



**Business Efficiency Board**

**Wednesday, 26 June 2013 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R', positioned above a faint rectangular stamp.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Alan Lowe (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor Arthur Cole</b>	<b>Labour</b>
<b>Councillor Mike Fry</b>	<b>Labour</b>
<b>Councillor Darren Lea</b>	<b>Labour</b>
<b>Councillor Tony McDermott</b>	<b>Labour</b>
<b>Councillor Andrew MacManus</b>	<b>Labour</b>
<b>Councillor Norman Plumpton Walsh</b>	<b>Labour</b>
<b>Councillor Joe Roberts</b>	<b>Labour</b>
<b>Councillor Gareth Stockton</b>	<b>Liberal Democrat</b>
<b>Councillor Kevan Wainwright</b>	<b>Labour</b>

*Please contact Michelle Simpson on 0151 511 8708 or e-mail [michelle.simpson@halton.gov.uk](mailto:michelle.simpson@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 18 September 2013*

**ITEMS TO BE DEALT WITH  
IN THE PRESENCE OF THE PRESS AND PUBLIC**

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
<b>2. DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13</b>	<b>1 - 18</b>
<b>3. EFFICIENCY PROGRAMME UPDATE</b>	<b>19 - 22</b>
<b>4. PROCUREMENT STRATEGY</b>	<b>23 - 40</b>
<b>5. EXTERNAL AUDIT UPDATE</b>	<b>41 - 54</b>

***In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.***

**REPORT TO:** Business Efficiency Board

**DATE:** 26 June 2013

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**SUBJECT:** Draft Annual Governance Statement 2012/13

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

The purpose of this report is to enable Members of the Board to consider and approve the draft Annual Governance Statement for 2012/13.

### **2.0 RECOMMENDATIONS:**

**The Board is asked to review the draft Annual Governance Statement (AGS) and:**

- (i) Confirm that it accurately reflects the corporate governance arrangements in place at the Council;**
- (ii) Consider the key governance issues identified in the document and endorse the action proposed to address them;**
- (iii) Approve the draft Annual Governance Statement.**

### **3.0 SUPPORTING INFORMATION**

#### **Background to the Annual Governance Statement**

- 3.1 Under the Accounts and Audit Regulations 2011 the Council must produce an AGS, in a format recommended by CIPFA/SOLACE, to accompany the Statement of Accounts.
- 3.2 The AGS is intended to identify any areas where the Council's governance arrangements need to be developed and to set out any action that is proposed to strengthen those arrangements.
- 3.3 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved,

the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.

### **Preparation of the 2012/13 Annual Governance Statement**

- 3.4 The production of the AGS has been co-ordinated through the Council's Corporate Governance Group. This comprises:
- Strategic Director - Policy & Resources;
  - Operational Director - Finance,
  - Operational Director - Legal & Democratic Services,
  - Divisional Manager - Audit & Operational Finance.
- 3.5 This group has been responsible for evaluating the sources of assurance and identifying any areas where the Council's governance arrangements require further strengthening. A flowchart summarising the process followed in preparing the AGS is shown in Appendix 1.
- 3.6 In preparing the AGS, assurances have been considered from a number of sources, including:
- Issues raised by the Council's external auditor;
  - Inspection reports from other independent bodies;
  - The Council's risk and performance management frameworks;
  - The work undertaken by internal audit;
  - The work of the Information Governance Group.
- 3.7 The 2012/13 draft AGS developed by the Corporate Governance Group is attached at Appendix 2. The document contains a Development Plan that sets out the actions agreed to further develop the Council's governance framework.

### **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 The Accounts and Audit Regulations 2011 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. Proper practice is defined by the CIPFA/SOLACE Framework as an Annual Governance Statement.
- 4.2 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The draft AGS contains an action plan setting out how the Council intends to strengthen its overall governance arrangements.

- 4.3 There are no direct financial implications arising from this report. However, the AGS does make reference to the key financial challenges faced by the Council and how they are being managed.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **5.1 Children and Young People in Halton**

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

### **5.2 Employment, Learning and Skills in Halton**

See 5.1 above.

### **5.3 A Healthy Halton**

See 5.1 above.

### **5.4 A Safer Halton**

See 5.1 above.

### **5.5 Halton's Urban Renewal**

See 5.1 above.

## **6.0 RISK ANALYSIS**

- 6.1 Under the Accounts and Audit Regulations 2011 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

- 6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

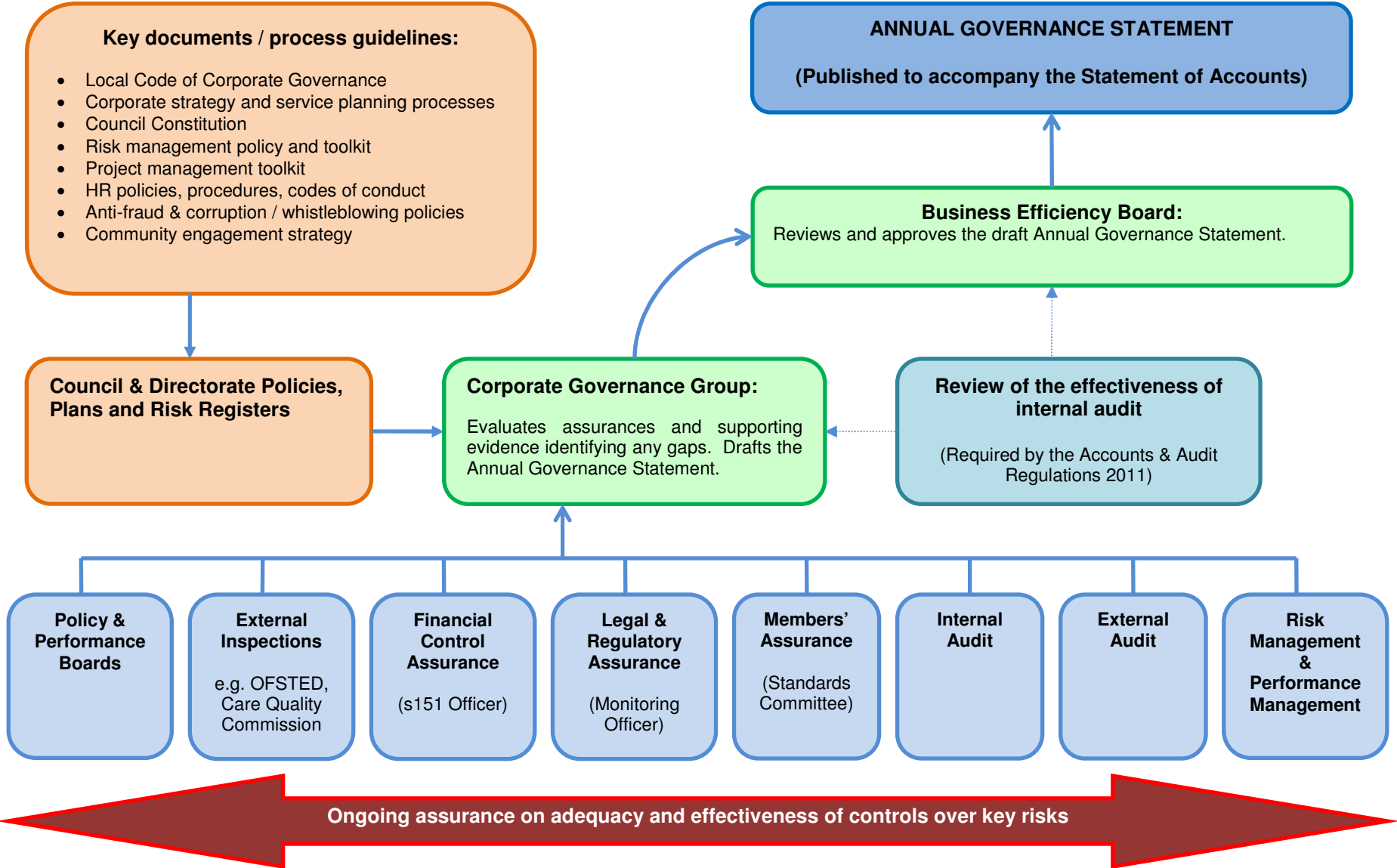
- 7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the

Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

**8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007)		
The Accounts and Audit (England) Regulations 2011		

### ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



## HALTON BOROUGH COUNCIL 2012/13 ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
  - public money is safeguarded and properly accounted for; and
  - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework '*Delivering Good Governance in Local Government*'.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.



## **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

## **3. The Council's Governance Framework**

A brief description of the key elements of the Council's governance framework is described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

### **3.1 Communicating the Council's vision**

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
  - A Healthy Halton
  - Environment & Regeneration in Halton
  - Children & Young People in Halton
  - Employment, Learning and Skills in Halton
  - A Safer Halton
- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans.

- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Management Team and to the Policy and Performance Boards.
- e) The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:
  - A medium term financial strategy, capital programme and annual budget process that ensures that financial resources are directed to the Council's priorities;
  - A co-ordinated and structured approach to procurement across the Council;
  - The delivery of a well-established Efficiency Programme to identify and implement efficiency savings across the organisation in a systematic and considered manner;
  - Partnership working with a range of organisations where there are shared objectives and clear economic benefits from joint working.

### **3.2 Members and officers working together to achieve a common purpose with clearly defined roles and functions**

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board is designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its

governance arrangements, risk management framework and internal control environment. The Board regularly reviews the resourcing of the internal audit function, the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.

- f) The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's diverse services, its budget, the work of the Council's employees, the borough's community schools, and the work done for the Council by a variety of agencies and contractors who deliver a wide range of services to the community. The Chief Executive represents the Council and the borough on local and regional partnerships and at regional and national levels. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Committee.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).
- h) Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Operational Director – Legal and Democratic Services, who is responsible for:
- Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;
  - Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
  - Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
  - Establishing and maintaining a register of interests (including receipts of gifts and hospitality) for elected and co-opted members;
  - Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- i) The Operational Director – Finance and the Operational Director – Legal and Democratic Services are both members of the Council's Management Team. Both officers also have explicit direct access to the Chief Executive outside of the Management Team.
- j) The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's

Services. The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services. He or she works together with the Lead Member for Children's Services to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and Lead Member extend to all children receiving services in the borough, irrespective of the type of school they attend, or their home local authority area.

- k) All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to The Strategic Director – Communities. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).
- l) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009. The functions of the Statutory Scrutiny Officer are to:
- Promote the role of the authority's Overview & Scrutiny Committees;
  - Provide support to the authority's Overview & Scrutiny Committees and the members of those committees;
  - Provide support and guidance to Members of the authority, members of the Executive and officers in relation to the functions of the authority's Overview & Scrutiny Committees.
- m) The role of Head of Internal Audit is assigned to the post of the Divisional Manager – Audit & Operational Finance. This role is responsible for the Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements substantially comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations (2010). The post of Divisional Manager – Audit & Operational Finance does however have operational responsibilities assigned to it. To address this issue, alternative assurance and reporting arrangements have been agreed with the Operational Director – Finance for those non-audit functions for which the Divisional Manager – Audit & Operational Finance has managerial responsibility.
- n) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- o) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-

Councillors. The Council published its first 'Pay Policy Statement' in March 2012, which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.

### 3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:
  - Anti-Fraud and Anti-Corruption Strategy;
  - Fraud Response Plan;
  - Confidential Reporting Code (Whistleblowing Policy);
  - HR policies regarding discipline of staff involved in such incidents.
- d) The Business Efficiency Board is assigned with responsibility to monitor and review the adequacy of the Council's anti-fraud and corruption policies and arrangements. This responsibility is met by the Board receiving regular reports providing details of developments relating to the Council's counter fraud and corruption arrangements.
- e) A corporate complaints procedure exists to receive and respond to any complaints received.
- f) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
  - Registers of disclosable pecuniary interests and disclosable other interests;
  - Declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
  - Registers of gifts and hospitality, which are available for public inspection;
  - Equal opportunities policy.

### **3.4 Taking informed and transparent decisions and managing risk**

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements. The Business Efficiency Board also reviews the risk management process and corporate risk register twice yearly. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions, and they form the basis of the internal audit planning process.
- d) The Halton Strategic Partnership is the Local Strategic Partnership (LSP) for the borough of Halton. The Halton Strategic Partnership Board has established five Specialist Strategic Partnerships (SSPs) – one for each of the borough's priorities. Each of the five SSPs has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) The Business Efficiency Board approves and reviews the internal audit work programme and oversees management's implementation of audit recommendations.

### **3.5 Developing the capacity and capability of Members and Officers**

- a) The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. The Council first received accreditation as an Investor in People in 1997, with it being renewed for the fourth time in 2010.
- b) The Council has developed a People Plan (2012-2015) to assist the organisation in addressing leadership, skills development and recruitment and retention, in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.

- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council has recently been recredited with the NW Charter for Elected Member Development Exemplar Level status.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and all members are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) The Council has an annual Employee Development Review (EDR) process to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

### **3.6 Engagement with local people and other stakeholders to ensure robust public accountability**

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
  - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, the Youth Forums.
  - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) The community and voluntary sector are represented on the Halton Strategic Partnership Board and on all its SSPs.
- d) The Executive Board has adopted an approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A performance management framework is in place to ensure that a consistent approach is taken by the SSPs and exceptions are reported to the Strategic Partnership Board.



- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) The Council publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- h) Council agendas, minutes and performance information are published on the Council's website. The website also provides details of:
  - Allowances and expenses paid to elected members;
  - The Council's senior officer structure including post titles and salary ranges;
  - Council contracts and tenders awarded over £50,000;
  - All financial payments made by the Council that are equal to or greater than £500.

#### **4. Review of Effectiveness**

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of internal audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
  - The work of the Business Efficiency Board as the Council's Audit Committee;
  - The work of the Standards Committee;
  - The role of the Policy and Performance Boards in holding the Executive to account;
  - The operation of the Council's risk management and performance management frameworks;
  - The work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment.
    - External Audit has reviewed the Council's internal audit function and concluded that the function operates in accordance with the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government.



- The effectiveness of internal audit has also been formally reviewed by the s151 Officer who considers internal audit to be effective and fit for purpose.
  - The Annual Governance Report issued by the Audit Commission, which reports on issues arising from the audit of the Council's financial statements and the results of the work undertaken to assess how well the Council uses and manages its resources to deliver value for money and better and sustainable outcomes for local people;
  - The external auditor's opinion report on the Council's financial statements;
  - The corporate complaints procedure;
  - The roles of the Council's Statutory Officers;
  - The work of the Information Governance Group, which provides overall strategic guidance and direction to information governance, security, risks and incidents;
  - The anti-fraud and corruption and whistleblowing framework;
  - The results of external inspections by independent review bodies.
- 4.3 The Council has implemented the actions agreed in the 2011/12 Annual Governance Statement. This includes:
- Developing processes to deal with the community right to challenge and assets of community value, and updating the Standards Committee and arrangements for dealing with Code of Conduct complaints
  - Establishing a Health & Wellbeing Board and appointing a Director of Public Health in response to the new public health responsibilities that the Council assumed in April 2013. The Council's Constitution has also been updated to reflect new roles, responsibilities and governance arrangements arising from these new responsibilities.
  - Addressing the delays that occurred in reconciling the Council's bank statements following a restructuring of the Council's income control function. Operational procedures have been strengthened and comprehensive support and training has been provided to staff. Internal audit has recently reviewed this function and concluded that there is a sound system of control in operation.
- 4.4 The Council proposes over the coming year to take the steps identified in the Development Plan at the end of this document to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**David Parr - Chief Executive**

**Rob Polhill - Leader of the Council**

## Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>1. With the economic outlook likely to result in very challenging financial settlements in the coming years, and the demand for some services likely to increase, the Council's finances will need to be kept under close review. The Council will therefore need to take appropriate action to ensure that it maintains its record of achieving a balanced budget and aligns its resources to corporate objectives and strategic priorities.</p>	<ul style="list-style-type: none"> <li>• Link the budget process to service planning;</li> <li>• Maintain a robust overview of statutory obligations and prioritise accordingly;</li> <li>• Review of Corporate Priorities/Community Plan;</li> <li>• Communication of Priorities to Staff/Members/Managers to achieve buy-in;</li> <li>• Medium Term Financial Strategy;</li> <li>• Budget Risk Register;</li> <li>• Smarter procurement to generate savings;</li> <li>• Efficiency Programme;</li> <li>• Explore the potential for collaboration with neighbouring local authorities;</li> <li>• Equality Impact Assessment process.</li> </ul>	<p>Strategic Director – Policy &amp; Resources</p>
<p>2. As the Council faces continuing funding pressures there is a risk that resilience in key areas of the organisation may be weakened through staffing reductions and the loss of key personnel.</p>	<ul style="list-style-type: none"> <li>• Service reviews around more efficient ways of working, including the greater use of technology;</li> <li>• Focus the delivery of services on priorities and legal responsibilities through effective service planning;</li> <li>• Delivery of training courses in Stress Management and Managing Resilience to Change;</li> <li>• Risk assessing, monitoring and support mechanisms for work related stress;</li> <li>• Agile Working policy;</li> <li>• Business Continuity Planning;</li> <li>• A new Employee Development Forum is being established to take forward Learning and Development issues from across the Council.</li> </ul>	<p>Strategic Director – Policy &amp; Resources</p>

## Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>3. In the course of discharging its duties the Council is required to obtain and hold a wide range of personal information. As a public body the Council is legally obliged to protect all personal information it holds. The Council understands that information breaches may lead to a loss of confidence amongst the people it serves and is continuing to take action to further develop its information security and governance framework.</p>	<p>The Council has a well-established Information Governance Group which has developed policy and guidance on information security matters. Work currently being undertaken by the Group includes:</p> <ul style="list-style-type: none"> <li>• A corporate roll out of an E-learning training module is being undertaken to raise employee awareness of information governance and security issues;</li> <li>• Development of a Data and Quality Strategy to set out the Council’s approach to managing data quality. The Strategy will be designed to help secure improvement in the way the Council collects, collates, reports and uses data, maintaining the highest possible standards throughout;</li> <li>• Implementation of an Electronic Social Record Project, which will provide full electronic storage of all clients’ social care records.</li> </ul>	Strategic Director – Policy & Resources
<p>4. Following the formal establishment of Halton Clinical Commissioning Group (HCCG) from 1 April 2013, the Council has been working to develop an integrated approach to the delivery of health and adult care related services with the HCCG. As part of this an integrated Complex Care Pooled Budget of over £30m has been established between the Council and HCCG from 1 April 2013.</p>	<ul style="list-style-type: none"> <li>• A seconded post of Operational Director - Integration has been established between the Council and HCCG to drive the development of an integrated approach to the delivery of health and adult care services across the Borough.</li> <li>• Governance arrangements for the Complex Care Pooled Budget have been put in place, which include Member and Senior Officer involvement, to oversee and manage the arrangements for delivery of services jointly by the Council and HCCG via the Pool.</li> </ul>	Strategic Director - Communities
<p>5. An independent subsidiary of the Council is to be established to manage the delivery of the construction contract for the new Mersey crossing (the Mersey Gateway). This body will be known as the Mersey Gateway Crossings Board (MGCB). The MGCB will be a limited liability company but 100% subsidiary of Halton Borough Council. In addition to managing the contract for the construction of the bridge MGCB will also manage the tolling operations of both the Mersey Gateway bridge and the existing Silver Jubilee Bridge.</p>	<ul style="list-style-type: none"> <li>• A governance agreement is being developed between the Council and the MGCB which will set out the rights, obligations, payment terms and approval processes;</li> <li>• Membership of the MGCB is to include executive and non-executive directors who will be appointed by Halton Borough Council. There will also be independent executive directors who will not be members, officers or employees of the Council;</li> <li>• To satisfy the funding conditions the Council will need to establish the Mersey Crossings Board structure and execute the governance agreement between the Council and the MGCB before the project can achieve Financial Close;</li> <li>• To ensure a smooth transition a ‘Shadow executive’ of the MGCB will be established until the MGCB comes into being at Financial close.</li> </ul>	Chief Executive

**REPORT TO:** Business Efficiency Board

**DATE:** 26 June 2013

**REPORTING OFFICER:** Strategic Director, Policy & Resources

**PORTFOLIO:** Resources

**SUBJECT:** Efficiency Programme Update

**WARDS:** All

#### **1.0 PURPOSE OF THE REPORT:**

To inform the Board of progress made to date with the Efficiency Programme (refer to Appendix 1).

#### **2.0 RECOMMENDATION:**

The board is asked to note the contents of the report.

#### **3.0 SUPPORTING INFORMATION**

Up to date workstream information is available via the Efficiency Programme Office's team site at: <http://hbc/Teams/EFFIC/Pages/Home.aspx>

#### **4.0 POLICY IMPLICATIONS**

None identified at this stage. Activity within the Efficiency Programme may result in recommendations to change policies as individual workstreams progress.

#### **5.0 OTHER IMPLICATIONS**

It should be noted that since commencing in 2009, the Efficiency Programme, and activity associated with it, has identified savings in the region of nearly £12m. This has assisted the Council in the difficult task of dealing with the budget gap.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

The Efficiency Programme is designed to improve the effectiveness of services across the authority and reduce costs associated with service delivery. This affects all of the Council's priorities.

## **7.0 RISK ANALYSIS**

Given the financial constraints facing the Council in the immediate and medium terms, failure to continue to progress Efficiency Programme workstreams into future stages may result in the Efficiency Programme not achieving its objectives – primarily cost reduction. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton.

As resources become ever more restricted, the organisation should remain aware of the possibility of 'double counting' of savings. The Efficiency Programme Office and Financial Management Division have worked together, and continue to do so to manage this risk.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

N/A

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

N/A

**Halton Council Efficiency Programme**

**Progress update – June 2013**

Progress to date against each of the current workstreams, and those closed since the last report to the Business Efficiency Board, is given below.

**Review of Operational Fleet & Client Transport (Wave 2)**

This workstream is now closed. The savings target of £400,000 for the review was achieved (£200,000 in 11/12, and the remaining £200,000 in 12/13).

**Review of Income & Charging (Wave 3)**

The approach to this workstream is being re-visited. More detailed analysis of income and expenditure is required. The Financial Management Division will become involved with this workstream in order to progress it.

**Review of Waste Management (Wave 3)**

Efficiency Programme Office is working with Waste Management Divisional Manager and senior officers to progress initial improvement options, however there have been a number of issues with the procurement of an interim residual household waste disposal contract for the period 2013 to 2015/16. As the largest element of this services activity relates to the collection and disposal of residual household waste, this is restricting the progress of the workstream, and remains unresolved.

Savings target for this workstream is £300,000

**Review of Policy & Strategy,  
Review of Performance & Improvement,  
Review of Communications & Marketing (Wave 4)**

New arrangements came into operation at the end of April 2013. These saw the Policy and Performance functions being devolved into the Directorates, and the establishment of a new Customer Intelligence Unit along with a Marketing, Design and Communications Unit.

This workstream is now closed. The review achieved net savings of £530,000 (£580,000 gross), against a target of £125,000.

### **Review of Child Protection (Children in Need Service) (Wave 4)**

Following a review of the Child in Need Service, a range of options were developed with the aim of increasing social worker productivity.

As a result of the review, additional administrative support has been placed within the service to provide assistance to Social Workers in terms of minute taking and typing. This arrangement has been in place since the beginning of the year and has recently been evaluated. Feedback from managers and Social Workers has been positive.

Other To Be options continue to be developed.

There is no savings target for this workstream.

### **Review of Employment, Learning & Skills (Wave 4)**

The As Is phase of the review is now complete, with the As Is report being approved by the Efficiency Programme Board in May 2013.

Work to develop 'To Be' options is ongoing.

The savings target for this workstream has been set at a minimum of £200,000

### **Review of Intermediate Care (Adult Social Care) (Wave 4)**

The Outline Business Case and Project Initiation Document (OBC/PID) was approved by the Efficiency Programme Board in May 2013. The scope for the review has been confirmed as:

- Re-ablement
- Oak Meadow, which in turn includes:
  - Night Service and
  - End of Life Service

The savings target for this workstream is to be confirmed.

### **Wave 5**

Consideration is currently being given to the services to be reviewed as part of the ongoing Efficiency Programme in Wave 5.



**REPORT TO:** Business Efficiency Board

**DATE:** 26<sup>th</sup> June 2013

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** Procurement Strategy 2013-2016

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF THE REPORT:**

1.1 The purpose of this report is to seek approval for the Council's updated Procurement Strategy for the period 2013 to 2016.

### **2.0 RECOMMENDATION: That the Council's 2013-16 Procurement Strategy presented in the Appendix, be approved.**

### **3.0 SUPPORTING INFORMATION:**

3.1 The Council's Procurement Strategy provides a structured approach to procurement, in order to ensure efficient processes are followed which will deliver reduced costs whilst maintaining or improving service delivery.

3.2 The Procurement Strategy presented in the appendix has been updated in the light of experience since the centralised Procurement Division was established in 2010.

3.3 A Delivery Plan will be prepared in accordance with the Strategy and progress and outputs against key performance indicators will be reported annually to the Board.

### **4.0 'Best Council to do business with' Award (DCLG).**

4.1 The Council has received an award as 'Best council to do business with' from the Department of Communities and Local Government.

4.2 The award particularly commended Halton on the strong range of engagement activity in place with suppliers, the good use of the Chest portal, strong data collection systems and the use of key performance indicators. Overall it was felt that Halton was an excellent example of how a Council can open up procurement opportunities to small businesses.

**5.0 POLICY IMPLICATIONS**

5.1 None.

**6.0 OTHER IMPLICATIONS**

6.1 None.

**7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

7.1 The Procurement Strategy is designed to improve procurement practice across the Council, in order to reduce costs associated with procurement processes and to realise budget savings from more robust procurement activity. This supports the achievement of all of the Council's priorities.

**8.0 RISK ANALYSIS**

8.1 Given the financial constraints facing the Council, failure to identify and realise savings from more robust procurement practice may result in the Council not achieving budget savings targets. The Procurement Strategy and procedures surrounding it are designed to ensure that efficient procurement practices are operated across the Council.

**9.0 EQUALITY AND DIVERSITY ISSUES**

9.1 None.

**10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

10.1 There are no background papers under the meaning of the Act.

# **Halton Borough Council**

## **Procurement Strategy**

**2013-2016**

# Procurement Strategy

Halton Borough Council 2013-2016

## Foreword

As a Council, we spend considerable sums of money on contracts; supplies and services; premises and transport with third parties. As well as making sure that we secure value for money when procuring goods, works and services, we also have a duty to use our purchasing power to help in the delivery of our wider corporate priorities of; A Healthy Halton; Employment, Learning and Skills in Halton; A Safer Halton; Halton's Children and Young People; Environment and Regeneration which is underpinned by our sixth priority; Halton and Corporate Effectiveness and Business Efficiency.

Procurement can directly support us to develop and grow social value, by investing in our communities, particularly our business community, both by seeking to measure the added value from buying local but more importantly ensuring our business community is trained and supported in procurement practice and has every opportunity to trade with us by demonstrating complete transparency of opportunity.

An effective Procurement Strategy will support our change and transformation agenda and our commitment to transform services in order to meet the financial

challenges that we all face. This Strategy sets out how effective procurement has already helped to deliver efficiencies and savings and how we will continue to use procurement to identify future savings. We will continue to work collaboratively to take advantage of the savings that procuring across a larger footprint with our partners can generate. Of course, none of this will happen without the support, involvement and commitment of all services across the Council, the businesses community and partners. It is only through this support and active engagement that the potential benefits of this Strategy will be realised for Halton.

I support and commend this Strategy as a reflection of the excellent development in the first three years of the Procurement Division, with it operating strategically at the centre of our organisation but also in continuing to drive change, lead improvement and most importantly to help us tackle our financial challenges and deliver the best for Halton communities.

I would also like to thank the Business Efficiency Board for the work and support it provides to this very important area of the Council's activities.



Cllr Mike Wharton, Executive Member  
for Resources

# Procurement Strategy

Halton Borough Council 2013-2016

## Purpose

The purpose of the strategy is to take Halton forward in a structured and planned approach in order to maximise efficiencies from savings and cost reduction through embedded, improved procurement processes. Together with developing wider alignment and collaborative activity with public sector partners in order to deliver benefits from regional economies of scale.

## Vision

To continue to secure full compliance internally with the Council's procurement rules and processes; to work together with public sector partners and the business community to develop innovative procurement solutions that deliver quality, value for money goods, works and services and deliver broader social value as well as securing further opportunities to trade and share robust practices and success.

## Context

Halton Borough Council (HBC) has historically spent over £90 million on goods, works and services that contribute to the delivery of services to the residents of Halton. The grant reduction programme initiated by the Government has had a massive impact

upon the Council, with Government grant reductions of approximately 30% since 2010.

These severe reductions in funding come at a time when the demand for Council services has never been greater. With an ageing population and an increasing number of looked after children, social care spend is growing. The economic downturn is also creating pressure on vital income budgets. With funding cuts of this magnitude it is not possible to simply tighten our belts.

We will need to rethink the services we deliver; ensuring that they are both cost effective, maintain or improve quality and that they address the needs of the residents of Halton at a time when every pound spent must deliver real value. Effective procurement has therefore never been more important. We need to spend money only on things that deliver real value to the people of Halton.

Improved Procurement will help us to deliver our strategic priorities:

- A Healthy Halton
- Employment, Learning and Skills in Halton
- A Safer Halton
- Halton's Children and Young People
- Environment and Regeneration in Halton
- Corporate Effectiveness and Business Efficiency

Our overall aim for Corporate Effectiveness and Business Efficiency is to deliver continued and positive

improvement on the quality of life in communities of Halton through the efficient use of the Council's resources.

All procurement must demonstrate a commitment to the principles of EU law underpinning all spend decisions in order to maintain transparency, fairness and to support the development of our local economy.

### Key Objectives

A Commercial Procurement approach will support the delivery of the Council priorities by implementing the following key objectives:

- Avoid spending on things we want rather than on what we need
- Achieve excellent value for money whilst maintaining quality
- Supporting the local economy, business and voluntary sector through transparency of opportunity support and education
- Collaborating with other public sector organisations to ensure maximum benefit for Halton and the wider region from joint procurement
- Developing trading opportunities to secure income and by sharing robust practices and delivering services to other public sector organisations

### "New Ways for Halton"

This strategy continues with the new approach developed and adopted during the past three years; this responds to the growing challenges faced by the Council. It represents a significant departure from the more traditional public sector procurement

approaches, to a more commercial approach embracing the Social Value agenda, grounded in compliance and has been nationally recognised by Department for Communities and Local Government (DCLG) with the Council being recognised as one of the 'Best Councils to do Business With', May 2013.

### Achievements to Date

During the first three years The Council has committed to driving organisational change through procurement and recognised the value of what a commercial approach can bring.

Following the establishment of a central procurement division and placing this at the heart of the organisation, we have continually challenged our rules, processes, practices and compliance in order to improve efficiencies through a more efficient approach and removing all unnecessary activities:

The Council has:

- Committed to publishing all procurement opportunities via The Chest (The Councils e-tendering system) from £1000 upwards;
- Removed Pre-Qualification Questionnaire (PQQ) for all procurement below EU value thresholds
- Implemented a risk based sourcing approach for all procurement below EU value thresholds which significantly simplifies process thus leading to time and cost efficiencies

throughout the whole organisation and for businesses

- Delivered a strong range of engagement with SME's to show we are 'Open for Business' in order to encourage and support businesses leading to successful contract awards
- Social Value consideration sits at the heart of our procurement planning as we aim to gain added value from procurement through securing employment, learning and skills outcomes as well as local supply chain engagement by our larger contractors
- Commenced a journey to develop aligned procurement processes with public sector partners in order to secure joint planning with the aim to deliver further significant savings by using the economies of scale this brings

**Achievements to Date at May 2013**

Chest Registration	We have moved from 279 to 650 registrations from July 2010 to May 2013
Savings	Annual targets achieved 2010 - 11 £600K 2011 - 12 £1m 2012 - 13 £1m
Business Engagement	From November 2010 to May 2013 400+ businesses attended our Procurement Workshops
Internal Workshops	During 2012 we trained 300+ HBC Officers via Procurement Workshops
Cost Avoidance	During 2012-13 we evidenced that reductions in costs of around 10% achieved

	from spend sourced via The Chest
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**The Commercial Approach**

Over the next three years we will continue with this commercial approach to procurement underpinned by six key Building Blocks.

**1. Organisation**

Halton continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities. This will be delivered through:

- Support from Elected Members, Business Efficiency Board and Management Team

**2. Governance and Process**

The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices. This will be delivered through:

- An Annual review of Procurement Standing Orders
- Continuing to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds
- Maintaining a risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds
- Ensuring we strive to push all spend above £1,000 via The Chest
- Deploying a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a

controlled and fully auditable environment

- Continue with the scrutiny role performed by the Business Efficiency Board (BEB) and report biannually against this strategy

### **3. Demand Management**

The Council will continue to secure improvement in procurement engagement by securing full compliance with Standing Orders delivered through:

- Continuous review of our spend analysis, which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to secure savings
- Further development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase and Supply (CIPS). This will ensure the Division is educated and skilled to manage procurement demand
- Continuation of a communication and education strategy internally to up-skill and educate the wider workforce

### **4. Market Engagement/Supplier Relationship Management (SRM)**

The Council will continue to develop further its relationships with the business Community and Voluntary Sector both locally and SMEs nationally in order to support local economic gains and investment into the SME market. We will also commence a review through of current supplier

relationships in order to review overall commercial business relationships, contractual arrangements, specifications, rates and expected outputs to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners. This will be delivered through:

- Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners
- Continuing with SME and Community and Voluntary Sector engagement both locally and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM
- Supporting the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement (Appendix A)

### **5. Category Management**

The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise savings. This work has commenced with the alignment of procurement processes with a couple of neighbour Councils and could grow



across the region and beyond. This will be delivered through:

- Reviewing our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation. Plus the consideration to align processes and rules in order to take a regional approach together.
- Further strengthening our relationship with Clinical Commissioning Groups to secure future trading relationships

## **6. Purchase to Pay/ e Procurement**

The Council will continue with the development of Purchase to Pay (P2P) and e procurement solutions to control compliance within the organisation, improve payment terms in order to secure a seamless end-to-end process. This will be delivered through:

- Reviewing P2P processes to secure full compliance across the organisation
- Supporting business process improvement to enable early payments to SME's

# Procurement Strategy 2013-2016

## Targets and Measurements

Building Block	The What	Measure
<b>1. Organisation:</b> The Council continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities	a. Support from Elected Members, Business Efficiency Board and Management Team	<ul style="list-style-type: none"> <li>Bi-annual progress report to BEB and Management Team</li> </ul>
<b>2. Governance and Process</b> The cOUNCIL will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices	a. Annual review of Procurement Standing Orders	<ul style="list-style-type: none"> <li>Contribute annually to HBC Constitution Review</li> </ul>
	b. Continue to ensure procurement practices are efficient and remove any unnecessary activity for spend below EU value Thresholds	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> <li>Make recommendations to Executive Board as and when required for approval</li> </ul>
	c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul>
	d. Ensure we strive to push all spend above £1,000 via The Chest (25% represents £5M of spend via the Chest (low value spend) – this delivers approximately £500K of cost reduction)	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team May 2013: 25% compliant (£5M of £22M)</li> </ul> <p><b>Target: May 2014 - 35%</b>  <b>May 2015 - 45%</b>  <b>May 2016 - 55%</b></p>
	e. Deploy a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a controlled and fully auditable environment	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul>
	f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> <li>BEB to make recommendations to Executive Board for approval</li> </ul>
<b>3. Demand Management</b> The Council will continue to secure improvement in procurement in engagement by securing full compliance with Standing Orders	a. Continuous review of spend analysis which will aid procurement planning across the organisation and with public sector partners to identify opportunities, prioritisation and to	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> <li>Continuous improvement of spend data (cleansing</li> </ul>

	secure savings	and accuracy) <ul style="list-style-type: none"> <li>Utilise spend data to inform Procurement Work plan</li> </ul>
	b. Continued development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase and Supply (CIPS) subject to available resources. This will ensure the division is educated and skilled to manage procurement demand	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p><b>May 2013:</b>  CIPS Level 6 – 1 qualified  CIPS Level 4 – 1 qualified  CIPS Level 4 – 3 awaiting results</p> <p><b>Target: May 14:</b>  CIPS Level 7 - 1 working towards  CIPS Level 6 - 2 working towards  CIPS Level 5 - 3 working towards  CIPS Level 4 - 2 working towards</p> <p><b>May 15 &amp; 16:</b> monitor and report full achievement</p>
	c. Continuation of a communication and education strategy internally to up-skill and educate the wider workforce	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p>May 2013: 300 staff attendance at workshops</p> <p><b>Target May 14/15/16:</b></p> <ul style="list-style-type: none"> <li>Increase number of events/attendance</li> </ul>
<b>4. Market Engagement/Supplier Relationship Management (SRM)</b> Halton will commence a review through a structured approach to developing supplier relationships in order to review overall business relationships, contractual arrangements, specifications, rates and expected outputs in order to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners.	a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners	<ul style="list-style-type: none"> <li>Seek approval from Efficiency Programme Board to place an SRM Review in Wave 5 Programme and report as required</li> </ul>
	b. Continuing with SME and Community and Voluntary Sector (CVS) engagement both locally and regionally in order to train, support and develop a 2-way approach where we learn together and to underpin SRM	<ul style="list-style-type: none"> <li>Bi-annual report to BEB and Management Team</li> </ul> <p>May 2013:  400 businesses reached via workshops  Chest Registration increase from 279 to 650</p> <p><b>Target May 14 ( SME's and CV Sector):</b></p>

		<ul style="list-style-type: none"> <li>• Increase number of events/attendance - %</li> <li>• Increase Chest Registration - %</li> <li>• Increase procurement activity - %</li> <li>• Increase award of contracts - %</li> </ul> <p><b>May 15 &amp; 16:</b> review improvement and set new targets</p>
	c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Report via ELS team to LCR Group</li> </ul> <p><b>Target: May 14:</b></p> <ol style="list-style-type: none"> <li>Make contracts more accessible to local suppliers especially SME's</li> <li>Encourage local Businesses to make quality submissions</li> <li>Promote use by contractors of local supply chains</li> <li>Promote apprenticeships, jobs for unemployed-training by prime contractors and their supply chain</li> </ol> <p><b>May 15 &amp; 16:</b> review improvement and set new targets (Measurement is set by LCR Employment, Learning and Skills Group)</p>
<p><b>5. Category Management</b></p> <p>The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater leverage, add value and maximise savings as we are too small to do this alone.</p>	a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton; Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation.	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Seek approval and guidance from Chief Finance Officers (CFOs) Group on strengthening our cross partner relationship aligned processes, and a more structured approach to collaborative working</li> <li>• Report to CFO's improvement and savings achieved (Target to be agreed by CFOs)</li> </ul>
	b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> </ul> <p><b>Target May 2014:</b></p> <ul style="list-style-type: none"> <li>• Secure additional trading relationships with CCG's</li> </ul> <p><b>May 15 &amp; 16:</b> Monitor contract and increase trading</p>

<p><b>6. Purchase to Pay/ e Procurement</b> Halton will continue with the development of P2P and e procurement solutions to control compliance within the organisation, improve payment terms to secure a seamless end-to-end process.</p>	<p>a. Review P2P processes to secure full compliance across the organisation</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Continue to improve Agresso functionality to aid procurement improvement</li> <li>• Review 'Green Slip' process with the P2P team</li> </ul>
	<p>b. Support business process improvement to enable early payments to SME's</p>	<ul style="list-style-type: none"> <li>• Bi-annual report to BEB and Management Team</li> <li>• Review Pilot and consider full implementation</li> </ul>



# Charter for Employment and Skills through Procurement.

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## Introduction

Liverpool City Region Employment and Skills Steering Group have developed this charter in conjunction with the Merseyside Procurement Partnership (MPP). MPP is a collaborative approach to procurement across key public services within the Liverpool City Region and beyond, aimed at maximising value for money, ensuring quality and best practice.

## Our Goals

We recognise:

- That we share a common goal to support employment rates and workforce skills in our communities.
- The power of our procurement spend, together with that of other public sector organisations across the City Region, our contractors and their supply chains should be used to sustain and support employments and skills.

## Our Commitments

We will aim to:

- Act in a coordinated and consistent manner using our collective buying power to secure employment and skills wherever they may be delivered across the Regional economy.
- Encourage other public sector bodies, our contractors and their supply chains in using their buying power to pursue these aims and
- Work with employment and skills agencies, education institutions, training providers and our communities to enable people across the Liverpool City Region and beyond to maximise opportunities.



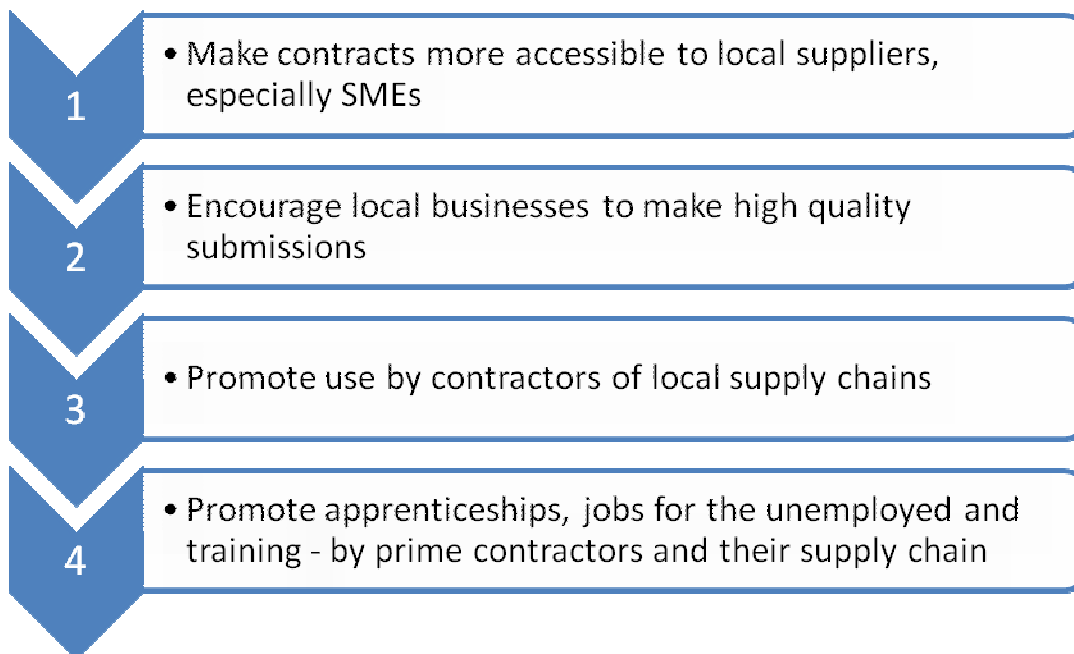


# Charter for Employment and Skills through Procurement.

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## Context

We are committed to a broader four step approach adopted by the Liverpool City Region's Employment & Skills Board to maximise the positive impact made by public sector procurement on the Regional economy:



To support these steps we will:

- Share best practice in wider procurement matters in order to support employment and skills.
- Take steps to ensure that we maximise opportunities for the Region's suppliers to access and bid for our opportunities, including SMEs and social enterprises.
- Consider where and how procurement activities will support and improve economic, social and environmental well-being within the region, whilst taking account of Procurement Contract Regulations.
- Engage with the local business community to promote the procurement process within our organisations and learn from such engagement
- Assist LCR Employment & Skills Group to signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce, including apprenticeships and work experience.
- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.



# Charter for Employment and Skills through Procurement.

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## Specific actions 2013-14

- Make more suppliers aware of our opportunities.
- Share best practice in wider procurement matters in order to support employment and skills.
- Support and improve economic, social and environmental well-being within the region.
- Engage with the local business community to promote the procurement process.
- Signpost our suppliers to access support and funding that may be available to help them recruit and train their workforce
- Promote and encourage sub-contracting and supply chain opportunities within the Region where appropriate.

## Measures

- Measure the number of suppliers registered on the Chest.
- Measure the number opportunities published via the Chest.
- Measure the number of businesses that we engage with and through what mechanism.



## Appendix B

### GLOSSARY OF PROCUREMENT TERMS USE IN THIS STRATEGY

**Aggregation** value p.a. multiplied by the proposed length of contract term including extensions. (You must include partner organisation values).

**Agreement** the current financial system between the parties, another word for a contract.

#### **Benchmarking**

Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice.

**Best and Final Offer (BAFO)** from participating suppliers a further BAFO on price only. This supersedes the original price submission.

**Best Practice** effective and desirable method of carrying out a function or process derived from experience rather than theory

**Best Value** attempts to secure continuous improvement in the exercise of an Authority's functions, having regard to a combination of economy, efficiency and effectiveness as required by the Local Government Act 1999; the relationship between worth and cost.

**Contract** agreement made between two or more parties, which is intended to be enforceable at law through to payment, and to contract management.

**EU Financial Thresholds** Regulations (PCR) 2006 stimulate financial thresholds for goods, works and services where there is a requirement to follow the principles of EU PCR 2006.

**KPI** Performance Indicator. KPI's are tools that help us to measure the performance of suppliers against their contractual obligations

**Pre-Qualification Questionnaire (PQQ)** Companies that wish to be considered for a procurement activity. The purpose is to assess the company's general suitability in terms of financial and economic standing, technical capability and experience, quality assurance, health and safety procedures, environmental issues and equalities considerations.

#### **Quality**

The level of fitness for purpose which is specified for or achieved for any goods, works or services

#### **Risk**

The probability of an unwanted event occurring and its subsequent impact.

#### **Risk Based Sourcing (RBS)**

The process of establishing potential suppliers of specified goods, works or services below EU financial thresholds

#### **SME**

Small and Medium Size Enterprise. Used in context, this may indicate navigation away from larger global companies.

#### **Soft Market Testing**

The process of engaging the open supply market prior to procurement.

#### **Sustainability**

The social, economic and environmental issues that could o be considered in a procurement exercise

**Whole Life Costs** consideration of all relevant costs and revenues associated with the acquisition and ownership.

**REPORT TO:** Business Efficiency Board

**DATE:** 26 June 2013

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** External Audit - Update Report

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this paper is for Grant Thornton to update the Board in regards to:
- The progress made in delivering their responsibilities as the Council's external auditors;
  - A summary of national issues and developments that may be relevant to Halton as a Unitary Council;
  - A number of challenge questions in respect of these emerging issues, which the Board may wish to consider.

## **2.0 RECOMMENDATION: That the Board notes the report.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 Please see attached report.

## **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 There are no direct implications.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 5.1 There are no direct implications.

## **6.0 RISK ANALYSIS**

- 6.1 This report is for information only. There are no risks arising from it.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None



**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

# Business Efficiency Board Update for Halton BC

**Year ended 31 March 2013**

13 June 2013

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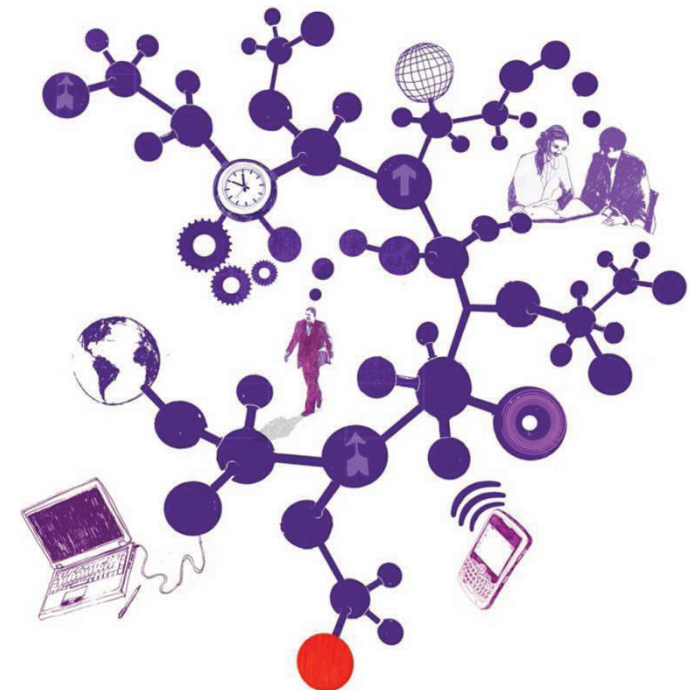
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Introduction

This paper provides the Business Efficiency Board, as the Council's Audit Committee, with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Unitary Council
- includes a number of challenge questions in respect of these emerging issues which the Board may wish to consider.

Members of the Business Efficiency Board can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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## Progress at June 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 Accounts Audit Plan</b>                      We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	March 2013	Yes	Our audit plan was presented to the last meeting of the Business Efficiency Board in May 2013.
<p><b>Interim accounts audit</b>                      Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	February to June 2013	On track	<p>Our interim accounts work is nearing completion. To date we have not identified any issues that we need to bring to your attention.</p> <p>Our work on the accounting treatment of Mersey Gateway development costs has not yet started. We had an initial meeting with finance officers on 3 April where we agreed a timeline and information requirements. Officers are currently reviewing the costs that have been capitalised before providing that information for audit.</p> <p>Following discussion with the Audit Commission, our review of the Mersey Gateway development costs will no longer be subject to additional fee. We have been asked to incorporate our work within the core audit fee.</p>

## Progress at 13 June 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>audit of the 2012-13 financial statements</li> <li>proposed opinion on the Council's accounts</li> <li>proposed Value for Money conclusion.</li> </ul>	July to September 2013	On track	<p>Our planning for the audit of the Council's 2012-13 financial statements is about to commence and onsite work will begin on 1 July 2013. We will report our findings to the Business Efficiency Board in September 2013.</p> <p>We will conclude our work to support the Value for Money conclusion and report our conclusion to the Business Efficiency Board in September 2013.</p>
<p><b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>A review of your arrangements to ensure financial resilience</li> <li>A review of your arrangements to secure economy, efficiency and effectiveness in the use of resources</li> <li>A review of the affordability, procurement and risk management arrangements associated with the Mersey Gateway Project.</li> </ul>	February to August 2013	On track	<p>Our audit work is currently underway.</p> <p>Members will recall we agreed additional fee to review arrangements for the Mersey Gateway project. Following discussion with the Audit Commission, the scope of our work was reduced with a consequent reduction in the audit fee. Our work is now limited to a review of the work undertaken by the Council in two areas, affordability and risk . Internal Audit are reviewing the project's procurement arrangements. The additional fee for our work is subject to approval by the Audit Commission but it is expected to be within the range of £7,000 to £10,000.</p>
<p><b>Other areas of work</b> We will certify your 2012-13 government grant claims.</p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice work for the Council. Details are set out in the Audit Plan</p>	July to October 2013	On track	<p>Work on your Housing Benefits claim started in June 2013. All other grant claims will be progressed during the summer.</p> <p>The VAT advice work is not part of the main audit. It is subject to a separate engagement letter and fee.</p>

## Emerging issues and developments

### Accounting and audit issues

#### LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 96](#). The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- the revised disclosure format for dedicated schools grant
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets
- accounting for the transfer of public health reform in 2013/14.

Challenge question:

- Has your Divisional Manager Finance reviewed the guidance and assessed the potential impact for your financial statements?

#### Accounting for Schools in Local Authorities

CIPFA/LASAAC has issued a [technical alert](#) on accounting for schools. There are no changes planned for the 2013/14 Code. The alert refers to the issues that were consulted on for the 2013/14 Code and draws attention to the need for CIPFA/LASAAC to consider the impact of IFRS 10: 'Consolidated Financial Statements' on school accounting which is due to be adopted in the 2014/15 Code.

The technical alert recommends 'local authorities set out clearly in their 2012/13 and 2013/14 financial statements, in the summary of significant accounting policies, their approach to accounting for maintained schools' income, expenditure, assets, liabilities and reserves. These accounting policies need to be consistently applied throughout the complete set of financial statements'.

Challenge questions:

- Do your accounting policies set out clearly your approach to accounting for maintained schools?
- Do your financial statements apply these accounting policies consistently?

## Emerging issues and developments

### Accounting and audit issues

#### Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
  - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
  - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
  - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
  - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Divisional Manager Finance aware of the changes to the 2013/14 Code and assessed the potential impact?
- In particular, has your Divisional Manager Finance consulted:
  - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
  - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?

## Emerging issues and developments

### Accounting and audit issues

#### Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a [set of case studies](#), available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Challenge question:

- Have your Strategic Director and Divisional Manager Audit & Operational Finance reviewed these case studies and considered whether the Council can drive more organisational value from internal audit?

## Emerging issues and developments

### Local government guidance

#### 2010/11 Whole of Government Accounts

The following reports have been published on the audited 2010/11 Whole of Government Accounts (WGA):

- Public Accounts Committee (PAC) issued its [2010/11 WGA report](#) - PAC has recommended that HM Treasury should do more to use WGA accounts to inform decision making and also drew attention to the need for the preparation and audit of WGA to be timelier.
- DCLG published an unaudited consolidated account for [English Local Government 2010/11](#) - the information is high-level, focussing on the consolidated statement of revenue and expenditure, the consolidated statement of financial position and the consolidated statement of changes in taxpayers' equity. There is no breakdown of line items and no comment on cash flows, commitments and off balance sheet liabilities. However, the document does provide links to more detailed local government finance statistics.

Challenge question:

- Has your Divisional Manager Finance considered these reports and any lessons for the Council?
- Has your Divisional Manager Finance produced a robust and adequately resourced timetable for the production and submission of 2012/13 WGA returns?

#### Governance statements

The National Audit Office has published '[Fact Sheet: Governance Statements: good practice observations from our audits](#)' providing insight and commentary on the first year of Governance Statement reporting observations on good practice “challenge questions” for those whose role it is to oversee and scrutinise an organisation’s Governance Statement.

Challenge questions:

- How do you plan to make your Annual Governance Statement be more transparent and relevant to your Council?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?

## Emerging issues and developments

### Local government guidance

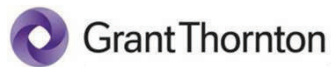
#### Openness and transparency on personal interests - A guide for councillors

In March, DCLG published '[Openness and transparency on personal interests - A guide for councillors](#)'.

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

Challenge question:

- What has your Council done to improve awareness of openness and transparency requirements for councillors?



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