
	The Audit Plan has been approved by the council	Yes
	Internal Audit has reported in accordance with the Plan	Yes. Report to full Council 12 March 2024

## 2 Review of Effectiveness

Characteristics of 'effectiveness'	Evidence of Achievement	Suggested Response
Internal audit work is planned	Planned Internal audit work is based on risk assessment and designed to meet the body's governance assurance needs.	Yes
Understanding the whole organisation its needs and objectives	The annual audit plan demonstrates how audit work will provide assurance in relation to the body's annual governance statement.	Yes
Add value and assist the organisation in achieving its objectives	Demonstrated through positive management responses to recommendations and follow up action where called for.	Yes
Be forward looking	When identifying risks and in formulating the annual audit plan, changes on national agenda are considered. Internal audit maintains awareness of new developments in the services, risk management and corporate governance.	Yes
Be challenging	Internal audit focuses on risks and encourages managers/members to develop their own responses to risks, rather than relying solely on audit recommendations. The aim of this is to encourage greater ownership of the control environment.	Yes
Ensure the right resources are available	Adequate resource is made available for internal audit to complete its work.	Yes
	Internal auditor understands the body and the legal and corporate framework in which it operates.	Yes. Internal Auditor has worked for the City Council/Charter Trustees continuously since 1974.

## **Lichfield City Council**

### **TREASURY MANAGEMENT POLICY AND STRATEGY STATEMENT 2024-25**

Treasury management covers the borrowing, investment and cash flow of the Council and the effective management of risks in relation to these activities. Treasury management is an important element in the overall management of the Council's financial affairs.

#### **THE POLICY**

The Council adopts the CIPFA Treasury Management Code modified to the Council's requirements.

Treasury Management is defined as *"the management of the local authority's cash flow, its borrowing and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks"*. (CIPFA)

The Council's treasury activities are for debt and investment management, and the Council will not take up speculative positions which may be interpreted as trading activities.

The purpose of this statement is to establish how the authority will manage its activities in relation to borrowing and investments.

#### **Borrowing**

Local council borrowing is governed by Schedule I of the Local Government Act 2003. Parish and town councils in England have to apply and receive permission from the Department of Levelling Up, Housing and Communities (formerly the Ministry of Housing, Communities & Local Government) before taking any borrowing. Temporary borrowing (i.e. up to 364 days) does not require such approval.

The authority will review its borrowing requirements annually when formulating its annual budget. The Council currently has no borrowing, and no borrowing requirement has been identified for the forthcoming year.

#### **Investments**

The Council adopts the guidance under section 15(1)(a) of the Local Government Act 2003.

The authority will review its Investment Strategy annually (see investment Policy below).

#### **Treasury Management Practices**

The Council has adopted the Treasury Management Practices (TMP) which set out the manner in which the authority will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

#### **The Treasury Management Strategy Statement 2024-25**

The Treasury Management Strategy details the expected activities of the treasury function.

Borrowing - there is not anticipated to be any borrowing requirement for the year.

Investments - to be in accordance with the approved Investment Strategy

## INVESTMENT POLICY

With reference to Secretary of State's Guidance under section 15 (1)(a) of the Local government Act 2003 and the CIPFA Code of Practice for Treasury Management in the Public Services.

### ANNUAL INVESTMENT STRATEGY

Definition of Treasury Management in the Public Services: *"The management of the organisation's cash flow, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*.

#### Strategy Guidelines

The main principles governing the Council's investment criteria are the security and liquidity of its investments before yield, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

The Council will ensure it has sufficient liquidity in its investments. This is set out in liquidity investments below.

The RFO will maintain a counterpart list in compliance with these criteria and will revise and submit to Council for approval as necessary.

#### Liquidity of Investments

The Council will carefully balance the use of short term or specified investments and non-specified investments. All the core investment balance and any cash flow investments will be maintained as short term or specified investments.

#### Specified Investments

These investments are sterling investments of not more than one-year maturity. These are low risk assets where the possibility of loss of principle or investment income is low. These would include investment with:

- The UK government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity)
- A Local authority, parish or community council
- An investment scheme that has been awarded a high credit rating by a credit rating agency
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).

Credit Rating Agency - Standards & Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to say the time and amount of monies which will be invested in these bodies. These criteria are:

Security	Limit
Marketable securities issued or guaranteed by the UK Government i.e., UK Treasury bills or a gilt with less than one year to mature	The authority has no plans to invest in such securities and would require specialist advice in order to do so.
Other Local authorities, parish councils or community councils.	The authority has no plans to invest in these institutions.
Fixed Term Time deposits	Approve – UK clearing Banks (currently, but not restricted to, Nat West) to a maximum limit of £4,000,000
Money Market Funds	The authority currently has no plans to invest in these funds. Any change to this policy would require approval by full Council

### Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). These investments have a greater potential risk.

These would include sterling investments with:

- Securities admitted to the Official List of the Stock Exchange which are guaranteed by the UK Government (such as supranational bonds). These are fixed income bonds although the value of the bond may rise or fall before maturity. The bond may be sold before maturity.
- Gilt edged securities with a maturity of greater than one year
- Institutions not meeting the basic security of greater than one year
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) for deposits with a majority of greater than one year

Security	Limit
Security issued or guaranteed by non-UK EU governments and Supranational securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Gilt edge securities	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.
Securities issued by corporate, banks and building societies, including floating rate notes, commercial paper, assets backed securities and certificates of deposits longer than 1 year.	The authority has no plans to invest in such securities and would require specialist financial advice in order to do so.



## **LICHFIELD CITY COUNCIL**

### **RESERVES POLICY**

#### **1. Introduction**

The Council is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Act 1992 requires that local precepting authorities have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

The Council's policy on the establishment, maintenance and adequacy of reserves and balances will be considered annually.

The Council will hold reserves for these three purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing-this forms part of the general reserves.
- A contingency to cushion the impact of unexpected events or emergencies.  
- this also forms part of general reserves.
- A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements.

#### **2. General Fund Balance**

The general fund balance, commonly termed the 'working balance' is a balance on the council's revenue account which is not held for any specific purpose other than to cushion the council's finances against any unexpected short term cash flow problems.

The general fund balance is to be maintained at a level based upon a risk assessment carried out by the Responsible Finance Officer (RFO). The working balance to be maintained at a minimum level approximately nine months of net revenue expenditure (currently approximately £672,000).

When setting the budget for the forthcoming year, any surplus on the reserve above the required balance may be used to fund capital expenditure, be appropriated to earmarked reserves or used to limit any increase in the precept.

#### **3. Financial Risk Management**

In order to assess the adequacy of the general fund when setting the annual budget, the RFO will take account of the strategic, operational and financial risks facing the council. The requirement of the level of the general fund balance for the forthcoming year will therefore be based upon a risk assessment of the council's main areas of income and expenditure including provisions and contingencies that may be required.

The main items to be considered are:

<b>Financial Risk</b>	<b>Analysis of risk</b>
Inflation assumptions	Inflation increases at a higher rate than assumed for items such as Pay Awards, Utilities and Supplies and Service Costs.
Insurance	To enable the Council to meet the excesses of claims not covered by insurance
Collection of Income	There is a reduction in collection performance for Guildhall and Markets.
Elections/referendum	insufficient resources to meet Parish elections/referendum costs
Grounds Maintenance costs	Impact of unexpected increase in costs
Impact of VAT Tribunal Decisions	Impact of backdated VAT liability
Contingencies	To meet unexpected events or emergencies
Pandemic	To meet the impact on Services

#### **4. Statutory Reserves**

Local Authorities also hold reserves that arise out of the interaction of legislation and proper accounting practices.

- Section 106 agreements with Developer
- Community Infrastructure Levy (CIL)

#### **5. Earmarked Reserves**

Earmarked Reserves represent amounts that are generally built up over a period of time which are earmarked for specific items of expenditure to meet known or anticipated liabilities or projects. The 'setting aside' of funds to meet known future expenditure reduces the impact of meeting the full expenditure in one year. The Council, when establishing an earmarked reserve, will set out:

- The reason/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve; a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The following earmarked reserves will be held by the council;

Budget description	Use	Total Reserve 2022/23 £	Total Reserve 2023/24 £	Total Reserve 2024/25 £
<b>Repairs and Renewal-Buildings</b>				
Dr Johnson Birthplace Listed Building No 1292492 Grade I	To provide for future capital works and maintenance as outlined in Capital Reserve -Analysis of Funding Requirements 2021/22 to 2031/32.Council 27/02/2020	£387,221	£322,443	£277,443
Guildhall Listed Building No 1187740 Grade II		£355,391	£355,391	£355,391
Donegal House Listed Building No 1209722 Grade II*		£15,000	-	-
Cruck House Listed Building No 1194899 Grade II*		-	-	-
Friary Clock Tower Listed Building No 1218909 Grade II		£30,000	£30,000	£30,000
War Memorial and Garden Wall, Balustrade and Gate Listed Building No 1187733 Grade II*		-	-	-
Boswell Statute Listed Building No 1187726 Grade: II		-	-	-
Dr Johnson Statute Listed Building No 1217846 Grade: II*		-	-	-
Stafford Road, Pinfold Listed Building No 1194898 Grade: II		-	-	-
Borrowcop Pavilion Listed Building No 1187718 Grade: II		-	-	-
Prince Rupert's Mound Listed Building No 1021362 Ancient monument		-	-	-
Grey Friars Listed Building No 1008544 Ancient Monument		-	-	-
Community Centres -Curborough, -Boley Hall, -Darwin Hall.		£365,722	£45,000	-
Market Square and Toilet Block		-	-	-
Closed Churchyards		-	-	-
Open spaces- footpath resurfacing		-	-	-
Open spaces-updating/replacement of Bus Shelters		£5,965	£5,965	£5,965
Christmas Lights-replacement		-	-	-
Street Lighting (Approx. 20-year lifespan)	To provide for replacement and updating of Street Lighting	-	-	-
Open Spaces-Street Furniture	To provide for replacement and updating of Street Furniture	£6,177	-	-
Capital Grants		£40,000	£40,000	£40,000
All Properties Contingency Administration costs		£177,502	£76,236	£62,487
<b>Capital Reserve</b>	<b>Total</b>	<b>£1,382,978</b>	<b>£875,035</b>	<b>£771,286</b>
<b>Grant Aid Reserve</b>	In accordance with Council Minute 2 March 2020 any underspending of grant allocation to be carried forward.	<b>£9,531</b>	<b>£8,789</b>	<b>£8,789</b>
<b>Election Reserve</b>	To build up the reserve over 4 years to fund the elections in May 2027 and any ad hoc bye-elections	<b>£55,000</b>	-	<b>£15,000</b>
<b>Twinning Reserve</b>	To build up a reserve for the twinning weekend September 2025	-	-	<b>£17,000</b>
<b>Community Infrastructure Levy (CIL)</b> Neighbourhood Plan-Meaningful Proportion	In accordance with the requirements of CIL legislation	<b>£202,285</b>	<b>£116,233</b>	<b>£121,597</b>
<b>Total Earmarked Reserves</b>		<b>£1,649,794</b>	<b>£1,000,057</b>	<b>£933,672</b>

## 6. Review of adequacy of balances and reserves

In assessing the adequacy of reserves the strategic, operational and financial risks facing the authority will be taken into account. The level of earmarked reserves will be reviewed as part of the annual budget preparation.

The Joint Panel on accountability and Governance (JPAG) Practitioner's Guide now provides full guidance on the generally accepted recommendation with regards to the appropriate minimal level of a smaller Authority's General Reserve. They state this reserve should be maintained between three months and twelve months of Net Revenue Expenditure (NRE) NRE is effectively Precept/Levy less any loan repayment and/or amounts included in Precept for Capital Projects and transfer to earmarked Reserves. The City Council's status against this guidance is set out below:

	2021/22 Actual	2022/23 Actual	2023/24 Estimated	2024/25 Estimated
General Reserve	£743,080	£727,988	£696,302	£672,352
NRE	£871,597	£801,308	£847,018	£917,536
Months	10	11	10	9

**LICHFIELD CITY COUNCIL**

**AUDIT PLAN**

**1. Purpose of the Report**

To consider the work programme for the Internal Auditor for the year 2024-25.

**2. Statement of Reasons**

The Internal Auditor must ensure that all activities of the Council are subject to an internal audit review in accordance with the Accounts and Audit (England) Regulations 2011.

The identification of these activities has been agreed with the Town Clerk, considering perceived priorities and risks, which cumulates in the production of a strategic plan.

The Audit Plan has been compiled and is set out below.

The plan is based upon the following principles:

- An attempt has been made, based upon the Internal Auditor's experience, to target areas that are known to be high risk
- Based on information available, to include those areas which have not been subject to a recent audit review

By achieving the Audit Plan, the Internal Auditor will be providing the Town Clerk and councillors with the necessary assurance that the internal controls are in place and are operating effectively.

At the end of the year, an audit report will be issued detailing the findings of the reviews together with any recommendations required to be implemented in order to achieve the required level of control.

**3. Recommendation**

To approve the Audit Plan

## **AUDIT PLAN**

### **1. Financial Services**

- 1.1 Fraud and Corruption Checklist
- 1.2 Main Accounting System
- 1.3 Creditors
- 1.4 Sundry Debtors
- 1.5 Payroll
- 1.6 Management of VAT
- 1.7 Banking Arrangements
- 1.8 Petty Cash
- 1.9 Income Monitoring
- 1.10 Budgetary Controls
- 1.11 End of year closedown
- 1.12 Statement of Accounts

### **2. Strategic Policies**

- 2.1 Treasury Management Policy and Strategy Statement
- 2.2 Investment Policy
- 2.3 Treasury Management Practices

### **3. Specific Reviews**

- 3.1 Financial Regulations and procedures
- 3.2 Contract Standing Orders
- 3.3 Review Internal Audit Recommendations
- 3.4 Capital Works
- 3.5 Local Government Transparency Code 2015
- 3.6 Insurance
- 3.7 Members Code of Conduct and Disclosure of Interests
- 3.8 The Samuel Johnson Birthplace Museum
- 3.9 Policy and Procedure Documentation-Employees
- 3.10 Further Developments
- 3.11 Review of Corporate Governance
- 3.12 Any Other Areas Identified During the Year of Audit

### **4. Management and Insurance Risk Register**

# Lichfield City Council

## Procurement Policy

Adopted by Council: xxxxxx

Review Date: xxxxxx

### Introduction

Lichfield City Council procures goods and services to a value of circa £950,000 each year.

This policy is intended to complement, but not replace the Council's Standing Orders and Financial Regulations. The purpose of this policy is to provide additional guidance on the factors that will be taken into account when purchasing goods and services, and then to provide detail of that process. The Council operate a transparent procurement process in accordance with its Financial Regulations and Standing Orders, which cover, amongst other things the number of quotations required and tender rules. For the avoidance of doubt, the City Council's adopted Standing Orders and Financial Regulations take precedence over this document if there is a discrepancy between the two. In cases where any law, statutory instrument of Government regulation is found to be at variance with any section of this policy, then that shall be applied and this document shall be amended accordingly.

The Council strives to attain best value for the goods, materials and services that it purchases. Best Value is defined as a balance of price, quality of product and supplier services.

The Council has declared a Climate Emergency and is working to reduce its carbon footprint. The Council acknowledges that improving procurement performance and becoming fully sustainable is an ongoing process and will take time to achieve.

### Legal Basis and Sustainable Procurement

1. This policy aims to give effect to and comply with Section 135 of the Local Government Act 1972 and the Public Contracts Regulations 2015. The Council is guided by the National Association of Local Councils Legal Topic Note 87 (December 2023).
2. Council recognises the importance of sustainability and will take into account the environmental, social and economic impacts of its purchasing decisions.
3. Council is required to consider social value in all services contracts above the EU threshold but recognises that this is good practice for all contracts. All officers and members of the council have a duty to ensure value for money to the public purse.
4. The Council recognises its duty to protect biodiversity under Section 40 of the Natural Environment and Rural Communities (NERC) Act 2006. To meet this duty the Council will wherever possible purchase products or specify working methods that protect biodiversity.
5. Council will, wherever possible, purchase goods that meet Fairtrade standards (or similar).
6. Council will consider the whole life cost of products when selecting a supplier (Energy efficient products for example often have an increased capital cost that is more than offset over time by the reduced operational cost)

## **Local Procurement**

1. Council recognises the benefits to the economy of using local and SME businesses and, where appropriate, the voluntary sector. The Council will seek out local contractors and suppliers wherever possible.
2. Council will encourage the purchase of locally sourced products and, where possible, ensure that products and materials originate from sustainable sources and accredited sustainable companies. In order to:
  - I. minimise waste and maximise efficiency
  - II. minimise travel
  - III. minimise energy consumption
  - IV. promote greater use of new sustainable technologies
  - V. keep material consumption to a minimum.

## **General**

1. Council pays a living wage to its employees and will encourage its suppliers to do the same.
2. Council understands the importance of paying suppliers promptly and will wherever possible settle accounts within a maximum of 30 days, or earlier, by agreement. All payments are to be made by Bank Transfer and approved via the process as set out in LCC's adopted Standing Orders and Financial Regulations.
3. All contractors and suppliers working on Council sites will be required to comply with Council's Health & Safety policy and any rules specific to the site of operation.
4. Provision of suitable risk assessments and method statements may be a condition of contracts involving work on Council properties or sites.
5. Council will clearly communicate its sustainability and environmental objectives to suppliers.
6. Council shall only enter into a contract with a supplier if it is satisfied as to the supplier's suitability, eligibility, financial standing and technical capacity to undertake the contract by carrying out appropriate due diligence.
7. Council shall where appropriate and allowed, ensure sustainability and ethical criteria are part of the suppliers' evaluation process and are used in the award of contracts.



## 1. Initial Identification of Matters Falling Under this Policy

- a) An issue, request or work that relates to LCC or its functions is identified.
- b) The most appropriate procurement method is selected from the list contained in section 2 below. If there is any doubt as to the most appropriate method, please consult your line manager and/or the Clerk.
- c) Where the issue, request or work is significant in nature, it may be necessary to refer the matter to the Clerk as detailed below. Larger procurement matters in particular require the approval of council or one of its appropriately authorised committees. No officer should commence work on any such project without the direction and involvement of the Clerk.
- d) Where appropriate, the issue, request or work is discussed at the relevant Committee and, depending on the likely financial implications, the Clerk acts in consultation with the Leader, or is instructed to investigate the issue, request or work and possible solutions. The Clerk may obtain professional assistance at this time to ensure the issue is properly examined and appropriate ways forward are identified and costed in readiness for presentation to council as needed.
- e) Where Standing Orders dictate, recommendations are brought to council or its relevant committee, seeking approval for the identified work based upon these initial discussions. Following initial approval, a set of specifications are created to request written estimates, quotations or tenders.
- f) Once the budget is approved the specifications agreed can be issued for formal written quotations, estimates, or tenders.
- g) Further discussion at Council may be required at this time, dependent upon the instructions from council, the budget agreed and prices received etc. Such considerations will be dependent upon the given situation, and the advice of the Clerk should be sought.
- h) A Purchase Order must be completed and appropriately signed for any item not funded by petty cash.

## 2. Procurement Options

All procurement options detailed below are subject to internal Audit procedures.

- a) **Petty Cash** – for small purchases up to a theoretical maximum of £300. Also used as ‘float’ monies for charity/civic events. Petty cash is administered by the Accounts Officer and balanced as part of the City Council's Imprest Account. With the introduction of LCC debit cards (see below) the expectation is that petty cash will only be used for small purchases (up to a value of £20), or in an emergency, or in the absence of the Deputy Town Clerk/Town Clerk rendering the debit card unusable. The use of petty cash as ‘float monies’ for events will continue. All float monies are to be balanced by the officer who is in control of the event at which the monies are used and returned to the Accounts Officer for checking and formal balancing.
- b) **LCC Debit Cards** - The Town Clerk and Deputy Town Clerk are authorised by council to use debit cards linked to the LCC account. This is particularly useful for online purchases that would have previously been made by individual members of staff and subsequently reclaimed. The maximum purchase amount is **£500**. A Purchase Order to accompany any debit card purchase

must be completed, signed by the Town Clerk or Deputy Town Clerk, and appropriately filed BEFORE the purchase is made. The LCC debit card policy is included as **APPENDIX 1**.

c) **Regular Suppliers** - The Council relies on several regular operational contracts and routine services. Though comparative quotations may not always be viable or necessary for such contractors, the duty to ensure good value to the public purse remains. If a proposed Order for any contractor is in excess of the amount set out in Standing Orders as to contracts 2 (iii) (currently £8,247), the Clerk should be consulted immediately. Further information is provided at Section 3.

d) **Obtaining Quotations/Tender Submissions** - Larger purchases, quotations, tenders, contracts etc are governed by the City Council's adopted Financial Regulations and Standing Orders. Where any officer is procuring works or items that fall within the remit of these regulations, the Clerk should be consulted immediately.

e) **Contract** – a contract is an agreement between the Council and an individual or organisation for the individual or organisation to provide works, goods or services (including the engagement of consultants) for which the Council will provide consideration and/or payment. Every contract engaged by the Council or person acting on its behalf must comply with this Policy and the Council's Standing Orders and Financial Regulations.

### **3. Regular Suppliers**

a) The Council relies on several regular operational contracts and routine services. These include:

1. Electricians, plumbers and heating engineers, service engineers and other similar occupations
2. General builders/handyperson services
3. Glaziers
4. Tree Surgeons, playground repairs and open space contractors
5. Specialist contractors such as memorial masons, calligraphers etc
6. Office supplies and other consumables
7. Routine Maintenance
8. Cleaning and general housekeeping

b) The Council may maintain monthly/quarterly or other accounts with suppliers of regular purchases. All purchases on Council accounts may only be made by authorised Council officers and subject to the Purchase Order process. Limits will be set on each account on the maximum value of individual purchases and the overall balance on the account. Expenditure over these limits must be authorised in advance.

c) The duty to ensure good value to the public purse remains, and officers should report any concerns as to the pricing structure of regular suppliers to their line manager and/or the Clerk immediately.

d) The use of a regular supplier does not remove the need to comply with financial thresholds as contained in Standing Orders. If a proposed Order for any contractor is in excess of the amount set out in Standing Orders as to contracts 2 (iii) (currently £8,247), the Clerk should be consulted immediately, and the requirements of the adopted regulations implemented.

#### 4. Financial and Process Limits as Set out in Standing Orders

a) At the start of any procurement process the authorised person leading the project must liaise with their line manager and/or the Clerk to identify the need, fully assess the options for meeting those needs, and the implications under both this policy and the adopted Standing Orders and Financial Regulations. All officers must have regard to Standing Orders as to Contracts no 2:

- 2 Except as provided by Standing Orders 3 and 4 below, where it is intended to enter into a contract:
- (i) exceeding £22,958 [£24,955 at 1 April 2023] in value for the supply of goods or services or for the executing of works, the Clerk shall invite tenders from at least three firms.
  - (ii) for expenditure greater than £7,587 [£8,247 at 1 April 2023] but less than £22,958 [£24,955 at 1 April 2023] the Clerk shall invite at least three competitive quotations.
  - (iii) for expenditure of £7,587 [£8,247 at 1 April 2023] or less the Clerk shall have executive power in consultation with the Leader of Council or Deputy Leader.

b) Standing Order 2 shall not apply in the circumstances set out by Standing Order 3 and 4. Please discuss with the Town Clerk if it is felt that the proposal falls within the exemptions listed.

- 3 The requirements of Standing Order 2 above shall not apply:
- (i) for continuation or extension of contracts for the supply of gas, electricity, water, and telephone services but these contracts and supplies shall be periodically reviewed for competitive value
  - (ii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery, equipment or plant.
  - (ii) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council.
  - (iii) for goods or materials proposed to be purchased which are proprietary articles and/or which are sold only at a fixed price.
  - (iv) for works required to be undertaken in an emergency, in which case (should the nature and cost of the works have otherwise required compliance with Standing Order 2(i) or 2(ii) above), a report shall be submitted to a subsequent meeting of Council specifying the emergency by which the exception shall have been justified.
- 4 The requirements of Standing Order 2 above shall not apply in respect of providers of specialist and professional services such as architects, solicitors, accountants, surveyors and planning consultants, etc. but wherever practical such providers shall be selected by a competitive process which assesses a combination of both the quality and cost of service to be provided.

c) The Council, via its officers, must ensure that best value is obtained; 'best value' not necessarily being limited to the financial consideration and acceptance of the lowest submission.

d) Quotations and tenders may be received electronically provided they are kept in a separate secure electronic folder under the control of the Clerk which is not to be opened until the deadline has passed for receipt of tenders. They must not be forwarded on to any other officer or councillor unless for evaluation purposes or confirmation of award at the relevant Committee or Full Council.

e) The Council must consider using procurement frameworks where such frameworks are in place (for example energy contracts via SCC).

f) A councillor is not permitted to issue a verbal order, an official written order or make any contract or commitment on behalf of the Council.

g) Where a contract sum exceeds £30,000 and is advertised, it shall comply with Articles 109 to 114 of the Public Contracts Regulations 2015 as explained in NALC Legal Topic Note 87 (March 2022) regarding the advertising of contracts and the use of the 'contract finder' website.

## **5. Invitation to Tender**

a) Any invitation to tender shall state the general nature of the intended contract, and the designated officer shall obtain the necessary technical assistance to prepare a specification as necessary. The invitation shall contain as a minimum:

- A specification of the goods, materials, services or works that are required describing the Council's requirements, including any British or European Standards that apply, in sufficient detail to enable the submission of consistent and competitive tenders.
- A requirement for the candidate to declare that the tender content, price or any other particulars concerning the tender have not been disclosed to any other party.
- A requirement for the candidate to complete fully and sign all tender documents.
- A stipulation that any tenders submitted by electronic means will not be considered if hard copy response is solely the chosen path.
- The method by which any arithmetical errors discovered in submitted tenders will be dealt with, in particular whether the overall price prevails over the individual rates in the tender.
- A statement that the Council is not bound to accept the lowest tender quote, or any tender received.
- A statement that unless otherwise agreed by the Council, tenders for a part or parts of the works, services, goods or materials will be rejected.
- Details of to whom and by when the submission should be provided, and the method of submission.

b) All quotations or written estimates must be received by the Clerk or the appointed officer in their absence.

c) The tenders are commercially sensitive and shall be kept in the custody of the Clerk until the time and date specified for their opening.

## 6. Tender Opening and Contract Award

a) The Council would wish to utilise the services of local suppliers, tradespeople and businesses when it is possible and appropriate, and will consider the benefits to the local economy when awarding contracts.

b) When a Tender is to fall within the scope of Standing Orders as to Contracts 2(i), Standing Order as to Contracts 7 will dictate the procedure for opening such tenders and who is to be present. The Council shall not be obliged to accept the lowest or any tender.

- 7 In respect of contracts for which tenders have been invited:
- (a) the members appointed by Council as authorised signatories to the Council's accounts, and a member nominated from the main minority political group, shall be duly notified by the Clerk of the time and place appointed for the opening.
  - (b) tenders shall be opened at one time by the Clerk in the presence of at least two members from those appointed by Council as authorised signatories to the Council's accounts.
  - (c) the Clerk shall record the details of the name of the tender, the names and addresses of each tenderer, the amount or price of the tender and the time and place of opening, in a book kept for that purpose witnessed by all those members present at the opening of the tenders.

c) Tenders should be scored against a predetermined weighted list of requirements agreed as part of the procurement process before tenders are received. The basis of this exercise shall be explained in any invitation to tender documentation, but may include a preference for local contractors, recommendation of LCC's independent specialist advisors following submission, price, timescales for commencement, environmental credentials etc.

d) Any omission or question raised by the Council or any of the tenderers will be made available to all the tenderers.

e) Any arithmetical errors only found when checking tenders received will be pointed out to the tenderer who will be offered the opportunity to either:

- i) Stand by the original submission
- ii) Correct the tender
- iii) Withdraw the tender

f) If the lowest tender exceeds the agreed budget set aside for that matter, then a written report by the responsible officer or the Clerk must be made to the relevant Council committee and Full Council requesting approval for the additional budget.

g) No negotiation on contracts whose value is more than £30,000 (inc. VAT) can take place without reference to the Leader of the Council. Any negotiations which would distort competition is expressly forbidden at any value.

h) Following confirmation of the successful tender, the Clerk or appointed officer may seek professional assistance in contract preparation (notably Joint Contracts Tribunal (JCT) contracts that are the mainstay of the council's repairs and renewals programme).

i) The Council shall only enter into a contract with a supplier if it is satisfied as to the supplier's suitability, eligibility, financial standing and technical capacity to undertake the contract by carrying out appropriate due diligence.

## **7. Signing and Sealing of Contracts**

a) Every successful quotation/tender shall be accepted in writing by the Clerk. Unsuccessful tenders/quotes should also be informed of the outcome by the Clerk or the appropriate officer. All contracts must be concluded formally in writing before the supply, service or works begin, except in exceptional circumstances, with the consent of the Clerk. An award letter is not sufficient for these purposes.

b) Written contracts and/or their associated documents must clearly state the following where appropriate:

- Signed Agreement between the Council and the Contractor
- Contract period if applicable
- Proof of insurance
- Full description of the services or works to be provided
- Any penalties for not meeting the terms of the contract
- Contract monitoring arrangements
- Detail of any necessary use of Council equipment
- Confidentiality statement
- Security arrangements
- Contract price and payment terms
- Contract termination arrangements
- Arbitration arrangements
- Health and Safety Act requirements.
- Data Protection Act requirements.
- Equalities legislation requirements.
- Right of access to relevant documentation and records of the contractor for monitoring and audit purposes

c) Professional advice must be sought as appropriate in regard to contract terms and the use of any standard contracts (JCT Building Contracts, for example).

## **8) Nominated Sub-Contractors and Suppliers**

a) Where the Council contracts with a sub-contractor or supplier to a main contractor, the procurement of the services of the sub-contractor or supplier shall be subject to the provisions in this document and the adopted Financial Regulations and Standing Orders.

b) All contractors and suppliers working on Council sites will be required to comply with the Council's Health & Safety policy and any rules specific to the site of operation. Provision of suitable risk assessments and method statements will be a condition of all such contractors.

## 9. Contract Management

For each contract, an assessment of project management requirements and provision must be made. Where an architect, engineer, surveyor or other consultant is responsible for the supervision of a contract they shall comply with the Council's Standing Orders and Financial Regulations as though they were an officer of the Council and shall produce to the Clerk all records kept in relation to the contract.

## 10. Contract Variations

a) Any necessary instructions to vary a contract shall be made in writing by the Clerk or persons responsible for supervising the contract. Such variations should be subject to professional scrutiny and recommendation as appropriate to ensure the necessity and value of such variations. Variations to the contract that cannot be met from within the original contract sum will require a report to be prepared to council to decide what further action is necessary.

b) In an emergency, the Clerk may act under Standing Orders as to Contracts 3(iv):

- 3        The requirements of Standing Order 2 above shall not apply...
- ...
- (iv)     for works required to be undertaken in an emergency, in which case (should the nature and cost of the works have otherwise required compliance with Standing Order 2(i) or 2(ii) above), a report shall be submitted to a subsequent meeting of Council specifying the emergency by which the exception shall have been justified.

## 11. Bonds, Guarantees and Insurances

a) For procurement projects where the spend is greater than £30,000 (inc. VAT) consideration must be given as part of any pre-qualification assessment and evaluation process as to whether a performance bond and/or parent company guarantee (if applicable) shall be required from the successful tenderer.

b) Consideration must be given as to the appropriate type (employee liability, public liability, professional indemnity, works in progress etc.) and appropriate level of insurance requirements for each contract.

## 12. Termination of contracts

The Council reserves the right to terminate any contract immediately for breach of contract or other valid reason(s).

## **APPENDIX 1**

### **LICHFIELD CITY COUNCIL – DEBIT CARD POLICY**

#### **Introduction**

For many years, City Council officers have purchased items for the City Council or its events using their own credit/debit cards. This can result in financial pressures for the officers concerned, and though every effort is made to reimburse quickly, there can be delays. The process is also administratively burdensome.

Following a recommendation by the Internal Auditor in his 2022/23 report, the Town Clerk investigated the use of debit cards to ensure items needed for the function of the council could be purchased directly by the council, rather than relying on the goodwill of officers. This policy, together with amendment to the City Council's Financial Regulations, sets out the framework for the use of such debit cards.

#### **Policy Statement**

The issue of a Council debit card is authorised by the Council via the Audit Committee. One card to be issued to the Town Clerk and one to the Deputy Clerk and for their use only. The cards to be unique to each individual card holder allowing all transactions to be individually tracked and assigned. Should a request be made for an additional card, a business case must be submitted and approved by resolution of the Council via an Audit Committee recommendation.

The single transaction limit of the debit card shall not exceed £500.00 unless prior approval is in place from Council via resolution. The cardholder is solely responsible for the safe keeping and usage of the card assigned to them. In particular, PIN numbers will only be issued to the card holder and must be kept confidential, as must the card security (CSC/CVN) number.

The card must be kept in a secure location at all times, unless it is taken physically out of the office for purchase reasons. It should be returned to its secure location immediately after use. Lost or stolen cards must be reported to the issuing bank immediately upon discovery that the card is missing. With no exceptions the Town Clerk/Responsible Financial Officer (RFO), the Internal Auditor and Leader of the Council must be informed immediately.

In the event of a cardholder leaving LCC employment, the card must be returned to the most senior officer of the council remaining in employment and destroyed in their presence. The issuing bank must also be advised to cancel the debit card to prevent any unauthorised usage.

The debit card shall be used for business purposes only. It shall not be used for any non-business transactions nor for any personal purchases.

Every debit card transaction must be recorded and duly receipted. All transactions to be presented to members for authorisation in the same manner as other account transactions as per Financial Regulation 5.2. All transactions/receipts to be reconciled by the Accounts Officer and subject to Internal Audit procedures.

The cardholder is responsible for obtaining and submitting receipts for all transactions. Failure to produce transaction receipts may result in the cardholder being held liable for the sum of the said transactions.



**Cash Withdrawals**

Cash withdrawals should be avoided wherever possible, but if the need does arise, such withdrawals cannot exceed £500 per day. Any cash withdrawal must be subject to a request being made to the RFO outlining the reasons for the requirement, and have the written approval of the RFO prior to being made. Copies of this correspondence must also be provided to the Internal Auditor at the earliest opportunity. All cash withdrawals are subject to the same process of recording, reconciliation and audit as outlined above for non-cash transactions.

**Misuse of a Debit Card**

If the cardholder misuses or fraudulently uses the card, this will result in disciplinary action being taken against the cardholder in line with the council's Disciplinary Policy. Such misuse may constitute gross misconduct.

**Amendments to this Policy**

This policy to be reviewed by the City Council's Audit Committee as appropriate, with any changes to be made via recommendation of the Audit Committee and subject to formal resolution of the Council.

Lichfield City Council, December 2023