

AUDIT AND STANDARDS COMMITTEE

TUESDAY 10TH DECEMBER 2013

**AT 6.00PM
IN COMMITTEE ROOM 3
THE COUNCIL HOUSE
DUDLEY**

If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, could you please contact Democratic Services in advance and we will do our best to help you

**KAREN TAYLOR
DEMOCRATIC SERVICES OFFICER
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You can view information about Dudley MBC on
www.dudley.gov.uk/**

IMPORTANT NOTICE

MEETINGS IN DUDLEY COUNCIL HOUSE

Welcome to Dudley Council House

In the event of the alarm sounding, please leave the building by the nearest exit. There are Officers who will assist you in the event of this happening, please follow their instructions.

There is to be no smoking on the premises in line with national legislation. It is an offence to smoke in or on these premises.

Please turn off your mobile phones and mobile communication devices during the meeting.

Thank you for your co-operation.

Your ref:	Our ref:	Please ask for:	Telephone No.
	KT/kt	Mrs K Taylor	01384 818116

28th November, 2013

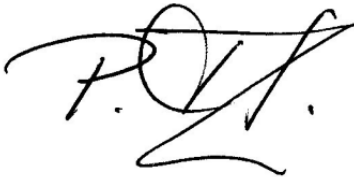
Dear Member

Audit and Standards Committee – Tuesday 10th December, 2013.

You are requested to attend a meeting of the Audit and Standards Committee to be held on Tuesday 10th December, 2013 at 6.00pm in Committee Room 3 at the Council House, Dudley to consider the business set out in the Agenda below.

The agenda and public reports are available on the Council's Website www.dudley.gov.uk and follow the links to Councillors in Dudley and Committee Management Information System.

Yours sincerely



Director of Corporate Resources

A G E N D A

- 1 APOLOGIES FOR ABSENCE**
To receive apologies for absence from the meeting.
- 2. APPOINTMENT OF SUBSTITUE MEMBERS**
To report the appointment of any substitute members serving for this meeting of the Committee.
- 3. DECLARATIONS OF INTEREST**
To receive Declarations of Interest in accordance with the Members' Code of Conduct.

4. MINUTES

To approve as a correct record and sign the Minutes of the meeting of the Committee held on 19th September, 2013 (copy attached).

5. GRANT THORNTON AUDIT AND STANDARDS COMMITTEE UPDATE (PAGES 1 - 10)

To consider a report of the Treasurer

6. ANNUAL AUDIT LETTER 2012/2013 (PAGES 11 - 27)

To consider a joint report of the Chief Executive and the Treasurer

7. ANNUAL REPORT OF THE COMMITTEE ON STANDARDS IN PUBLIC LIFE 2012/13 (PAGES 28 - 62)

To consider a report of the Treasurer

8. REVIEW OF CURRENT CORPORATE RISKS AND CORPORATE RISK SCRUTINY (PAGES 63 - 71)

To consider a report of the Treasurer

9. AMENDMENT OF STANDING ORDERS (PAGES 72 – 88)

To consider a report of the Treasurer

10. TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE RULE 11.8 (IF ANY)

PRIVATE SESSION

In accordance with Paragraph 10 of Schedule 12A to the Local Government Act 1972, the Proper Officer has determined that there will be no advance disclosure of the following reports because the public interest in disclosing the information set out in the following items is outweighed by the public interest in maintaining the exemption from disclosure

11. RESOLUTION TO EXCLUDE THE PUBLIC

To consider the adoption of the following resolution:-

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 as indicated below:-

<u>Agenda Item No</u>	<u>Description of Item</u>	<u>Relevant Paragraph(s) of Part I of Schedule 12A</u>
12	Suspensions under the Provisions of the Employee Improvement and Disciplinary Procedure	2 and 7
13	Annual Report in Relation to the Directorate of Adult, Community and Housing Services	2 and 7

12. SUSPENSIONS UNDER THE PROVISIONS OF THE EMPLOYEE IMPROVEMENT AND DISCIPLINARY PROCEDURE (PAGES 89 - 94)

To consider a report of the Director of Corporate Resources

13. ANNUAL REPORT IN RELATION TO THE DIRECTORATE OF ADULT, COMMUNITY AND HOUSING SERVICES (PAGES 95 - 123)

To consider a report of the Treasurer

To: All Members of the Audit and Standards Committee, namely:

Arshad	Cowell	Harris	Hill	J. Martin (Substitute)
Mrs. P Martin	Taylor	Tyler	C. Wilson	

AUDIT AND STANDARDS COMMITTEE

Thursday 19th September, 2013 at 6.00 p.m.
in Committee Room 3, The Council House, Dudley

PRESENT:-

Councillor Cowell (Chair)
Councillor Arshad (Vice-Chair)
Councillors Harris, Hill, Russell, Taylor, K. Turner, Tyler and Vickers

Officers

Treasurer, Head of Audit Services, Director of the Urban Environment, Assistant Director, HR and Organisational Development, Executive Support Manager, Directorate of the Urban Environment, Group Accountant, Audit Managers, Principal Auditor and Mr J Jablonski (Directorate of Corporate Resources).

Also in Attendance

Ms. K. Bellingall (Director) (Grant Thornton)
Mr. S. Turner (Manager) (Grant Thornton)

13. **APOLOGIES FOR ABSENCE**

Apologies for absence from the meeting were submitted on behalf of Councillors Mrs Martin and C Wilson.

14. **APPOINTMENT OF SUBSTITUTE MEMBERS**

It was reported that Councillors K Turner and Vickers had been appointed as substitute members for Councillors C Wilson and Mrs Martin for this meeting of the Committee only.

15. **DECLARATIONS OF INTEREST**

No Member made a declaration of interest in accordance with Members' Code of Conduct in respect of any matter to be considered at this meeting.

16. MINUTES

Councillor Taylor referred to the preamble to Minute 4 and reported that he had now received a response from the Director of Adult, Community and Housing Services in relation to the introduction of a policy for deceased client's balances.

RESOLVED

That the minutes of the meeting held on 9th July, 2013, be approved as a correct record and signed.

17. CHANGE IN ORDER OF BUSINESS

That, pursuant to Council Procedure Rule 13(c) it was

RESOLVED

That agenda item number 12 – Annual Audit Report in relation to the Directorate of the Urban Environment - be considered as the next item of business.

18. EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following item of business on the grounds that it involves likely disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act, 1972, as indicated below; and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exemption from disclosure.

Description of Item

Relevant Paragraphs
of Part I of Schedule
12A

Annual Audit Report in relation to the 2 and 7
Directorate of the Urban Environment

19. ANNUAL AUDIT REPORT IN RELATION TO THE DIRECTORATE OF THE URBAN ENVIRONMENT

A report of the Treasurer was submitted on the Audit work undertaken in the Directorate of the Urban Environment for the financial year 2012/13 and incorporating details of the more important findings.

Arising from comments and queries made on the report, and Appendices to the report, submitted it was noted that, in relation to post audit questionnaires that arrangements had been put in place to ensure that such questionnaires were completed and that a higher rate of completion would be reported for the financial year 2013/14.

RESOLVED

That the findings of the 2012/13 audit work, be accepted.

20. EXTERNAL AUDIT FINDINGS REPORT 2012/13 AND REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE

A report of the Treasurer was submitted presenting to the Committee two reports from the Council's external auditors, Grant Thornton UK LLP in relation to Audit Findings Report 2012/13 and Review of the Council's Arrangements for Securing Financial Resilience.

The Committee were also presented with the Letter of Representation from the Council to the external auditors for approval and signing.

In his introduction of the report, the Treasurer referred to the Council's Letter of Representation, attached as Appendix 3 to the report, and reported that the first sentence of paragraph ix should be deleted as there were no material misstatements requiring adjustment.

Ms K Bellingall then commented on the content of Appendix 1 in relation to the Audit Findings Report 2012/13 and in so doing reported that it was anticipated that the external auditors would provide an unqualified opinion on the financial statements and propose to give an unqualified value for money conclusion. As indicated previously it was also commented that there were no outstanding misstatements. The action plan at Appendix A to the report raised no issues regarding compliance.

Arising from the presentation given of the content of the Audit Findings Report 2012/13 a number of questions were asked to which responses were given.

Simon Turner then presented the content of Appendix 2 –Review of the Council's Arrangements for Securing Financial Resilience. Overall, the external auditors were satisfied that adequate arrangements were in place. The executive summary to the report set out areas of review and the management response to them in each case.

RESOLVED

1. That the information contained in the report ,and Appendices 1 and 2 to the report submitted on the Audit Findings Report 2012/13 and Review of the Council's Arrangements for Securing Financial Resilience, reports from the Council's external auditors, Grant Thornton UK LLP, be received and noted.
 2. That the Letter of Representation, as amended at the meeting, attached as Appendix 3 to the report submitted, be approved and signed by the Treasurer and the Chair of this Committee.
-

21. CODE OF CONDUCT FOR EMPLOYEES

A report of the Director of Corporate Resources was submitted on the Code of Conduct for Employees which, following an annual review had resulted in minor amendments to the Code as indicated in paragraph 4 of the report submitted.

During the consideration of this matter the Assistant Director HR and Organisational Development undertook to inform Councillor K Turner direct regarding his queries as to whether there had been any instances of confidential reporting i.e. whistle blowing and if so how many there had been.

RESOLVED

That the information contained in the report, and Appendix 1 to the report, submitted on proposed amendments to the Code of Conduct for Employees, be noted and that the Council be recommended to adopt the revised Code of Conduct for Employees as set out in Appendix 1 to the report submitted.

22. STATEMENT OF ACCOUNTS 2012/13

A report of the Treasurer was submitted presenting the Statement of Accounts to the Committee for consideration and approval and to inform them of the outcome of the audit of the accounts. The Statement of Accounts, and the audit of them, are the main formal and public reports on the financial standing of the authority. A copy of the Statement of Accounts for the year ended 31st March 2013 had been circulated separately to members and was considered as Appendix 1 to the report submitted.

The Treasurer gave a visual presentation on the Statement of Accounts with particular reference to the Movement in Reserves Statement referred to in paragraphs 9-12 of the report submitted and on pages 12 and 13 of Appendix 1. It was noted that after transfers to and from earmarked reserves, the year end balance on the General Fund had increased by £7.196 million from £12.204 million to £19.400 million. This was consistent with the outturn reported to Cabinet.

Arising from the consideration given to this matter and the asking of questions the Treasurer agreed to respond direct to all Members of the Committee on the question raised regarding the reasons why expenditure on the Housing Revenue Account in relation to supervision and management had increased from 2011/12 to 2012/13.

RESOLVED

That the information contained in the report, and Appendix 1 to the report, on the Statement of Accounts 2012/13, be noted and that the Statement of Accounts be approved and signed by the Chair of this Committee.

23. ANNUAL GOVERNANCE STATEMENT

A report of the Treasurer was submitted on the Annual Governance Statement to accompany the accounts for the financial year 2012/2013.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on the Annual Governance Statement be noted and that the Annual Governance Statement as set out at Appendix C be approved and referred to the Leader of the Council and Chief Executive for signature.

24. TREASURY MANAGEMENT

A report of the Treasurer outlining treasury activity during the financial year 2012/13 and in the current financial year up to August, was submitted.

RESOLVED

That the information contained in the report submitted, on Treasury Management Activity during the financial year 2012/13 and in the current financial year up to August, 2013, be noted and referred to full Council at its meeting to be held on 7th October, 2013.

EXCLUSION OF THE PUBLIC

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act, 1972, as indicated below; and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exception from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraphs of Part I of Schedule 12A</u>
Audit Services Interim Performance Report	2 and 7
Report required under Standing Orders	2 and 7

AUDIT SERVICES INTERIM PERFORMANCE REPORT

A report of the Treasurer was submitted updating the Committee on Audit Services Performance and other related information.

Following a presentation of the content of the report and related Appendices to the report submitted, lettered A to E, particular comments were made in relation to paragraph 12 of the report in respect of training and in relation to Appendix E – Audit and Standards Committee Skills Questionnaire – 2013.

In addition to the comments made in paragraph 12 of the report as regards training it was also noted that information arising from a separate survey referred to would be contained in the next report on Audit Services Interim Performance to be submitted to the Committee.

Regarding Appendix E it was considered that the questionnaire, as possibly updated, could be used and that further consideration should be given to this matter at the next meeting of the Committee when the latest guidance for Members of Audit Committees would be available from CIPFA and would be made available to members of the Committee with the intention of having a discussion at the meeting as to the training that members would like to see provided.

RESOLVED

That the information contained in the report, and Appendices to the report, submitted on an update on Audit Services Interim Performance and other related information, be noted and that further consideration be given to Appendix E to the report and related issues as to the training for members of this Committee at the next meeting of the Committee to be held in December, 2013.

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REPORT REQUIRED UNDER STANDING ORDERS

A report of the Treasurer was submitted on any cases arising under Standing Orders 3.2 and 9.8 requiring a report to this Committee.

RESOLVED

That the information contained in the report, and Appendix A to the report, submitted on two cases reported under Standing Order 3.2.4, be noted.

The meeting ended at 8 p.m.

CHAIR

Audit and Standards Committee – 10th December 2013

Report of the Treasurer

Grant Thornton Audit and Standards Committee Update

Purpose of Report

1. To consider the External Auditors Update Report. The Audit Manager will be available at the meeting to deal with any issues.

Background

2. The Council's External Auditors (Grant Thornton LLP) have published a report to update Audit and Standards Committee members on progress in delivering their responsibilities as the Council's external auditors.
3. The paper also includes a summary of emerging national issues and developments and also includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider. These are listed below together with management responses:

- a. Has the authority reviewed the costs of Social care for older people and the performance of your authority against similar organisations? Where issues have been identified, has an action plan been implemented?***

Yes. The Council reviews the costs of activities and performance data against other similar organisations in several ways:

(i) Membership and participation in review/ benchmarking groups

We are members of the CIPFA benchmarking club for various areas of Adult Social care activity

We are also members of The Association of Directors of Adult Social Services (ADASS) regional standards and performance group which looks in detail at various areas of activity across the region.

We have participated in an ADASS sector led improvement programme during 2013/14 and are currently involved in a peer review of our Safeguarding services which will happen later in this financial year.

(ii) Ad hoc reviews

We regularly use data from the National Adult Social Care Information service (NASCIS) to compare costs and during this year have completed a detailed analysis of the Towards Excellence in Adult Social Care report

that was issue earlier in the year. This compared the costs and performance of the Directorate both regionally and nationally.

(iii) Specific reviews undertaken

Reviews in the following areas have either been completed or are currently being undertaken

Community equipment store

Access to services and care pathway

Reablement and services to support hospital diversion and hospital discharge

Commissioning for services for people with a Learning Disability and those with a Physical Disability.

Actions already in place

To deliver better value for money and outcomes for people using services a number of action plans are already in place these include:

- a) Transfer of long term home care hours to Independent sector from internal provision.*
- b) Transfer of people with a learning disability to supported living from residential care*
- c) A demand management model has been developed to manage the level of resources and demand for care services. The demand management model will be developed further to support all future development and investment in Adult Social Care, by providing benefit realisation data around the effectiveness of options being considered at the point of change*

b. Has the authority reviewed the costs of Council Tax Collection and the performance of your authority against similar organisations? Where issues have been identified, has an action plan been implemented?

Yes. Our principal benchmarking process is the CIPFA Council Tax Benchmarking Club, which provides a very detailed analysis of Dudley's costs/performance in this area which compares us to similar authorities. We have used the service for a number of years which means we can monitor trends over time. The latest results available (July 2013) show that Dudley is the best performing of the 19 metropolitan and unitary councils in our comparator group when both staff cost and collection performance are taken into consideration.

Other benchmarking activity that also takes place:

- a) with other West Midlands authorities through the West Midlands Revenues Group on a quarterly and ad-hoc basis, and*
- b) via annual council tax collection performance information for all metropolitan councils*

Any issues identified through these various means are incorporated into, and monitored via, the Revenue Services Business Plan.

c. Are your elected members taking a greater role in financial planning and has the authority ensured that members are trained for the task?

There is an annual training session on the Council's finances which is open to all members and which new members are particularly encouraged to attend. There is also specific training for new members of the Audit and Standards Committee as well as training on Treasury Management which is open to all members and particularly encouraged for members of the Audit and Standards Committee. The Treasurer offers briefings to all political groups as part of the budget process.

Finance

4. There are no resource implications as a consequence of the report.

Law

5. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1999, the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

6. The proposals take into account the Council's Policy on Equality and Diversity

Recommendation

7. That Members note the Audit and Standards Committee Update Report and comment on matters in the Report.



.....
Iain Newman
Treasurer

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List of Background Papers

Grant Thornton Audit and Standards Committee Update for Dudley MBC December 2013

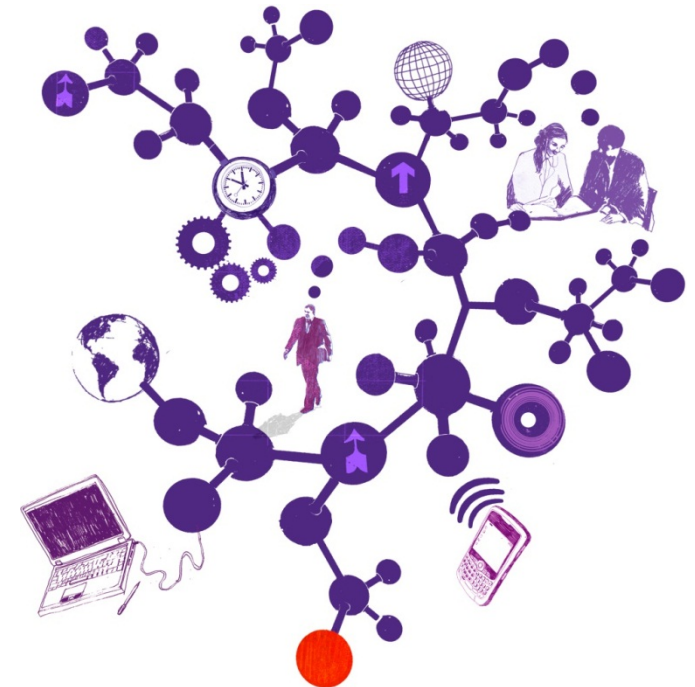
Audit Committee Update for Dudley MBC

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.

11th November 2013

Kyla Bellinghall
Engagement Lead
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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.

Introduction

This paper provides the 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
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website 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.

Progress at November 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Certification of Grant claims We are continuing our work on the certification of the Housing and Council Tax Benefits Claim and Teachers Pensions claim.</p>	30 th November 2013	No	We are on target to certify the claims by the required deadline. It is likely that, as in previous years, the housing and council tax benefit claim will be subject to a qualification letter.
<p>2013/14 accounts audit Our planning includes:</p> <ul style="list-style-type: none"> •updating our review of the control environment •updating our understanding of financial systems •review of Internal Audit reports on core financial systems •early work on emerging accounting issues •Planning the Value for Money conclusion. 	31/3/14	No	We will start the planning of the 2013/14 audit work in December/January.

Emerging issues and developments

Local government guidance

Social care for older people

In July, the Audit Commission released [Social care for older people: Using data from the VFM Profiles](#). This briefing has been drawn from the Commission's Value for Money (VFM) Profiles and show councils spend on different services and how their costs and performance compare with other similar organisations.

Challenge questions:

- Has the authority reviewed the costs and performance of your authority against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Council tax collection

The Audit Commission has released a briefing on [Council Tax Collection](#) which uses the data held in the VFM profiles tool. The VfM profiles can be used to consider:

- how the cost and rate of collection compares to different comparator groups
- how changes over time compare to the overall trends described in the briefing
- how council tax collection may be affected by local arrangements in the council tax reduction scheme.

In addition in October 2013 it produced a briefing paper on NNDR profiles

Challenge questions:

- Has the authority reviewed the costs and performance of your authority against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Emerging issues and developments

Grant Thornton

'Future Councillors – where next for local politics?'

Grant Thornton has sponsored the latest New Local Government Network (NLGN) research paper: [Future Councillors – where next for local politics?](#) Whilst more or less every aspect of what a council does is currently up for discussion, this is not the case for the role of local politicians. The report is a response to this discourse gap.

The report content is based on a series of workshops held earlier this year with a number of councillors from different local authority types, different regions and from different political parties. The workshops, which Grant Thornton attended, included a scenario-planning exercise which identified how councillors that fail to renew their democratic processes risk losing the support of their communities. The research also suggested that councils that did grasp the opportunities offered by technology and service redesign can become far more engaged with their communities, building efficient and co-operative models of local government focused on neighbourhood needs.

The report includes a chapter by Guy Clifton from Grant Thornton on the councillor's role in financial planning. The workshops identified that many elected members are keen to take a far greater role in financial planning at their authorities, particularly given the significant funding challenges being faced. During the workshops we explored the skills and capabilities that members need to effectively manage the budget setting process. These included: effective communication and stakeholder engagement, understanding financial planning tools and, perhaps most importantly, knowing what questions to ask.

Challenge question:

- Are your elected members taking a greater role in financial planning and has the authority ensured that members are trained for the task?



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Audit and Standards Committee – 10th December 2013

Joint Report of the Chief Executive and the Treasurer

Annual Audit Letter 2012/13

Purpose of Report

1. To consider the External Auditor's Annual Audit Letter for 2012/13.

Background

2. Grant Thornton, the Council's external auditors, have produced an Annual Audit Letter. Representatives of Grant Thornton will be in attendance at this meeting to present the Letter and to discuss its contents with members.
3. The Audit Commission's Code of Audit Practice requires that the external auditors prepare an Annual Audit Letter (the Letter) and issue it to the Council. The purpose of the Letter is to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from auditors' work, which the external auditor considers should be brought to the attention of the Council. The Letter is intended to cover the work carried out by the external auditors since the previous Letter was issued, in this case October 2012.
4. At the meeting of this Committee on the 19th September 2013, Grant Thornton produced their Audit Findings Report. The report considered the auditor's findings in relation to the Council's Financial Statements and Value for Money conclusion for 2012/13 and the auditor issued an unqualified opinion
5. The Letter will be presented to Cabinet on 12th February 2014 and representatives from Grant Thornton will attend and address the Cabinet on key messages, conclusions and significant issues.
6. The Letter has been published, placed on the Council website, and paper copies made available at a charge of £1.00, as agreed in 2000/01.

Finance

7. The report deals with a number of financial affairs of the Council. No additional resources are required as a direct consequence of the Letter.

Law

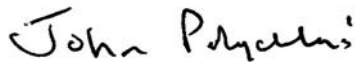
8. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made there under.

Equality Impact

9. The proposals take into account the Council's Policy on Equality and Diversity.

Recommendation

10. It is recommended that the Committee:-
 - Note the views of the Auditor.
 - Comment on matters in the Annual Audit Letter.



.....
John Polychronakis
Chief Executive

.....
Iain Newman
Treasurer

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List of Background Papers
Annual Audit Letter 2012/13

The Annual Audit Letter for Dudley Metropolitan Borough Council

Year ended 31 March 2013

16 October 2013

Kyla Bellingall

Director

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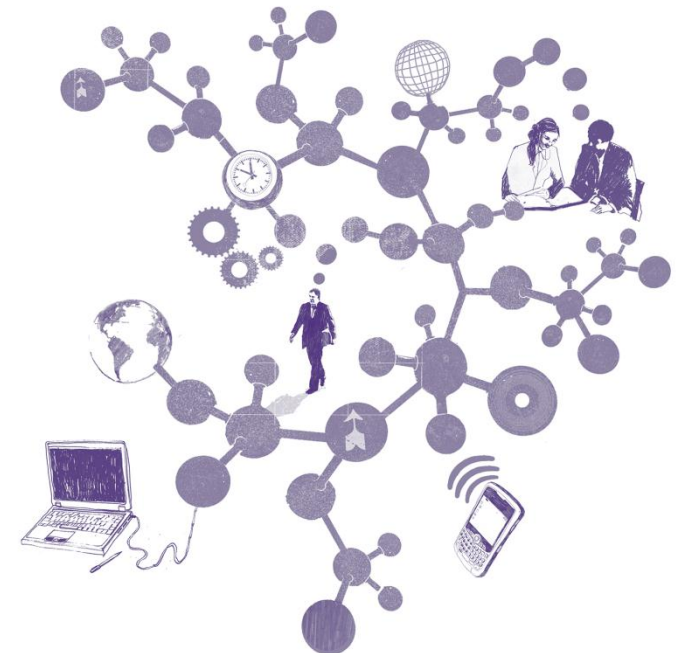
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Appendices

A Reports issued and fees

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

This Letter will be considered by the Audit and Standards Committee on 10 December. This report reflects the findings from our work on both the financial statements and the value for money conclusion.

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Dudley Metropolitan Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 19 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 9 July 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission.

Executive Summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17.

In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions.

In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge. Financial austerity is expected to continue until at least 2017.

The increasingly tight financial situation is the most significant issue facing the Council at present. If the Council is to continue to set a balanced budget then it will have to make substantial savings. The Council has been able to absorb funding cuts to date but, if it is to deliver the further savings required in the future, it will need to keep this issue at the top of its agenda.

The Council's sickness levels have been falling in recent years but, in 2012/13, they started to rise again and are above the average for local government. The Council introduced a new Absence Management Policy in May 2013 which it expects to result in decreasing levels of sickness absence. The Council will need to monitor the effectiveness of the policy and assess whether it is resulting in decreasing sickness absence.

Financial reporting processes are robust. However, there is scope to improve the quality of financial reporting to Cabinet in respect of spend against revenue and capital budgets, other key financial data such as debtor collection rates and speed of payment of suppliers and the savings programme.

Executive Summary

Acknowledgements

This Letter has been agreed with the Treasurer and will be presented to Audit and Standards Committee on 10 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year was provided. No changes were made to the accounts that impacted on the Council's overall financial position

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 17 June 2013, which was in advance of the national deadline of 30 June 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 24 June 2013.

Issues arising from the audit of the accounts

We did not identify any adjustments affecting the Council's reported financial position. We made a number of adjustments to improve the presentation of the financial statements. Details of the most significant of these adjustments were reported in our Audit Findings Report which we presented to the Audit and Standards Committee on 19 September 2013.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit and Standards Committee at the Council). We presented our report to the Audit and Standards Committee on 19 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall, our work highlighted:

- The Council's Medium Term Financial Strategy (MTFS) is regularly updated to reflect the changing economic climate
- The current MTFS has identified £58m of savings over the next three years. Almost two thirds of these savings are to be made by the Directorate of Adult, Community and Housing and the Directorate of Children's Services
- The Council carried out a large public consultation to inform its budget setting process, supported by detailed consultation with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equality issues
- The Council's financial control is demonstrated by its ability to achieve cost savings within the continually challenging economic climate
- Cash is being managed appropriately in terms of market conditions and counterparty and interest rate risks
- The Council has a sound risk management framework in place
- Financial reporting processes are robust. However, there is scope to improve the quality of financial reporting to Cabinet, in respect of spend against revenue and capital budgets, other key financial data such as debtor collection rates and speed of payment of suppliers and the savings programme.

Further details are provided in our Financial Resilience report issued in September 2013.

Value for Money

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Overall, our work highlighted:

- The Council achieved an underspend against revised budget of £1.697m in 2012/13, enabling a transfer to reserves
- Council tax and business rates collection rates continue to be above average for English metropolitan districts
- The Council's sickness levels rose to 10.63 days per FTE in 2012/13. This is the highest level since 2006/07. The average sickness levels for local government in 2011/12 was 8 days per FTE. The Council introduced a new Absence Management Policy in May 2013 which they expect to result in decreasing levels of sickness absence
- The Council's General Fund reserves have been increasing in recent years. General Fund reserves were £19.4m at 31 March 2013 (up from £12.2m a year earlier) and are projected to rise to £20m by 31 March 2014
- Dudley's school balances have been increasing significantly and are higher than comparable authorities because schools have been encouraged to keep reserves in respect of equal pay claims that they may need to settle. This totalled around £6m of total school balances of £19.9m as at 31 March 2013. The Council expects these equal pay claims to be settled within the next 12 months which will result in the school balances reducing significantly by 31 March 2014.

Further details are provided in our Financial Resilience report issued in September 2013.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	178,177	178,177
Grant certification fee	41,000	TBC
Total fees	219,177	TBC

Grant certification work is currently underway and will not be completed until 30 November 2013. Therefore, we are not in a position to confirm actual fees for grant certification work at this point in time.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	9 July 2013
Audit Findings Report	19 September 2013
VfM – Financial Resilience Report	19 September 2013
Annual Audit Letter	16 October 2013



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Audit and Standards Committee - 10th December, 2013

Report of the Monitoring Officer

Annual Report of the Committee on Standards in Public Life 2012/13

Purpose of Report

1. To consider the annual report of the Committee on Standards in Public Life 2012/13.

Background

2. A copy of the Annual Report is attached at Appendix 1. The Committee on Standards in Public Life is chaired by Lord Bew.
3. The remit of the Committee is wide-ranging but broadly it covers standards of conduct of all holders of public office whether elected or appointed.
4. The work of the Committee over the past year has focussed on an overview of actions and a standards check, set out at paragraphs 29 onwards. Of particular interest, as part of the standards check, are the comments on Local Government Standards arising from the introduction of the new standards regime under the Localism Act 2011 (paragraphs 38-40).

Finance

5. There are no particular financial implications arising from this report.

Law

6. Section III of the Local Government Act 1972 enables the Council to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its statutory functions.

Equality Impact

7. There are no equality impact implications arising from this report.

Recommendation

- 8 It is recommended that the Committee note the Annual Report of the Committee on Standards in Public Life as set out in Appendix 1.



.....
Philip Tart
Monitoring Officer

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List of Background Papers

None.

Annual Report 2012-13

Committee on Standards
In Public Life

August 2013

THE SEVEN PRINCIPLES OF PUBLIC LIFE

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The Principles also have application to all those in other sectors delivering public services.

SELFLESSNESS

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

INTEGRITY

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

OBJECTIVITY

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

ACCOUNTABILITY

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

OPENNESS

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

HONESTY

Holders of public office should be truthful.

LEADERSHIP

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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FOREWORD

As the incoming Chairman of the Committee on Standards in Public Life, it is a pleasure to thank the outgoing Chairman, Sir Christopher Kelly for his work. To take but one example, the Northern Ireland (Miscellaneous Provisions) Bill introduced in the Commons on the 9 May 2013 allows for transparency in donations and loans to political parties, as well as ending the practice of members of the Northern Ireland Assembly holding dual mandates to sit concurrently in the Northern Ireland Assembly and the House of Commons. This broad approach reflects the work over recent years of both Sir Christopher Kelly himself and the recommendations of the Committee.

This September the Committee will be holding an evidence gathering seminar on lobbying reflecting the concerns of the Committee about unequal access to decision makers and inadequate transparency. The Committee intend to make recommendations to inform and complement the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill. I would like to thank David Prince, the interim Chairman, for taking this work forward, for holding the fort since the end of Sir Christopher's term of office and for giving me much helpful advice.

The current context of the Committee's work is very much set out in the recent Triennial Review carried out by Peter Riddell of the Institute of Government. The Government has, in substance, accepted the Review and in doing so recognised the valuable role played by the Committee and the evolving nature of the issues it tackles. As elsewhere in Whitehall, there will be a significant reduction in the budget and certain aspects of the Committee's work will not be carried on as in the past. The Triennial Review also asked the Committee to be more strategic in its practice and look ahead to emerging problems. This is a serious challenge but it is one that has to be accepted. It remains the case, however, that the best work of the Committee has involved the building up of consensus based on substantial research. This is likely to be the case in the future as in the past.

The truth is that we frequently read in the media stories in which, for example, conflicts of interests appear to be significant. The principles of the Committee - selflessness, integrity, objectivity, accountability, openness, honesty and leadership - remain as pertinent as ever. It is my view, as Chairman, that the Committee's work in the past has been most effective when it has stayed close to these principles. In the future I would hope to maintain the best of this tradition.

Paul Bew

INTRODUCTION

1. The Committee on Standards in Public Life has wide terms of reference.

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life and to review issues in relation to the funding of political parties, and to make recommendations as to any changes in present arrangements.”¹

2. The Committee fulfils this role partly through its formal inquiries. In addition, we routinely monitor and consider issues and concerns relating to standards in public life, track public perception of standards of conduct of public office holders and seek to promote the Seven Principles of Public Life. We contribute to public policy development through meetings, seminars, research, speaking engagements, and by responding to consultation papers on relevant issues.
3. This report provides an overview of the Committee’s activities over the course of the financial year 2012/13. The Committee’s main project in this year has been to produce its Fourteenth Report, *Standards matter: A review of best practice in promoting good behaviour in public life*. This report aimed to analyse what has been shown to work best in promoting high standards and to take stock of current areas of risk. The project was launched in May 2012, and the final report was published in January 2013. The Committee also carried out its fifth biennial survey of attitudes to standards in public life, the results of which will be published in September 2013.
4. A triennial review of the Committee was carried out this year, the report of which was published by the Government in February 2013. As a result, on 5 February 2013, the terms of reference of the Committee were clarified in two respects: ‘...in future the Committee should not inquire into matters relating to the devolved legislatures and governments except with the agreement of those bodies’ and ‘...the Committee’s remit to examine “standards of conduct of all holders of public office” [encompasses] all those involved in the delivery of public services, not solely those

¹ Hansard (HC) 25 October 1994, col. 758, Hansard (HC) 12 November 1997, col. 899 and Hansard (HC) 25 October 1994, col 758

*appointed or elected to public office.*²

5. Following an open competition, Lord Bew has been appointed the new Chair of the Committee effective from 1 September 2013. His term of office is for five years and is non-renewable. Following the end of Sir Christopher Kelly's term on 31 March 2013, David Prince served as interim Chair until 31 July 2013.
6. The appendices to this report provide detail about the structure and finances of the Committee.

OVERVIEW OF ACTIVITIES

General Overview

7. This year we reflected on what has been achieved since the Committee's first report in 1995. We asked ourselves whether the task was completed and, if not, what more still needs to be done. We found that while many of the original "Nolan Principles" - such as integrity, accountability and openness are widely understood and resonate closely with public expectations - the principles as a whole were still not being lived out everywhere in spirit as well as letter. There needed to be more active implementation and embedding within the day to day business of many organisations.
8. More disturbingly, the year's news was dominated by stories of governance failures and other inappropriate behaviour in institutions previously enjoying high levels of public trust and confidence, and by the failure of leadership in others, both private and public, to inculcate a culture of high standards in tune with public expectations. Many instances have involved deliberate attempts to get around codes of practice and conduct, and in some cases there are allegations involving covering up, concealment and even criminal activity. Moreover, when some individuals attempted to raise ethical issues or standards concerns they were prevented or inhibited from raising those concerns internally or speaking out on issues in the public interest.
9. So, while much of the infrastructure is now in place to support high standards – statements of principles, codes of conduct, independent scrutiny, and while standards of behaviour have improved in many areas of public life, high standards are still not yet understood everywhere as a matter of integrity and personal responsibility. Recent lapses have occurred not because individuals, often in key leadership roles, have been unaware of their responsibility and of what

² Hansard (HC) 5 February 2013, col. 7WS

the public expects but because they did not find it expedient.

10. We are in no doubt that standards of behaviour in many areas of public life have improved since this Committee first reported in 1995, but there is still much to do and the evidence gives no grounds for complacency. New situations continually arise which raise new standards issues. Responses to standards issues often come too late and only in response to public scandals which by then have damaged public trust and confidence.

Review of best practice

11. It is 18 years since the Committee published its First Report in 1995. We thought it timely to look, in our Fourteenth Report, at what had been achieved over that period and what had worked best in practice to promote high standards of conduct within regulated public organisations and regulators. Alongside this we looked afresh at the Seven Principles of Public Life and the language used to describe them and at levels of public confidence in public sector institutions. The report was published as *Standards matter: A review of best practice in promoting good behaviour in public life* in January 2013, along with the report of the focus group research that supported it. We highlighted a number of outstanding areas of risk that still need to be addressed.
12. The review was carried out using four strands of research:
- A review of a number of reports produced since 1995 by this Committee, the Public Administration Select Committee and other bodies looking at standards issues.
 - An invitation to the public to contribute their views, including through a blog on the Committee's website.
 - A number of focus groups examining public attitudes towards the ethical standards of public office-holders and factors affecting their trust in public organisations and office-holders.
 - A series of seminars with invited participants from across the UK exploring issues relating to ethical regulation in specific spheres of public life. The subjects of these seminars included the Westminster and devolved legislatures, central government and the civil service, local government, the wider public sector, private sector organisations delivering public services and the media. The Committee also visited Belfast, Edinburgh and Cardiff to hold discussions with those involved in standards issues in those legislatures.
13. We clearly saw that in many areas standards of behaviour in public life had improved. Nonetheless there continued to be grounds for concern. The report reached four main conclusions to address

these, supported by eight recommended best practice points, as follows:

- We re-emphasised the point that the basic building blocks for promoting high standards remain much as identified in the Committee’s First Report: a set of broadly expressed values which everyone understands, codes of practice elaborating on what the principles mean in the particular circumstances of an organisation, effective internal processes to embed a culture of high standards, leadership by example and proportionate, risk-based external scrutiny.
 - To put this into effect, all organisations need to actively review how well they measure up to best practice in ethical governance as a matter of routine. It is important to consider all those factors affecting individual behaviour, including recruitment processes, appraisal and reward structures, leadership and contemporaneous prompts to good behaviour alongside formal codes and sanctions for poor behaviour.
- The need now is not for more rules and stricter regulation so much as for standards to be addressed actively at organisational level. High standards should be seen as everyone’s personal responsibility, but it should be recognised that personal behaviour is shaped by organisational culture. With this in mind high standards need to be positively driven by leadership and example.
 - Ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.
 - Those in leadership positions of all organisations delivering public services should take personal responsibility for ethical standards in their organisations and certify annually in their annual report or equivalent document that they have satisfied themselves about the adequacy of their organisation’s arrangements for safeguarding high standards.
- New ethical risks are being created by the development of new models of service delivery. There is a growing area of ambiguity occupied by people contracted to deliver public services who may not be public office-holders. We strongly believe that the ethical standards captured by the Seven Principles should also apply to such people.
 - In all cases where new methods of delivering public services are being created, commissioners and providers should give careful thought to the mechanisms necessary to maintain expected high standards of behaviour and promote the principles of public

life.

- Public servants designing and commissioning services should, in a consistent and proportionate way, address ethical issues throughout the procurement process. Contractors and others should acknowledge the particular responsibilities they bear when delivering public services, paid for by public money, to individuals who may not have the choice of going elsewhere.
- Where powers to regulate standards are devolved to promote local responsibility and leadership, care should always be taken to ensure that there is independent scrutiny, that the results of such scrutiny are made publicly available and that those who have responsibility for imposing sanctions have adequate legal or other powers to do so.
- Low and declining levels of confidence in the integrity of public institutions remain a matter of concern. While trust is a complex phenomenon, there is scope for trying to increase the confidence of the public in public office-holders and public institutions by addressing the outstanding standards issues identified in this report and by being more attentive to, and active in, addressing emerging issues rather than waiting until the pressures for reform become irresistible.
 - Public office-holders and organisations should seek to improve their own trustworthiness by establishing and promulgating robust mechanisms for detecting and dealing with wrongdoing, increasing public understanding of their role, and creating a culture which harnesses the power of the media to promote high standards and deter or expose misconduct.
 - There is at present a need to address certain areas of ethical risk in public life identified in the report (see further detail in standards check and outstanding risks set out below), and this should be done before they undermine public confidence.

14. As well as these conclusions and best practice points, the report re-examined the Seven Principles of Public Life, first established in the Committee's First Report, from the point of view of their modern relevance and applicability. We concluded that the Seven Principles should be kept as they are, but the brief descriptors appended to each one should be clarified and an explanatory preamble added. The updated text appears on the inside front cover of this report.

15. The Committee is monitoring and promoting the continuing impact of the review.

Fifth biennial survey

16. During 2012–13 the Committee carried out its fifth biennial survey of public attitudes to conduct in public life. We have conducted these surveys since 2004, in order to analyse the standards of behaviour the British public feel public office holders should be kept to, the extent to which these standards are believed to be upheld, and the perception of how well the systems put in place to enforce them are operating.
17. The survey carried out in 2012 maintained many of the core questions from earlier surveys. This allowed us to observe several continuing trends. For example, over the lifetime of the survey, specifically there has been a continuous and substantial decline of the percentage of respondents rating standards as “quite high” or “very high”, while the percentage of respondents rating standards as “quite poor” or “very poor” has steadily increased. Over the five surveys, public perceptions of whether a range of professions in the public domain can be trusted to tell the truth demonstrate consistent relative ratings: High Court Judges and Senior Police Officers score highly, while tabloid journalists, government Ministers and MPs, in general score poorly. When these findings are compared with other British and European data, it seems levels of trust in these professions are not especially low, except in comparison with the Netherlands and Scandinavia. Moreover the evidence suggests that low levels of stated trust may be accompanied by much higher and rising levels of confidence in institutions, such as the legal system.
18. Overall the survey is able to show that there is a deeper and more complex pattern of public attitudes to standards in public life than is generally recognised by public opinion research. In broad terms, drawing on a number of distinct areas of evaluation, a majority of the population express positive attitudes towards standards in Britain. Nonetheless, the proportion of people who feel positively has changed dramatically over time. In particular, positive evaluations increased steadily from 2004 to 2008 (from 62% of the population to 82%), followed by a collapse in 2010 to 55%, and with only a relatively minor recovery in 2012 (59%).
19. The survey also introduced several new questions, with the aim of broadening the examination of public expectations and beginning to explore how far these increasingly negative expectations are connected to people’s expectations of others who are not public office-holders. Key findings to have emerged include:
 - There is a widespread belief by the public that they will receive fair treatment from a range of public services.

- The public have more confidence in the probity of relatively junior front line staff – in terms of putting the public interest first, owning up to mistakes, and in being held accountable for mistakes – than in that of more senior managers.
 - The public believe that they personally are more likely than people in public office to act with probity in given situations.
 - There is support for the use of external scrutiny and audit mechanisms and the development of a strong internal culture fostering standards and openness as a means for improving professional integrity and increasing confidence in public institutions. However, the use of financial incentives is not favoured.
 - In the latest survey there has been some diminution of confidence in the authorities' commitment to upholding standards. Over the five surveys confidence that the media will uncover wrongdoing has also declined.
20. The evidence suggests that public responses to events and to their reporting can become more negative or positive. This demonstrates that confidence in public standards is not a fixed feature of British society that shows inevitable long term decline, but a feature of the British political scene that is influenced by events. This suggests that the public's perceptions of standards in public life can be repaired as well as damaged. It is therefore all the more important that high standards of behaviour are understood as a matter of personal responsibility, embedded in organisations and actively and consistently demonstrated, especially by those in leadership positions.
21. The results of the survey will be published in September 2013. Following a recommendation made in the Triennial Review of the Committee (see below), this will be the last time that we carry out the survey, but we believe it has been a useful longitudinal survey and hope that other organisations continue to use the data and to monitor developments. The Committee is considering with its Research Advisory Board how best to monitor the trends we have studied as they develop in future.

Triennial Review

22. In September 2012 the Minister for the Cabinet Office announced the start of a Triennial Review of the Committee, now a requirement for all Non-Departmental Public Bodies. The review, carried out by the Rt Hon Peter Riddell CBE, was chiefly based on written evidence received in response to a call for submissions and personal consultations. It was carried out over approximately six months, and reported in February 2013.

23. The primary function of the review was to judge whether there was a continuing need for the Committee to exist. The review concluded that *“There is a continuing need for an ethics monitor/reviewer.”*
24. The review also included a number of recommendations relating to the Committee’s strategy and working practices, including the cessation of the Committee’s biennial survey of public attitudes to allow the resources to be diverted elsewhere, the reduction of the membership of the Committee from ten to seven, and the production of more frequent, briefer reports with less reliance on public hearings and more use of seminars.
25. The Government issued a Written Ministerial Statement on 5 February 2013 stating that it broadly accepted the recommendations made in the review. It also clarified two points in the Committee’s terms of reference, as detailed in paragraph 4, above. The Committee is grateful for the detailed work put into the review, and will bear its recommendations in mind when considering its future work.

Following the Triennial Review, the secretariat has been reduced to three and like most public bodies our budget continues to follow a downward trajectory from £504k in 2012-13 to £400k in 2013-14. Our reduced resources will necessarily affect the ways in which the Committee is able to fulfil its terms of reference. We will need to prioritise the ethical risks we identify carefully and focus our work accordingly.

Strategic Plan 2012–15

26. In October 2012 the Committee published its strategic plan 2012–15. This set out our vision for our work over the next few years and we hope it will increase public knowledge and understanding of our work. As well explaining how we will set our priorities and monitor ethical standards across public services, the plan also identified the priority areas the Committee may choose to investigate in future such as:
- The maintenance of appropriate ethical standards within an increasingly mixed economy with greater involvement of the private and voluntary sectors in delivering public services.
 - Ethical standards in the police, including Police and Crime Commissioners.
 - Local Government standards, following up a previous inquiry to review how the new system introduced by the Localism Act 2011 is bedding down and whether it is delivering its objectives.

27. The plan is available on the Committee's website.

Online engagement

28. As part of its public consultation of best practice, the Committee ran a blog from September to October 2012, with contributions from Committee members and guest bloggers and the facility for members of the public to respond. The Committee also launched a Twitter feed in September 2012. We intend to build on this work over the coming months within available resources, to develop a cost effective online engagement programme.

STANDARDS CHECK

Party funding

29. The Committee is disappointed not to have seen any significant progress made in dealing with the problems in party funding it identified in its Thirteenth Report³. On the 4 July 2013, the Deputy Prime Minister made a Written Ministerial Statement on the Funding of Political Parties confirming that discussions convened following publication of the Committee's Thirteenth Report had reached no agreement. This is despite all three of the main political parties making manifesto commitments to take the big money out of party funding, and funding reform being part of the Coalition Agreement. The Committee appreciates the political difficulty of aspects of the proposed reforms, but nonetheless we feel it is time to act. The current party funding arrangements foster suspicion and distrust among the public. It is essential that political parties obtain funding in ways free of suspicion that donors receive favours or improper influence in return.

30. The main recommendations of the Thirteenth Report were the introduction of a cap on donations from individuals or organisations of £10,000, a reduction in the party expenditure limits and a slight increase in public funding for political parties. We feel that these would be very valuable in reassuring the public that large donations are not a source of undue influence in UK politics.

31. Attention was focussed on this issue by the case of so-called 'cash for access' in March 2012, in which the then treasurer of the Conservative Party was alleged to have suggested to undercover journalists posing as potential donors that large donations would allow privileged access to the Prime Minister and Chancellor of the Exchequer. Despite the prominence that this gave the issue

³ Thirteenth Report, *Political party finance: Ending the big donor culture* Cm 8208 November 2011

of funding, the Committee has yet to see evidence of real progress being made, although the political debate has recently been reignited by the Leader of the Labour Party making proposals to reshape the party's relationship with the Trade Unions, including the possibility of "opting in" to affiliation fees.

32. For this reason we welcome the recent initiative⁴ by several parliamentarians to commission a Draft Bill as a basis for the development of phased reform of political party funding, as an attempt to achieve an agreed legislative framework for reform. The Committee submitted a response to the consultation on the Bill which is published on the Committee's website.
33. The Committee notes that proposals in the Draft Bill for the phasing in of the donations cap and the identification of savings within the existing envelope of public spending to finance the proposals with a cap on the total public spend on political parties, are measures the consultation document indicates are a response to address two criticisms of the Committee's Report. The proposals set out in the Committee's Report were regarded by the Committee as a package. Whilst the Committee's expectation was that the financial impact of the complete package of proposals was likely to be even handed between the two largest political parties, the illustrations of the possible impacts were based on historical information only and with a number of important limitations and caveats. The Committee acknowledged in its Report that there was a need to introduce the arrangements so as to allow the parties to adjust to the new circumstances, and that the new arrangements should not be introduced until the start of the next Parliament in 2015. For these reasons, in particular, the Committee would want to be reassured that the measures proposed in the Draft Bill are sustainable over time.
34. The Committee remains concerned about the risk presented of third parties being used to avoid the cap on donations and as such it considers it might be appropriate to take proportionate action, guarding against unnecessary bureaucracy to address this issue. The Committee is also alert to the implications of reform for smaller parties, which may have low levels of membership, elected representation and little income.
35. Sustainable reform will, in our view, require a concerted effort from the main parties to put aside self interest and resist the inclination to cherry pick proposals that benefit only them, to arrive at a solution that is in the national interest, has cross party agreement, and will restore public confidence in the integrity of the funding system.

⁴ Funding Democracy Breaking the deadlock A Draft Bill for consultation April 2013

Lobbying

36. The Committee continues to regard lobbying as an area in which there are genuine concerns involving suspicions that some lobbying may be taking place in secret and some individuals or organisations have more access to policy makers, so that it is not known who or what is influencing a particular decision. However, we remain doubtful that a statutory register of third party lobbyists, as proposed by the Government in a consultation paper in 2012, is the key to further reform. We believe it would be better to build on the steps already taken to increase transparency. Greater transparency might include, for example, enhancing the level of disclosure around meetings between ministers and those lobbying on behalf of a particular interest, as proposed in a report published in July 2012 by the Political and Constitutional Reform Committee. The Government renewed its commitment to introducing a statutory register of lobbyists and increasing transparency around lobbying in its mid-term review of the Coalition published in January and has recently restated that legislation will be introduced in July 2013.
37. As set out in our annual work plan, the Committee has been considering the transparency issues around lobbying, focusing particularly on those who are lobbied. To progress this work, the Committee issued a call for evidence in June and will be holding a meeting after the Parliamentary recess with interested parties, to look at what more can be done to bring greater integrity to existing arrangements. With the evidence gathered we aim to produce proportionate recommendations which will complement the proposed statutory provision and help restore the public's trust and confidence.

Local government standards

38. Under the Localism Act 2011 the new local government standards regime came into effect on 1 July 2012. The Committee welcomed the introduction of a mandatory requirement for local authorities to adopt a local code of conduct based on the Seven Principles of Public Life and the intention to encourage a greater sense of local responsibility for standards and to reduce the number of vexatious complaints.
39. While we recognise that the new system needs time to properly bed in, we do, however, have certain concerns:
- Due to the emphasis on local ownership of standards we would expect the new regime, like the previous one, to function well in those areas where party leaders are prepared to provide the

necessary leadership and example. It is likely to do less well where such leadership is inadequate.⁵ History suggests that problems are most likely in areas with monolithic political cultures and correspondingly little political challenge, where partisan rivalry is most bitter and tit-for-tat accusations most common, or in those predominantly rural areas with significant numbers of independent members without the benefit of party discipline.

- Under the previous arrangements local authorities and an independent tribunal had the power to suspend members for varying periods of time as a sanction against poor behaviour. The only sanctions now available, apart from through the use of a political party's internal discipline procedures are censure or criminal prosecution for deliberately withholding or misrepresenting a financial interest. We do not think these are sufficient. The last few years have seen a number of examples of inappropriate behaviour which would not pass the strict tests required to warrant a criminal prosecution, but which deserves a sanction stronger than simple censure. While censure may carry opprobrium in the political arena it is often considered unacceptably lenient by the public relative to other areas of their experience. Coercion of other members or officers is one category of offence with which it will be difficult to deal adequately under the new arrangements.
- Under the previous arrangements allegations about poor behaviour were determined by standards committees independently chaired by individuals who were not themselves members of the local authority. Under the new arrangements every local authority must appoint at least one independent person whose views it will seek, and take into account, before making its decision on an allegation that it has decided to investigate. We doubt that this will be sufficient to provide assurance that justice is being done and, equally important, that it is seen to be done.
- In the transition to the new system local authorities may have lacked proper time to prepare. In early June 2012 we wrote to all local authorities in England to ask about their preparations for implementing the new regime which came into force on 1 July 2012. The Committee was concerned that so late in the day, nearly half of those who responded had yet to adopt a new code and around four fifths had yet to appoint an independent person. The fact that the Regulations and Order which took effect from 1 July were laid only on 6 June cannot have helped their preparations.

⁵ Not forgetting that in several prominent recent cases it is the behaviour of leaders themselves that have been under question.

40. While inevitably there have been various teething problems with the new regime, the Committee will continue to monitor the implementation and its effectiveness, particularly in relation to public confidence that any wrongdoing is tackled promptly and transparently in the absence of any external investigation and scrutiny.

Independent Adviser on Ministerial Interests

41. In a report published in March 2012, the Public Administration Select Committee (PASC) raised the possibility that the Independent Adviser on Ministerial Interests was in practice insufficiently independent, as he or she is appointed personally by the Prime Minister, is supported from within the Cabinet Office, and cannot instigate his or her own investigations. Investigations can only be undertaken at the request of the Prime Minister. We agreed, and argued for the independence of the role to be increased and the power to instigate investigations to be granted.
42. The Independent Adviser on Ministerial Interests has carried out one investigation since then, finding in June 2012 that the then Conservative Co-Chairman had committed a minor breach of the Ministerial Code by not declaring a business relationship. However, there has also been controversy over the Prime Minister's decisions not to refer allegations made in 2012 about a possible breach of the code by the then Secretary of State for Culture, Media and Sport in relation to the bid by News Corporation for BSkyB to the Independent Adviser, on the basis that the issue would be looked at during evidence sessions for the Leveson Inquiry. It would in our view have taken much of the politics out of the issue, to everyone's advantage, if the decision on whether to investigate separately had been taken by the Independent Adviser – even if, as he might well have done, he had taken the same view. It is too easy for a Prime Ministerial decision not to refer, to be interpreted, however unfairly, as being motivated by a desire to avoid uncomfortable revelations.
43. In July 2012 our then Chair, Sir Christopher Kelly, issued a statement arguing for the Adviser to have the power to instigate investigations. The debate is still ongoing, and we continue to monitor it with interest.

The Leveson Inquiry

44. Part 1 of the Leveson Inquiry into the culture, practice and ethics of the press was published in November 2012. The Committee submitted written evidence to the Inquiry in 2011, and welcomed the contribution it made to the debate on press regulation and public standards in the UK more

generally.

45. We were struck by certain points of similarity between Lord Justice Leveson's conclusions concerning the promotion of high standards, and our own in our most recent report, *Standards matter*. His report, for example, stressed the importance of standards regulators being both demonstrably independent and armed with robust sanctions, and of the appropriate tone and culture being set at the level of the leadership of an organisation.
46. Part 2 of the Inquiry will examine specific cases of alleged wrongdoing, but cannot commence until the current police investigations and any subsequent criminal proceedings have been completed.

MPs' pay and expenses

47. Controversy arose when it was reported in the press in October 2012 that certain MPs had been in the practice of renting out property they owned in London, sometimes to other MPs, and then renting separate London accommodation for themselves and claiming expenses for doing so. Such an arrangement is not against the current rules and a press notice issued by the Independent Parliamentary Standards Authority (IPSA) noted that 'this is an issue of their own private financial affairs over which we rightly have no authority'. In the case of a number of MPs, the problem arose mainly due to transitional arrangements from the previous system. Nonetheless, because of the way in which it was presented, this issue dealt another blow to public confidence in the financial propriety of MPs and were it to continue, with new MPs, the compliance of those involved with the spirit of the rules would be open to question even if their compliance with the letter is not. The financial propriety of MPs, therefore, continues to be an issue of public confidence.
48. The Committee also notes that IPSA has carried out a review of MPs' pay and pensions, which is out to public consultation until the autumn of 2013. When finalised, this will be effective from the next Parliament in 2015.

OUTSTANDING RISKS

49. The Committee's Fourteenth Report *Standards matter: A review of best practice in promoting good behaviour in public life* identified 12 areas that pose a particular outstanding risk to standards in public life, and are set out in the register below. More detail on developments in some of these

areas in 2012–13 can be found in the standards check above. These outstanding risks should be actively addressed before they become even more problematic and further undermine confidence in our public institutions.

Issues which the **Committee** will investigate will include:

- *lobbying* (concerns about unequal access to decision-makers and inadequate transparency)

Issues which the **Committee** is likely to investigate in the near future include:

- *how best to maintain high standards as new models of delivering public services are developed; and*
- *interchange between the public and private sectors* (suspicions of impropriety in relation to people moving between the public and private sectors).

Issues over which the **Committee** intends to keep a watching brief, and investigate if necessary include:

- *local government standards* (concerns about the impact of the regime introduced by the Localism Act 2011);
- *behaviour and conduct of the police* (concerns arising from recent incidents and reports, some of which are currently the subject of further investigation elsewhere);
- *electoral arrangements* (concerns about electoral fraud, particularly in relation to the electoral register and postal voting);
- *the role of the media in the public sector's promotion and maintenance of standards* (including its effects on public confidence, in the light of the Leveson inquiry); and

Issues which need to be addressed by the **Government** include:

- *the Prime Minister's Independent Adviser on Ministers' Interests* (the lack of a power for the Adviser to initiate his own investigations);
- clarification of the some of the aspects relating to the arrangements for *Special Advisers*; and
- *the House of Lords* (by facilitating the efforts of the House itself to address its own powers to sanction the most severe breaches of the Lords' Code of Conduct).

An issue which urgently needs to be resolved by the **political parties** is:

- *political party funding* (suspicion about the motivation behind large donations and what is received in return).

REPRESENTATIONS AND SPEECHES

50. Over the course of the year, the then Chair spoke at a number of events on standards issues:

- In July 2012 Sir Christopher Kelly gave a speech to the All-Party Parliamentary Group on the British Constitution, organised by the Constitution Society
- In September 2012 Sir Christopher gave a speech at a conference organised in London by Transparency International.
- In November 2012 Sir Christopher spoke to a group from the Public Administration International (PAI) Public Service Commission's study programme on the role of the Committee.
- In March 2013 Sir Christopher gave a speech at the inaugural conference of the Association of Chief Police Officers (ACPO) Professional Ethics Portfolio.

51. In January 2013 the Committee held a panel discussion to mark the publication of its Thirteenth Report, *Standards matter: A review of best practice in promoting good behaviour in public life*. Panellists were Sir Christopher, Dame Anne Owers (Chair of the Independent Police Complaints Commission), Gerard Elias QC (Public Services Ombudsman for Wales) and Philippa Foster Back OBE (Director of the Institute for Business Ethics). The event was open to the public.

52. Transcripts of key speeches and the panel discussion are available on our website: www.public-standards.org.uk.

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- Other Committee Members also spoke about the work of the Committee and standards issues, including at the Chartered Institute for Public Finance and Accountancy (CIPFA)'s Better Governance Forum in October 2012.

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APPENDIX 1: ABOUT THE COMMITTEE

Terms of reference

53. The Committee on Standards in Public Life was established under the chairmanship of Lord Nolan by the then Prime Minister, the Rt Hon Sir John Major, in October 1994, with the following terms of reference:

“To examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life.”⁶

54. The following month Sir John said of the Committee:

“It is to act as a running authority of reference – almost you might say, an ethical workshop called in to do running repairs.”⁷

55. On 12 November 1997, the then Prime Minister, the Rt Hon Tony Blair, announced additional terms of reference:

“To review issues in relation to the funding of political parties and to make recommendations as to any changes in present arrangements.”⁸

56. On 5 February 2013, the Minister for the Cabinet Office, the Rt Hon Francis Maude MP, announced two clarifications to the Committee’s terms of reference in a written statement:

“in future the Committee should not inquire into matters relating to the devolved legislatures and Governments except with the agreement of those bodies”

and

“The Committee’s remit to examine ‘standards of conduct of all holders of public office’ [should be understood] as encompassing all those involved in the delivery of public services, not solely those appointed or elected to public

⁶ Hansard (HC) 25 October 1994, col. 758

⁷ Speech at the Lord Mayor’s Banquet, 14 November 1994.

⁸ Hansard (HC) 12 November 1997, col. 899

office.”⁹

Status

57. The Committee is an independent advisory Non-Departmental Public Body (NDPB). Its members are appointed by the Prime Minister. Seven of its members, including the Chair, are chosen through open competition under the rules of the Office of the Commissioner for Public Appointments (OCPA). The remaining three members are nominated by the three main political parties. The Committee is not founded in statute and has no legal powers to compel witnesses to provide evidence or to enforce its recommendations. Nor does it have any powers to investigate individual allegations of misconduct. It presents its recommendations to the Prime Minister and publishes them simultaneously.

Funding and administration

58. The Committee receives its budget from the Cabinet Office. Day-to-day responsibility for financial controls and budgetary mechanisms are delegated to the Secretary of the Committee. The Secretary and the rest of the secretariat are permanent civil servants employed by the Cabinet Office or on secondment from other departments or elsewhere. The current Secretary is on loan from the Ministry of Justice.

Policy on openness

59. In its first report the Committee defined the Seven Principles of Public Life. The Committee has always sought to implement these principles in its own work, including the principle of openness.

60. The Secretary of the Committee has responsibility for the operation and maintenance of the Committee’s publication scheme under the Freedom of Information Act 2000. Most of the information held by the Committee is readily available, and does not require a Freedom of Information Act request before it can be accessed. The Committee can be contacted in writing, by email, by telephone or by fax. The public can also access information via the Committee’s website. Requests for information under the Freedom of Information Act should be made to the Secretary to the Committee at the following address:

- **Committee on Standards in Public Life**
Room G.05 1 Horse Guards Road
London SW1A 2HQ

⁹ Hansard (HC) 5 February 2013, col. 7WS

- Phone: 020 7271 0855/2948
- Email: public@standards.gsi.gov.uk
- Website: www.public-standards.org.uk

APPENDIX 2: MEMBERS OF THE COMMITTEE

Until the latest appointments, Committee members were appointed for a three year term, with the possibility of reappointment. The latest three members were recruited for a five year non-renewable term. The Chair is appointed for a single non-renewable five year term. Following a recommendation made in the 2013 triennial review the number of Committee members will be reduced to seven over the course of the next few years.

Current Members

Lord Alderdice

Appointed: 1 September 2010

Term ends: 31 August 2013

John Alderdice is an Honorary Fellow of the Royal College of Psychiatrists. He led the Alliance Party of Northern Ireland and was a Vice President of the Federation of European Liberal, Democrat and Reform Parties and President of Liberal International. Raised to the peerage on October 1996, he took his seat on the Liberal Democrat benches in the House of Lords on 5 November that year. He was one of the negotiators of the Good Friday Agreement. In 1998 Lord Alderdice was elected Assembly Member for Belfast East and appointed Speaker of the Northern Ireland Assembly, a position he held until retiring in 2004. In 2004 he was appointed as a Commissioner for the newly established Independent Monitoring Commission and served until it was wound up in 2011. In June 2010 he was elected Convenor (Chair) of the Liberal Democrat Parliamentary Party in the House of Lords.

Dame Angela Watkinson MP

Appointed: 30 November 2012

Term ends: 30 November 2017

After an early career in banking and a family career break, Dame Angela Watkinson worked for several local authorities in special education and central services. She has served as a councillor for both the London Borough of Havering and an Essex County Council. Angela was elected as Conservative MP for Upminster in 2001 and continues to serve her enlarged constituency of Hornchurch and Upminster. She has spent most of her Parliamentary Career as a Whip, and Lord Commissioner to the Treasury. Angela is also a member of the Council of Europe.

Rt Hon Dame Margaret Beckett MP

Appointed: 1 November 2010

Term ends: 31 October 2013

Margaret Beckett has been Labour MP for Derby South since 1983. She was Secretary of State for Trade and Industry 1997-1998, President of the Council and Leader of the House of Commons 1998-2001, Secretary of State for Environment, Food and Rural Affairs 2001-2006, Secretary of State for Foreign Affairs 2006-2007, Minister for Housing and Planning (attending Cabinet), Department for Communities and Local Government 2008-2009. She has also been Chair of the Intelligence and Security Committee.

Sheila Drew Smith OBE

Appointed: 17 May 2012

Term ends: 16 May 2017

Sheila Drew Smith OBE is an economist by background and is an independent assessor for appointments in the public and private sectors, including OCPA to 2012. She is currently Chair of the National Approved Letting Scheme and was a non executive director of the London Thames Gateway Development Corporation till its conclusion in 2013. Prior to that she was a board member of the Housing Corporation between 2002 and 2008, the Audit Commission between 2004 and 2010, and the Infrastructure Planning Commission and the Office of the Regulator of Social Housing to March 2012. Prior to this she was a partner in the predecessor firms of PricewaterhouseCoopers working in the UK and internationally. Her earlier career was in the Government Economic Service.

Patricia Moberly

Appointed: 17 May 2012

Term ends: 16 May 2017

Patricia Moberly was Chair of Guy's and St Thomas' NHS Foundation Trust from 1999 to 2011. During her previous career as a schoolteacher, she worked in secondary schools in London and Zambia, and was Head of the Sixth Form at Pimlico School from 1985 to 1998. She served on the National Executive of the Anti-Apartheid Movement, was a member of Area and District Health Authorities and of the General Medical Council, a local councillor and a magistrate. Currently she is a prison visitor and a member of the Ethics Committee of the Royal College of Obstetricians and Gynaecologists, and serves on an advisory committee to the Secretary of State for Transport. She is a panellist for the Judicial Appointments Commission.

Sir Derek James Morris MA DPhil

Appointed: 1 March 2008

Re-appointed: 1 March 2011

Term ends: 28 February 2014

Sir Derek Morris has been Provost of Oriel College, Oxford since 2004. Previously he was Chairman of the Competition Commission (formerly the Monopolies and Mergers Commission). From 1970 to 1997 he

was an Economics Fellow at Oriel College and from 2004 to 2005 he chaired the Morris Review of the Actuarial Profession. He is Chairman of trustees of Oxford University Press Pension Fund, non-executive Chairman of Lucida plc and a senior consultant to Frontier Economics.

Dame Denise Platt

Appointed: 1 July 2008

Re-appointed: 1 July 2011

Term ends: 30 June 2014

Dame Denise Platt has held a number of leadership positions in the public and third sectors at national and local levels. Past positions include Chair of the Commission for Social Care Inspection, Governor of the University of Bedfordshire, member of the Audit Commission, Chief Inspector of the Social Services Inspectorate. She holds voluntary positions as the Chair of the National AIDS Trust (NAT), Trustee of the National Society for the prevention of Cruelty to Children (NSPCC) and Trustee of the Lloyds TSB Foundation for England and Wales. She is a member of the General Medical Council. Dame Denise has also acted as the independent chair overseeing the recruitment of Commissioners for the Electoral Commission and most recently for the Independent Parliamentary Standards Authority.

David Prince CBE (interim Chair 01/04/13 to 31/7/13)

Appointed: 1 June 2009

Re-appointed: 1 June 2012

Term ends: 31 May 2015

David Prince currently holds non-executive positions as a member of the General Pharmaceutical Council and on the audit and risk committees of the Care Quality Commission, Bar Standards Board and General Osteopathic Council. He is the former Chief Executive of the Standards Board for England. He held senior positions at the Audit Commission, as Managing Director, Strategy and Resources and District Audit. Previously his career was in local government, where posts included Chief Executive of Leicestershire County Council and Director of Finance and Administration of Cambridgeshire County Council.

Richard Thomas CBE

Appointed: 17 May 2012

Term ends: 16 May 2017

Richard Thomas CBE LLD was the Information Commissioner from November from 2002 to 2009. He was Chairman of the Administrative Justice and Tribunals Council (AJTC) until August 2013 and Deputy Chairman of the Consumers Association until December 2012. He is currently a Trustee of the Whitehall and Industry Group, a Strategy Adviser to the Centre for Information Policy Leadership and a Board Member of the International Association of Privacy Professionals (IAPP). During his earlier career his roles included Director of Consumer Affairs at the Office of Fair Trading from 1986 to 1992 and Director of Public Policy at Clifford Chance, the international law firm from 1992 to 2002.

Members active in 2012-13 who have subsequently stood down

Oliver Heald MP

Appointed: 1 March 2008

Re-appointed: 1 March 2011

Term ended: 3 September 2012

Oliver Heald was called to the Bar in 1977 and has practised as a barrister on the South Eastern Circuit. He is a specialist in employment law. He was elected as Member of Parliament for North East Hertfordshire at the General Election of April 1992. He has served as a minister in the Department of Social Security and is a former Shadow Leader of the House of Commons. During the year to which this report relates he was a member of the Standards and Privileges Select Committee, Chairman of the Society of Conservative Lawyers Executive Committee and Chairman of the Parliamentary Resources Unit. He stood down from the Committee on his appointment as Solicitor General on 3 September 2012.

Sir Christopher Kelly KCB (former Chair)

Appointed: 1 January 2008

Term ended: 31 March 2013 (extended from 31 December 2012)

Christopher Kelly is Chair of the Kings Fund. Until February 2012 he was also Chair of the Financial Ombudsman Service. He was previously a civil servant. Between 1970 and 1995 he worked in HM Treasury, latterly as Director of Monetary and Fiscal Policy and then Director of the Budget and Public Finances. Between 1995 and 1997 he was Head of Policy Group at the then Department of Social Security. From 1997 to 2000 he was Permanent Secretary of the Department of Health. Since leaving the Civil Service he has chaired, or been a member of, a number of advisory and other groups in the public, private and voluntary sectors. He was Chairman of the NSPCC between 2002 and 2010.

Research Advisory Board

The Committee's work is supported by a Research Advisory Board. The current Board members are:

- **Dr Mark Philp** (Chairman), Fellow and Tutor in Politics, Oriel College, University of Oxford
- **Dr Jean Martin**, Senior Research Fellow, Social Inequality and Survey Methods, Department of Sociology, University of Oxford
- **Professor Cees van der Eijk**, Professor of Social Science Research Methods, Director of Social Sciences Methods and Data Institute, University of Nottingham
- **Dr Wendy Sykes**, Director of Independent Social Research Ltd (ISR) and Member of the SRA implementation group on commissioning social research.

Members' attendance (1 April 2011 - 31 March 2012)

The table below shows the total number of meetings that each member of the Committee could have attended and the number they actually attended.

Name	Possible meetings	Actual meetings
Lord Alderdice	12	8
Dame Rt Hon Margaret Beckett MP	12	9
Sheila Drew Smith OBE	11	10
Oliver Heald MP	4	3
Sir Christopher Kelly	12	12
Patricia Moberly	11	11
Sir Derek Morris MA DPhil	12	11
Dame Denise Platt	12	10
David Prince CBE	12	12
Richard Thomas CBE	11	11
Dame Angela Watkinson MP	3	3

In addition to the monthly Committee meetings, all members attend a variety of other meetings and briefings in relation to the business of the Committee.

Remuneration

61. Committee members who do not already receive a salary from public funds for the days in question may claim £240 for each day they work on committee business. Sir Christopher Kelly was paid a flat rate of £50,000 a year, which had remained unchanged since his appointment. All members are reimbursed for expenses necessarily incurred. The new Chair is being paid on the basis of a non-pensionable salary of £500 per day, with the expectation that he should to commit an average of 2-3 days a month, although this can increase significantly during Committee

inquiries.

62. For the period April 2012–March 2013 Committee members other than the Chair claimed a total of £26,738 in fees and expenses. The Chair claimed no expenses.
63. In accordance with the best practice recommended in its first report, members of the Committee formally adopted a code of practice in March 1999. The code is available on the website and has been reviewed periodically by the Committee, most recently in July 2011. Members provide details of any interests that might impinge on the work of the Committee through the Committee's register of interests, also available on the website at:

www.public-standards.org.uk/About/Register_of_Interests.html.

APPENDIX 3: FINANCIAL INFORMATION

Expenditure	2011-12 (£)	2012-13 (£)
Staff costs and fees	327,540	355,737
Other running costs	141,686	161,425
Total net expenditure	469,226	517,162

64. As an advisory Non-Departmental Public Body (NDPB), the Committee receives its delegated budget from the Cabinet Office. The Cabinet Office Accounting Officer has personal responsibility for the regularity and propriety of the Cabinet Office vote. Responsibility for certain levels of authorisation, methods of control and day to day mechanisms have been delegated to the Secretary to the Committee.
65. The Secretary to the Committee is responsible for setting out the outputs and outcomes which the Committee plans to deliver with the resources for which they have delegated authority, and for reporting regularly on resource usage and success in delivering those plans. She is also responsible for maintaining a sound system of internal control over the resources for which she has delegated authority, and for providing the accounting officer with assurances that those controls are effective.
66. The Committee's original budget allocation for 2012-2013 was £504,000. In August 2012 it was agreed that this allocation would be increased by £56,000 to £560,000 to help fund the Committee's review of best practice in promoting good behaviour in public life.
67. Total expenditure for the financial year of £517,162 represents savings of £42,838. This is almost entirely the result of the actual cost of a number of items of expenditure being less than anticipated at the beginning of the financial year. For example, two pieces of research carried out by an external contractor were completed at a significantly lower cost than predicted.

APPENDIX 4: REPORTS AND PUBLICATIONS

68. The Committee has published the following reports:

- Standards Matter: A review of best practice in promoting good behaviour in public life (Fourteenth Report (Cm8519)) (January 2013)
- Political Party Finance - Ending the big donor culture (Thirteenth Report (Cm 8208)) (November 2011)
- MPs' Expenses and Allowances: Supporting Parliament, Safeguarding the Taxpayer (Twelfth Report (Cm7724)) (November 2009)
- Review of the Electoral Commission (Eleventh Report (Cm7006)) (January 2007)
- Getting the Balance Right: Implementing Standards of Conduct in Public Life (Tenth Report (Cm6407)) (January 2005)
- Defining the Boundaries within the Executive: Ministers, Special Advisers and the permanent Civil Service (Ninth Report (Cm 5775)) (April 2003)
- Standards of Conduct in the House of Commons (Eighth Report (Cm 5663)) (November 2002)
- The First Seven Reports - A Review of Progress - a stock-take of the action taken on each of the 308 recommendations made in the Committee's seven reports since 1994 (September 2001)
- Standards of Conduct in the House of Lords (Seventh Report (Cm 4903)) (November 2000)
- Reinforcing Standards (Sixth Report (Cm 4557)) (January 2000)
- The Funding of Political Parties in the United Kingdom (Fifth Report (Cm 4057)) (October 1998)
- Review of Standards of Conduct in Executive Non-Departmental Public Bodies (NDPBs), NHS Trusts and Local Public Spending Bodies (Fourth Report) (November 1997)¹⁰
- Standards of Conduct in Local Government in England, Scotland and Wales (Third Report (Cm 3702)) (July 1997)
- Local Public Spending Bodies (Second Report (Cm 3270)) (June 1996)
- Standards in Public Life (First Report (Cm 2850)) (May 1995)

¹⁰ This report was not published as a Command Paper.

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69. Since 2004, the Committee has also undertaken five biennial surveys of public attitudes towards conduct in public life. Findings were published in 2004, 2006, 2008, 2011 and 2013.

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Annual Report 2012-13

Published electronically by the Committee on Standards in Public Life

The Committee on Standards in Public Life

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August 2013

Audit and Standards Committee - 10th December 2013

Report of the Treasurer

Review of current Corporate Risks and Corporate Risk Scrutiny

Purpose of Report

1. To update members of current Corporate Risks (as most recently reviewed by Corporate Board).
2. To provide information relating to a particular corporate risk as previously selected by this Committee.

Background

3. At its meeting of the 25th April 2013, this Committee requested it should receive details of Corporate Risks three times per annum. Accordingly, this report constitutes the second such report and a further report will be submitted in February.
4. As part of recommendations brought to this Committee, at its meeting on the 9th July 2013, it was agreed to provide closer scrutiny of the Council's corporate risks. Risk ORG0017- Welfare Reforms- was identified for consideration by this Committee.

Risks currently deemed as 'Corporate'

5. Appendix 1 shows details of Corporate Risks (as reviewed by Corporate Board on the 8th October 2013) and therefore those appearing at the highest level on the Council's risk register. In simple terms, these risks are generally acknowledged as being the most significant facing the Council, impacting upon at least one or several of the Council's key objectives.
6. Corporate Board also receives reports on Corporate Risks at least 3 times per annum and in addition, all Directors continue to review Directorate risks on a quarterly basis which form part of the Quarterly Corporate Performance Report.
7. In addition to risks tabled in Appendix 1, it is acknowledged that this Committee may identify any additional risks that it considers should form part of the Corporate Risks list.

8. This Committee has, at its July meeting, identified a specific risk for scrutiny. The Assistant Director of Finance (Revenues, Benefits and Management Support) and the Assistant Director of Housing Services will be present at the meeting to answer detailed questions on risk number ORG0017 which relates to a number of recent welfare benefit reforms. The intention is not to duplicate the significant scrutiny of welfare reform issues that has taken place at the Adult, Community and Housing Services Scrutiny Committee or the Corporate Performance Management, Efficiency and Effectiveness Scrutiny Committee or to consider decisions that have been made by Cabinet in relation to the Council Tax Reduction scheme. The role of this Committee is to consider how the Council is identifying and mitigating against risks arising from welfare reform.

Finance

9. There are no direct financial implications arising from this report.

Law

10. The Council has a statutory responsibility for managing risks as laid out in Section 4 of the Accounts and Audit Regulations 2003 (amended 2006).

Equality Impact

11. There are no equality issues arising from this report.

Recommendations

12. That this committee:
- Notes and comments on the Corporate Risks as set out in Appendix 1.
 - Identifies any additional risks that it considers should form part of the Corporate Risks list.
 - Considers specifically the risk relating to welfare reform and associated controls
 - Identifies a particular risk for closer scrutiny the next time a risk report is scheduled (Provisionally 13th February 2014).





.....
Iain Newman
Treasurer


Contact Officer: Sara McNally, 01384 815346. sara.mcnally@dudley.gov.uk


Corporate Risks following review by Corporate Board 8th October 2013


Risk Ref	The Risk	Risk Rating	Risk Owner	Mitigating Controls	Status since last report 9 th July 2013
ORG0001	Single Status. Failure to complete appeals by end of September 2013 and potential cost implications of successful appeals and/or equal pay settlements	Significant	John Millar	Specialist legal advice and support in relation to equal Pay litigation Philip Tart Corporate Board to receive reports as each division Stage 3 is completed to review if additional resources needed John Millar Communications with employees to confirm need to prepare for Stage 3 hearing when appeal submitted Teresa Reilly Corporate Board release managers and union representatives as required for Panels John Millar	●

ORG0002	The Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available.	Major	Iain Newman	<p>Corporate Board. to operate as a programme board for the delivery of transformation including alternative service delivery models. John Polychronakis</p> <p>Business Rates Localisation - financial planning in conjunction with accountants Ian Wollaston</p> <p>FMMR meetings with budget holders and directorate management teams Jan Szczechowski</p> <p>Finance representation on working groups Jan Szczechowski</p> <p>General and working capital reserves Jan Szczechowski</p> <p>Budget review proformas for completion by directorates Jan Szczechowski</p> <p>Financial reporting to members Budget, FMMR, Finance paragraphs in non-financial report Jan Szczechowski</p> <p>Longer term budget prioritisation IN will advise on work being undertaken to prioritise spend areas and review in the context of statutory functions Iain Newman</p>	
ORG0003	Carbon reduction targets not achieved There is an absolute risk to the environment and the Council risks incurring fines for non compliance.	Major	Phillip Tart	<p>CRC Operational Group (to ensure compliance in future years) Steve Cooper</p> <p>Low Carbon Management Plan (to deliver actions within plan) Steve Cooper</p> <p>CRC Performance Management Framework (to monitor and manage performance) Steve Cooper</p>	

ORG0007	Corporate Property Review There is a risk that the Council fails to vacate sites in a timely manner and is unable to release sites to the LLP for disposal in accordance with the development agreement, resulting in financial consequences detrimental to the Council	Moderate	Phillip Tart	Detail project/partnership underway incorporating Corporate Property and the LLP Steve Cooper	●
ORG0011	Community Cohesion There is a risk that high profile local issues may adversely affect community cohesion	Moderate	Andrea Pope-Smith	To understand and engage with local community dynamics and identify potential for actual tensions Rosina Ottewell Minimise potential negative effects of tension, prevent escalation and reduce conflict Rosina Ottewell Implementation of Hate Crime Strategy Rosina Attwell	●
ORG0013	Information Governance: The Council may fail to; assess the importance of information to the business and may be unaware of the potential impact on the organisation should the confidentiality, integrity or availability of information be compromised.	Significant	Iain Newman	Information asset owners identified /named for each information asset (CORA40020) Ongoing activity as part of Information Governance Strategy. Lewis Bourne Key information assets across the organisation identified and classified with Protective Marking System (CORA40020) Activity ongoing as part of the Corporate Information Governance Strategy. Lewis Bourne A structure consisting of a Board level Senior Information Risk Owner (SIRO) in place. (CORA40020) Lewis Bourne Information asset owners responsible for completion of a self assessment Data Protection Compliance checklist (CORA40020) Activity ongoing as part of Corporate Information Governance Strategy. Lewis Bourne	●

<p>ORG0017</p>	<p>Welfare reform/s - There is a risk that various changes to welfare and benefits due in 2013 could place people at risk and increase pressures on statutory services</p>	<p>Significant</p>	<p>Philip Tart</p>	<p>Welfare Reform Project Board in place to monitor actions and outcome. The existing 'officer' Project Board is to be replaced with a Board to include Members. The intention is to give more of a strategic lead as well as monitoring. The timescales for the introduction of universal credit are subject to change. The impact of Welfare Reform on housing has also been subject to scrutiny by the DACHs Scrutiny Committee. Increased provision for bad debt (Housing related in this instance) Diane Channings</p> <p>Bad Debt Provision - review date 31/1/14 to coincide with budget report to Feb cabinet. Mitigating factors: Corporate TORCh project looking at location and nature of customer contact points in order to improve engagement with welfare customers, in particular those who are our tenants. DHP (Discretionary Housing Payments) scheme. Welfare Assistance scheme Project team and specific task and finish groups, working to Project Board. Work with other agencies - add work with Credit Union (Castle and Crystal) to develop jam jar accounts for rent payments when Universal Credit is introduced. Planning to run a pilot for tenants on partial benefit from April 2014. Diane Channings Reviewing use of Discretionary Housing Payments in line with new guidance Mike N Williams</p> <p>Local Welfare Assistance/Members Steering Group in place a replacement scheme for DWP Social Fund Mike N Williams Joint working with third sector and other external internal partners to identify and support people affected by changes. Mike N Williams</p>	
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				Increase & diversify housing stock to mitigate effects of spare room subsidy Ron Sims	
ORG0019	The Council acknowledges that there is a risk of fraud across all areas of its operations and is working both internally and with external partners to prevent and reduce this risk.	Significant	Iain Newman	<p>Detailed fraud risk register is held within Audit Services which is reviewed on a quarterly basis. Les Bradshaw</p> <p>Data matching exercises undertaken. Les Bradshaw</p> <p>Audit Services has detailed work programme Audit Services have a programme of work where the areas of fraud on the fraud risk register are reviewed with relevant staff / departments to examine controls in place to prevent and detect fraud. Les Bradshaw</p>	

<p>ORG0021</p>	<p>There are several external factors, such as the economic climate, partner re-organisation and increasing complexity of abuse, which are impacting upon the Directorate of Children's Services ability to minimise, and militate against, the risks to children and young people, particularly those vulnerable to harm. At a time when the Directorate's budget is reducing, the level of need, and consequently demand for, the range of services from early help through to protecting children and young people who are being abused or neglected continues to rise.</p>	<p>Major</p>	<p>Jane Porter</p>	<p>Development of early intervention services In managing budget reductions the senior leadership team of the Directorate are seeking to maintain services for children in need of help and protection, children looked after and care leavers. Furthermore we are seeking to develop services which will enable early help with families so that young people are not placed at risk. Where possible we have also sought to create more capacity within our management structure to maintain the momentum of service improvements including work with partners. Ian McGuff</p> <p>DSLIT prioritises spend and manages budgets to ensure children are safe from harm and neglect In managing budget reductions the senior leadership team of the Directorate are seeking to protect those services which are chiefly responsible for keeping children safe from harm and neglect. Ian McGuff</p> <p>Optimise management structures to ensure service improvements are maintained In managing budget reductions the senior leadership team of the Directorate are seeking to protect those services which are chiefly responsible for keeping children safe from harm and neglect. Furthermore we are seeking to develop services which will enable early intervention with families so that young people are not placed at risk. Where possible we have also sought to create more capacity within our management structure to maintain momentum with service improvements. Ian McGuff</p>	
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ORG0022	Failure to achieve compliance with the Public Service Network	Significant	Iain Newman	Project Team is overseeing. Lance Cartwright Traffic Light progress monitoring system in place Lance Cartwright Regular reporting to Corporate Board and top priority Lance Cartwright Communication strategy to the business (Council wide) Lance Cartwright SOCITM - national working party involvement Lance Cartwright	New
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Risk rating is a combination of impact and likelihood

Status should reflect risk history.

Status key: ▲ Worsening ● Stable * Improving

Audit and Standards Committee - 10th December 2013

Report of the Treasurer

Amendment of Standing Orders

Purpose of the Report

1. This report proposes amendments to Standing Orders.

Background

2. As part of the work covered by the Procurement Support Group a review of the Council's Standing Orders has been undertaken by Officers on the Group who represent all Directorates.
3. The Audit & Standards Committee Terms of Reference include "Determination of any amendments to Financial Regulations and Contract Standing Orders, including those relating to Schools".
4. Standing Orders assist in ensuring good procurement management by providing rules and guidance to Members and Officers on the operation of financial and management controls in all aspects of the Council's procurement activities.
5. The current set of Standing Orders were approved by Council in 2006 and amended in 2010 following consultation with relevant parties. The current review of Standing Orders has seen a re-write of the old version to make it more streamlined and reflect on a number of factors :-
 - a. Removed unnecessary text to reduce number of pages by 40% and concentrate on core principles.
 - b. Replaced requirement for Directorate Procurement Manuals by promoting one Corporate Procurement Manual [centred around DACHS Manual] which includes all necessary procedures, guidance and information on management of contracts. This will be a more efficient and effective way of staff obtaining guidance.
 - c. Included two flowcharts to assist staff understand general procurement issues especially for lower level expenditure.

d. Simplified value bandings :-

Up to £5,000	As per Corporate Procurement Manual, with some flexibility for Directorates
£5,000 to £75,000	3 quotations or tenders
Over £75,000	As for over £155,000 now

e. No linked documents within Standing Orders to reduce incidence of links failing, and refers to Corporate Procurement Manual as principal source for guidance.

f. Amended treatment of post completion reviews to :-

i. Include revenues contracts over £500k and capital schemes over £1M.

ii. Simplify reporting to Cabinet

g. Specified that the electronic tendering system ["Intend"] must be used for dealing with tenders.

h. Consolidated guidance on sustainability, equality and, environment into one document.

i. Requires contracts rather than Service Level Agreements to be used.

6. The new Standing Orders are attached as Appendix A and have been the subject of consultation across Directorates. It is intended that if approved, Standing Orders would go live in April 2014 to coincide with the launch of a revised Corporate Procurement Manual which is being developed by Officers with support from all Directorates.

7. All amendments to the Council's Standing Orders would also be replicated in the version for Schools.

Finance

8. This report has no direct financial effect.

Law

9. Each local Authority is required to have a Constitution which details the governance arrangements and responsibilities of Members, Governors and Officers.

Equality Impact

10. This report does not raise any equal opportunities issues.

11. Children and young people were not consulted on, or involved, with the preparation of this report.

Recommendations

12. That the Committee :-

- a. Approve the proposed amendments to Council and School Standing Orders.

- b. Authorise the Treasurer to make minor amendments if wider consultation identifies any changes prior to 1st April 2014.



.....
Iain Newman
Treasurer

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STANDING ORDERS RELATING TO CONTRACTS

REVISED - NOVEMBER 2013

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PART I

STANDING ORDERS RELATING TO CONTRACTS

GENERAL - ALL CONTRACTS

PROVISIONS APPLICABLE TO ALL CONTRACTS FOR THE SUPPLY OR DISPOSAL OF GOODS AND MATERIALS, THE PROVISION OF SERVICES AND THE EXECUTION OF WORKS

1. APPLICATION

- 1.1 The provisions of Standing Orders apply to all contracts irrespective of the source of funding, or type of supplier.
- 1.2 All values referred to in these Standing Orders shall be exclusive of VAT. It should be noted that for social services, education and leisure supplies and services, different EU limits may apply.
- 1.3 All procurement must be undertaken in accordance with the Council's policies.
- 1.4 Supporting corporate guidance is provided in the Corporate Procurement Manual.
- 1.5 "Director" means the Director of any Directorate of the Council, the Chief Executive of the Council, or their duly authorised representative. Any delegations should be recorded in writing. Other definitions for the purposes of Standing Orders are supplied in Appendix A.
- 1.6 For the avoidance of doubt, nothing in these Standing Orders shall be read or construed as permitting a Director to accept a tender and/or enter into a contract which is not within approved available resources without the approval of the Council.
- 1.7 All waivers of Standing Orders can only be made by the Cabinet Member for Finance in consultation with the Treasurer .
- 1.8 Where any statutory provision or European Union [EU] Directives require procedures to be followed in the letting of contracts which are inconsistent with the procedures set out in these Standing Orders the requirements of the statutory provisions or EU Directives shall prevail [insofar as they are inconsistent] and shall be fully complied with. Directors shall notify the Head of Procurement [HoP] of all contracts awarded within EU Directives no later than one month after the award of the contract.
- 1.9 For all contracts over EU limits [currently £170,000] in respect of tenders referred to in 1.9a, 1.9b, and 1.9c and for all contracts of any value in respect of 1.9d, at six monthly intervals each Director shall submit details to the Head of Audit so that a report can be presented to the Audit & Standards Committee setting out details of :-

- a. A successful tender which is other than the lowest valid tender if payment is to be made by the Council, or the highest valid tender if payment is to be made to the Council
- b. A successful tender where the appropriate Director has determined that a contract shall be let based upon criteria of which the tendered price is only a part of the evaluation and the tender is awarded to other than the Contractor evaluated as making the most economically advantageous offer in accordance with the pre-determined criteria e.g highest score
- c. A successful tender which is not within the amount of the Estimated Contract Value plus 10% or £75,000 whichever is the greater
- d. Any waiver of Standing Orders.

1.10 The appropriate Director will ensure that action taken at all stages of the procurement or disposal process shall be with a view to the Council obtaining the most economically advantageous outcome

1.11 The appropriate Director will ensure that before any quotations/tenders are invited or negotiations conducted, an estimated contract value [ECV] is determined for the total period of the contract. This should not normally be disclosed to third parties but if requested, an indicative range may be disclosed to contractors who request an indication of the scale of the contract. The ECV shall be recorded in writing and signed by the person preparing it, and retained on the scheme file or on the tender evaluation record.

1.12 Contracts shall not be packaged in such a way that results in the ECV falling into a lower value band except for sound operational reasons which shall be approved by the appropriate Director and recorded in writing. The Director would need to ensure that EU Directives are followed. In consideration of statutory or local guidance, contracts may be split into lots

1.13 Where consultants are procured then corporate guidance should be followed and if they are appointed to act on behalf of the Council in any part of a procurement exercise they shall be provided with a copy of these Standing Orders and, the Council's Financial Regulations by the appropriate Director and it shall be a condition of the engagement that these Standing Orders and Financial Regulations are strictly observed.

1.14 The appropriate Director shall ensure that the Corporate Procurement Manual is used and applied to the letting of all contracts. Directors will ensure that officers have the requisite skills to undertake contracting and as appropriate, project management.

2. **CONTRACTING**

2.1 For the purposes of Standing Orders, contracting is taken to include commissioning and procurement.

2.2 Irrespective of how a service is funded or whether outcomes and/or method of delivery is specified, a contract should be in place using standard terms and conditions.

2.3 For service agreements between Council departments a service level agreement can be used.

- 2.4 Partnerships shall also utilise standard contracts. Partners shall be evaluated to ensure that their policies, practices, performance and corporate governance procedures are in accordance with the Council's requirements before the Partnership is entered into. Partnering contracts can be considered for any value of contract and partner selection should be undertaken on an appropriate basis to ensure the most economically advantageous outcome.

3. **TERMS AND CONDITIONS OF CONTRACTS**

- 3.1 All contracts for the supply or disposal of goods and materials and the provision of services and execution of work shall be in writing and shall contain appropriate terms and conditions as agreed by the Director of Corporate Resources or approved external legal advisers of the Council. For the avoidance of doubt this standing order shall include terms and conditions proposed by contractors provided they are approved by the Director of Corporate Resources or approved external legal advisors. Master terms and conditions are shown on the Procurement intranet site.

- 3.2 Where applicable an appropriate standard form of contract such as but not limited to those published by the Joint Contracts Tribunal, the Institution of Civil Engineers or the Institution of Electrical Engineers must be used. Any amendments to a standard form of contract which have not been approved by the appropriate body, must be approved in writing, in advance, by the Director of Corporate Resources or approved external legal advisors of the Council.

- 3.3 There shall be inserted in every contract entered into under these Standing Orders a clause empowering the Council to cancel a contract and recover from the contractor the amount of any loss resulting from such cancellation if the contractor or his/her employees or persons acting on his/her behalf has committed an offence under current legislation affecting fraud, bribery, corruption, cartels, etc.

- 3.4 If a contract is procured via the provisions of paragraph 7.1c or 15.1b then Directors must ensure that the wording of any contract is cleared with the Director of Corporate Resources or approved external legal advisors of the Council.

4. **RESTRICTIONS ON CONTRACTS WITH CERTAIN PERSONS**

- 4.1 No employee, member, spouse or other close relative [see Appendix A] will supply goods, services or carry out works unless they have been procured by competitive tender or quotation.

The same applies to any company, partnership or firm in which they have an interest.

Officers and members shall refer to the relevant codes of conduct in the Constitution.

5. **WORK BY COUNCIL DIRECTORATES**

- 5.1 Where legislation allows the Council to undertake work using its own work force such work shall be awarded to the Council's work force provided that the Director awarding the work is satisfied that the offer submitted by the Council's work force represents value for money and the Council's work force has sufficient resources to undertake the work.

6 **FORWARD PROCUREMENT PLAN**

- 6.1 Each Director shall produce a Forward Procurement Plan [FPP] in the approved format that shall include all contracts where the Estimated Contract Value is likely to exceed £100,000 in value. Each Director shall provide a copy of the FPP to the HoP, who shall ensure that the FPP is published on the internet and updated regularly to reflect changes notified to the HoP.

7. **CORPORATE CONTRACTS**

- 7.1 Before inviting quotations or tenders or entering into negotiations in respect of any contract, reasonable steps must be taken to demonstrate whether an existing contract exists i.e. :-
- a. Corporate Contract [see Procurement intranet site for details of their Corporate Contracts].
 - b. Another such contract let by a Director that may be appropriate and satisfy the contract requirements
 - c. Another public sector contract, or framework procured for the benefit of the public sector, which have been procured in accordance with that organisation's procurement rules so long as they have complied with EU Directives.

If one does exist then this should be used unless the appropriate Director is satisfied that there are special factors justifying a different course of action. Such special factors shall be recorded in writing.

- 7.2 Where a Corporate Contract or other such contract is used the Director placing the order shall be responsible for ensuring that the contractor complies with the Council's terms and conditions.

- 7.3 Officers should ensure that the rules governing any public sector contract or framework are followed, and if further procurement exercises are required they will comply with Standing Orders.

8. **NEGOTIATION**

The following procedures shall be adopted in all Negotiations:-

- 8.1 A contractor shall not be employed by the Council on the basis of a negotiated contract or series of negotiated contracts for more than three consecutive years.
- 8.2 Officers conducting negotiations shall be designated in writing in respect of individual contracts by their Director.
- 8.3 There must be at least two officers present on at least Principal Officer Grade 9 or equivalent in respect of contracts over EU limits [currently £170,000] and one officer on at least Principal Officer Grade 9 or equivalent in respect of contracts under EU limit [currently £170,000]. The Treasurer must be invited to attend or be

represented at all negotiations over £1,000,000 and be given not less than 10 working days notice of the commencement of such negotiations.

- 8.4 All officers involved in negotiations under this Standing Order shall make a declaration in writing as to any personal or prejudicial interest they may have prior to commencement of negotiations to their Director and no officer with any such interest in any prospective contractor involved in the negotiations under this part shall be involved, at any stage, in the negotiations.
- 8.5 No information concerning a prospective contractor's offer shall be disclosed to third parties without the written permission of the appropriate contractor.
- 8.6 A record of the discussions held with prospective contractors and terms agreed shall be kept and shall be signed by all officers present at the negotiations.
- 8.7 Before any contract is entered into the appropriate Director must satisfy themselves that the result of negotiations represents good value for money.
- 8.8 All discussions with tenderers which take place following the receipt of tenders but prior to entering into a contract should be restricted in normal circumstances to clarification of tenders, and must be undertaken in line with normal negotiation rules identified above.
- 8.9 Post tender negotiations are restricted to those conducted with a supplier who has been identified as making the most economically advantageous offer via usual tender selections methodology [so the objective is simply to improve the value for money of the best offer evaluated]. A Director must authorise post tender negotiations and nothing must be done which would contravene EU Directives.

9. **ALTERNATIVE CONTRACTORS**

- 9.1 Where a Director elects to let a contract to more than one contractor in order to maintain services they shall document the rationale and call off procedure.

10. **PUBLIC AND EMPLOYER LIABILITY INSURANCE**

10.1 **Employers Liability**

All contractors will comply with the *Employers' Liability [Compulsory Insurance] Act 1969*. This Act dictates a minimum of £5m is required but contractors will arrange a level of indemnity commensurate with the size and exposure of its workforce. The contractor shall provide a copy of this insurance upon request.

10.2 **Public Liability & or Product Liability**

All contractors shall be required to maintain *Public* and or *Products Liability insurance* cover that is commensurate with the risk and exposure of the said contract. Generally this cover will be a minimum of £5M but in certain circumstances lower levels may be acceptable. The appropriate Director will specify appropriate insurance levels dependent upon the nature of the contract.

10.3 **Other Insurances**

Certain types of contracts may require additional insurances, common examples might be *Professional Indemnity* [usually associated with design or consultancy contracts], *Clinical Negligence*, *Contractors All Risks* and some others might be applicable. If necessary, officers letting contracts should consult the Risk Management & Insurance Manager about appropriate insurances to ensure they are correctly specified in conjunction with any tender.

11. **LIQUIDATED AND ASCERTAINED DAMAGES**

11.1 In all appropriate contracts for works over £75,000 [or lower in appropriate cases] a clause shall be included specifying that liquidated and ascertained damages will be payable by the contractor if the contract is not completed by the completion date or as amended by any duly authorised extensions.

11.2 Any sum assessed for the purpose of the paragraph above shall be calculated by the appropriate Director in a reasonable and justifiable manner to represent a reasonable pre-estimate of all pecuniary losses that shall be incurred by the Council if the contract is not completed by the contract completion date.

11.3 The recovery of liquidated and ascertained damages may only be waived with the approval of the relevant Director which must be recorded in writing.

12. **SPECIFICATIONS**

12.1 To accord with the requirements of EU Directives , and the desire to obtain the best value for money for the Council, when specifications are given in negotiations, invitations for quotations or tenders they are to be technical or performance specifications unless, in the view of the appropriate Director, it is impractical, in which case a proprietary name or description may be used provided it is made clear that equivalents may be permitted

13. **SELECTION & EVALUATION OF CONTRACTORS**

13.1 The importance of financial appraisals of potential contractors is closely linked with risk management. It may not be necessary to undertake anything other than the most basic of checks [such as company status and basic solvency] for a contractor who supplies items that are readily available elsewhere in the market i.e what could be termed a very low risk situation.

13.2 Financial appraisals should be carried out in line with corporate guidance for :-

- a. All service contracts including maintenance contracts
- b. All supply contracts over £75,000 in value [or lower in high risk contracts]
- c. All contracts involved in social care
- d. All contracts involving TUPE.
- e. All contracts awarded to new suppliers i.e. those who have not had a financial appraisal carried out on them during the previous 3 years
- f. Change of ownership e.g. a contracted company has gone into liquidation and is taken over by a company that has no previous contract history with Dudley
- g. Contracts that have been extended or awarded in excess of 3 years. After each three year period a new financial appraisal should be carried out.

13.3 Officers must ensure that the health & safety policies & practice of any company or organisation used by the Authority are appraised and deemed suitable prior to the signing of contracts. This appraisal will comply with the Council's published Corporate policies and procedures. Companies selected from "Constructionline" will have had basic Health & Safety accreditations checked. Further checks may be required by virtue of the nature of the works specified in the contract.

13.4 "Constructionline" must be used for the selection of contractors in construction related procurement exercises, and corporate guidance will be followed. If an approved list is required for other areas of procurement then corporate guidance on approved lists will be followed.

14. **SUSTAINABILITY**

14.1 For all service/supply contracts over £100,000, and works contracts over £250,000, a sustainability impact assessment must be carried out and this will ensure all environmental, , social and economic issues are assessed, understood and managed.

14.2 Any contract with staffing transfer implications must follow corporate guidance.

15. **CIRCUMSTANCES WHERE QUOTATIONS OR TENDERS NEED NOT BE OBTAINED**

15.1 Quotations or tenders need not be invited where:-

- a. The purchase is to be made at or sales effected at an auction
- b. Tenders have been invited on behalf of any public sector organisation, consortium, association, or similar body provided that the tenders are invited in accordance with the method prescribed by such body
- c. The appropriate Director is satisfied that emergency works are necessary provided that the appropriate Director records in writing the reasons for this decision.
- d. The Director has determined a fixed price contract rate which will be offered to all suppliers meeting pre determined conditions.

16. **SEALING/SIGNING OF CONTRACTS**

16.1 The appropriate Director shall ensure that an appropriate form of contract shall be completed before work is commenced or goods and/or services provided in respect of all contracts

16.2 Where a limitation period of 12 years is considered appropriate for commencement of legal proceedings in the event of breach of contract the contract shall be executed under seal.

16.3 Where a limitation period of six years is considered appropriate for the commencement of legal proceedings in the event of breach of contract the contract shall be signed by the appropriate Director.

17. **EXTENSION OF CONTRACTS**

17.1 The appropriate Director may extend an existing contract, provided the tendered prices are not amended [except for inflationary increases allowed in the contract], the expenditure is already included in the Council's approved capital programme or approved revenue budgets provided that the extension would not result in an infringement of EU Directives or exceed a period of three years. For the avoidance of doubt, if changes to the terms and conditions including prices of the contract are required, an extension of the Contract must be treated in accordance with Standing Order 8.

Negotiated contracts cannot exceed three years unless a waiver of Standing Orders is obtained.

PART II

STANDING ORDERS APPLICABLE TO CONTRACTS FOR THE SUPPLY OR DISPOSAL OF GOODS OR MATERIALS THE PROVISION OF SERVICES AND THE EXECUTION OF WORKS UP TO £75,000

18.1 Contracts shall be let by way of quotations, tenders or negotiation, as determined by the appropriate Director and in accordance with the Corporate Procurement Manual.

18.2 To ensure value for money the following minimum levels for the number of quotations or tenders applies. :-

Up to £5,000	In accordance with Corporate Procurement Manual
£5,000 TO £75,000	Three written quotations or formal tenders returned to the Directorate and opened in accordance with the Corporate Procurement Manual. Intend must be used for all values of tenders.

18.3 Where the contract has not been let in accordance with Paragraph 18.2 [e.g insufficient quotes/tenders] , the Director shall record the reasons in writing.

PART III

STANDING ORDERS APPLICABLE TO CONTRACTS FOR THE SUPPLY OR DISPOSAL OF GOODS OR MATERIALS THE PROVISION OF SERVICES AND THE EXECUTION OF WORKS OVER £75,000

19.1 Before a decision to procure contracts in excess of EU limits is made a detailed option appraisal including consideration of relevant service delivery options for the total scheme shall have been undertaken by the appropriate Director in accordance with the corporate guidance. Officers must also follow relevant

Property Management guidance such as the completion of Asset Decision Pro Forma's.

- 19.2 Options appraisal must consider the following :-
- a. Be clear about the objectives
 - b. Consider different ways of achieving the objectives
 - c. Assess the costs and benefits of the different options. This should include whole- life costs where appropriate.
 - d. Identify, and quantify/value if possible, the pros and cons of the options
 - e. Consider any risks and uncertainties.
 - f. Determine the best value, rather than the lowest cost, option

For an options appraisal to be meaningful, it should be carried out well before a final choice has been made on the preferred approach. Retrospective appraisals should not be undertaken as they merely serve to justify the decision that has already been made and are of no value.

The Director must approve the appraisal in writing before any further work in the project is undertaken.

- 19.3 The Director will determine how contracts are let i.e. by way of :-
- a. A Select List following Public Advertisement or
 - b. A List of Approved Contractors or
 - c. Open Tender or
 - d. Negotiation

- 19.4 The appropriate Director shall approve the letting of all individual contracts prior to the commencement of the procurement process. For the avoidance of doubt the approval of the procurement methodology is not a key decision, the key decision is the approval of the expenditure of resources.

20. **SELECT LIST FOLLOWING PUBLIC ADVERTISEMENT**

- 20.1 In addition to the use of the internet, a public notice may be given by the appropriate Director in one or more newspapers or journals circulating amongst such persons that undertake such contracts expressing the nature and purpose of it and indicating that the Council will appraise the applications received and invite tenders from those selected to tender. In appropriate cases the EU Journal will be used.

- 20.2 The appropriate Director shall appraise all applications received and shall send an invitation to tender to those contractors selected to tender and shall record in writing the reasons why those contractors were invited to tender. A minimum of five contractors should be invited to submit tenders but this may be amended if the relevant Director determines that this is not appropriate under the circumstances. The reasons for the Director's decision shall be documented.

21 **LIST OF APPROVED CONTRACTORS**

- 21.1 Directors will follow guidance in paragraph 13

22 **OPEN TENDER**

22.1 In addition to the use of the internet, a public notice may be given by the appropriate Director in one or more newspapers or journals circulating amongst such prospective tenderers as undertake such contracts expressing the nature and purpose of it inviting tenders for its execution and stating the last date on which tenders will be received. In appropriate cases the EU Journal will be used. Invitation to tender shall be sent to all contractors applying.

23 **NEGOTIATION**

23.1 In such cases negotiations shall be conducted by the appropriate officers of the Council strictly in accordance with Standing Order 8.

24 **SUBMISSION OF TENDERS**

24.1 The Council's approved electronic tendering system ["Intend"] must be used and the "Intend" Guidelines must be followed.

24.2 Electronic tenders submitted may only be "opened" in the presence of at least two officers duly authorised in writing in line with Directorate delegations.

24.3 In the event that "Intend" is not used corporate guidance must be followed, and the reasons documented by the Director

24.4 Tenders submitted to the Council after the date and time specified in the invitation to tender shall not be considered.

25 **CHECKING AND ACCEPTANCE OF TENDERS**

25.1. The treatment of errors identified in tenders shall be in accordance with the relevant corporate guidance

25.2 The appropriate Director will sign off the tender evaluation which will include the particulars of all the tenders opened and those proposed for acceptance. No tenders shall be accepted until the evaluation is signed.

26 **POST COMPLETION REVIEWS**

26.1 In addition to regular contract reviews, a post completion review of each revenue scheme over £500,000 and capital scheme valued in excess of £1M will be undertaken by the appropriate Director to ensure all lesson learned are documented and shared with relevant officers both within the Directorate and on the Procurement Support Group. Reviews will comply with corporate guidance

26.2 A summary of the capital reviews shall be submitted to Cabinet within six months of practical completion for schemes which have :-
a. Final costs in excess of budgets by 10%, or
b. Outcomes different to those approved by Cabinet

DEFINITIONS

Appendix A

"Approved Available Resources" means the budget for any scheme as contained in the approved Capital Programme or approved Revenue Budget which shall include the budget for fees, furniture and equipment and other incidental costs.

"Contract" shall where the context so admits include sub-contracts

"Corporate Contract" means an agreement for the supply and disposal of goods and materials the provision of services and the execution of works arranged by the Director of Corporate Resources or other nominated Officer which is based on the aggregate expenditure by one or more directorate.

"Council" means the Council and where the context allows is deemed to include reference to the Cabinet, a Committee or person acting with delegated authority on behalf of the Council.

"Estimate" and "Estimated Contract Value" means a pre-determined figure representing the probable cost of works, goods, services or materials calculated for tender comparison purposes by a suitably qualified employee of or consultant to the Council which shall be recorded in writing.

For the avoidance of doubt "Contractor" includes Provider, Consultant, Supplier and Purchaser.

"Negotiation" means discussion on the terms of a Contract including prices [other than competitors' prices] with either an existing or potential contractor with a view to agreeing the most economically advantageous offer.

"Other Close Relative" shall include but shall not be limited to a person cohabiting on a similar basis to a spouse, a civil partner, a parent, grandparent, uncle, aunt, son, daughter, grandson, grand-daughter, brother, sister, niece or nephew of the employee or member or their spouse or cohabitee, whether the relationship is through blood, marriage or adoption.

"Partnering" is a partnership characterised by a formal contract that includes some transfer of risk from a traditional contractual basis; performance incentives for the contractor; open book accounting and the joint delivery of the project by both the Council's workforce [maybe at managerial level] and the contractor's staff so that there is one integrated team delivering the project.

"Partnerships" feature close collaborative working relationships between the Council and third parties using an approved form of contract.

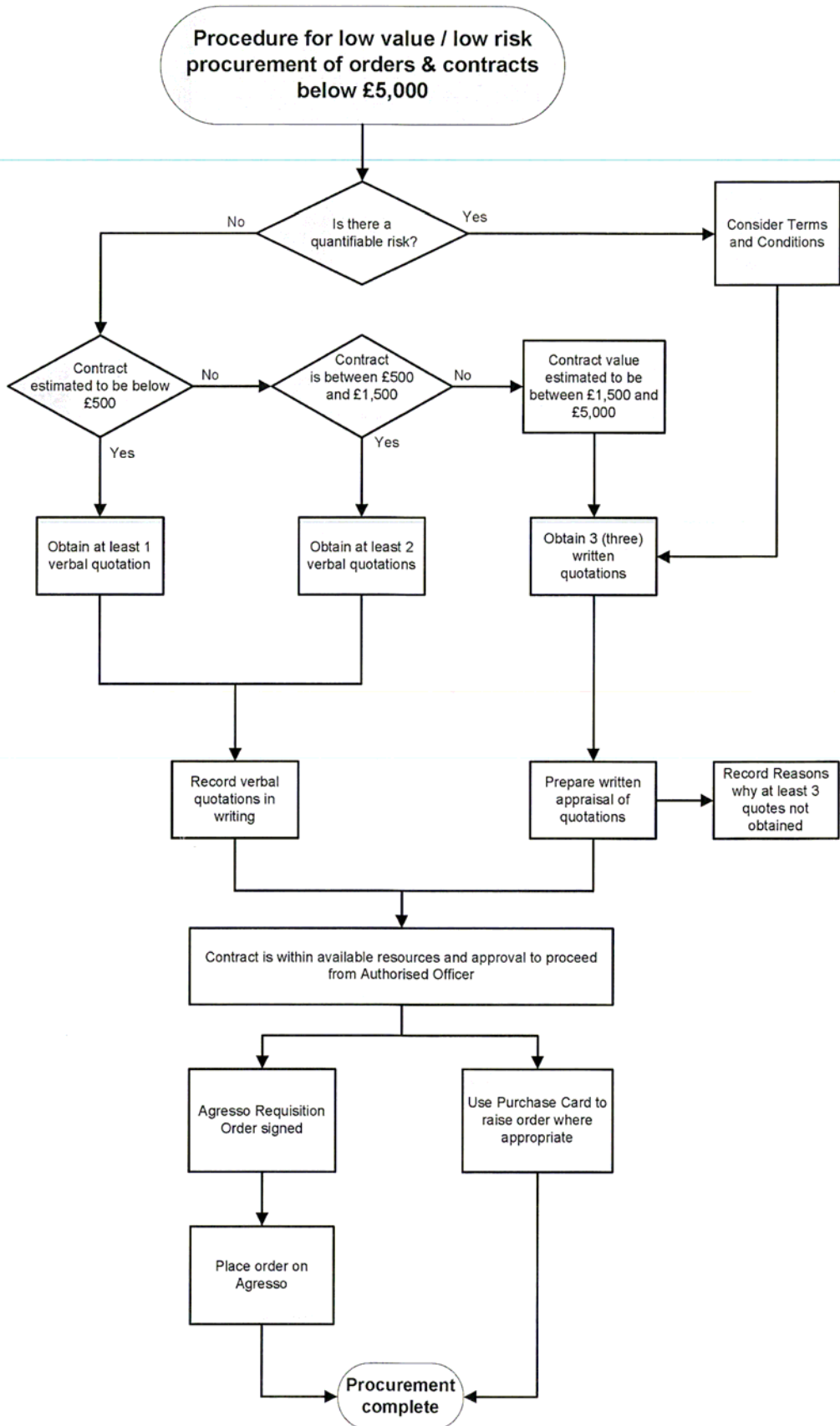
"Post Tender Negotiation" means instances where discussions are held with tenderers with the objective of changing something in their offer [price, terms and conditions, contract delivery methodology etc]

"Quotation" means an offer made by a prospective contractor to the Council.

'Service Level Agreement' is an agreement between Departments within the Council.

"Tender" means an offer made by a prospective contractor to the Council on a Council's Form of Tender

Flowchart



General Procurement Considerations

