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Charlie Adan

Chief Executive

Babergh District Council

Corks Lane, Hadleigh, Ipswich IP7 6SJ

DX NO: 85055 Exchange: Babergh

Website: www.babergh.gov.uk

TO: THE CHAIRMAN AND MEMBERS OF
BABERGH DISTRICT COUNCIL

19 October 2015

PLEASE NOTE TIME OF MEETING

Dear Sir/Madam

A meeting of the Babergh District Council will be held in the Council Chamber, Council Offices, Corks Lane, Hadleigh on **Tuesday, 27 October 2015 at 5:30 p.m.**

For those wishing to attend, prayers will be said at 5:25 p.m. prior to the commencement of the Council meeting.

Yours faithfully

Chief Executive

The Council, members of the public and the press may record/film/photograph or broadcast this meeting when the public and the press are not lawfully excluded.

Any member of the public who attends a meeting and objects to being filmed should advise the Committee Clerk who will instruct that they are not included in the filming.

PART I1 PUBLIC PARTICIPATION SESSION

Members of the public are able to ask a question or make a statement during this item – please refer to the ‘Guide to the Procedure’ (copy available on request) which can also be found in Appendix 2 of Part 7 in the Council’s Constitution.

Prior written notice of the intention to speak must be given to the Monitoring Officer by no later than 5 p.m. two clear working days before the meeting.

2 MINUTES

To confirm and sign the minutes of the meeting held on [22 September 2015](#) as a correct record (copy attached).

3 DECLARATION OF INTERESTS

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

4 APOLOGIES FOR ABSENCE

To receive apologies for absence.

5 CHAIRMAN’S ANNOUNCEMENTS

[Paper R56](#)

In addition to any announcements made at the meeting, please see Paper R56 attached, detailing events attended by the Chairman and Vice-Chairman.

6 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULE NO. 14

In accordance with Council Procedure Rules, the Chief Executive will report the receipt of a petition as detailed below. There can be no debate or comment upon these matters at the Council meeting.

Offer to home 10 refugee families

Petition signed by approximately 26 residents of Babergh requesting the Council to make preparations to make Syrian refugees welcome in Babergh and to make a direct offer to central Government to provide accommodation for 10 refugee families.

Suffolk County Council is leading on this matter, through the Suffolk Public Leaders Group. The petition organiser will be advised further in relation to this process.

ITEM

BUSINESS

7 RECOMMENDATIONS AND REPORTS FROM COMMITTEES

Mid Year Report on Treasury Management 2015/16 (Joint Audit and Standards Committee – 19 October 2015)

[Paper
JAC62](#)

At its meeting on 19 October, the Joint Audit and Standards Committee will consider the Mid Year Report on Treasury Management for 2015/16.

The deliberations of the Committee will be reported at the Council meeting together with any amendments requested by Members.

Note: It is a requirement of the Code of Practice on Treasury Management that full Council notes the Mid Year position.

RECOMMENDED TO COUNCIL

That it be noted that Treasury Management activity for the first six months of 2015/16 (Paper JAC62 refers) was in accordance with the approved Treasury Management Strategy and that both Councils have complied with all Prudential Indicators for this period.

8 QUESTIONS FROM THE PUBLIC IN ACCORDANCE WITH [COUNCIL PROCEDURE RULE NO. 15](#)

The Chairmen of Committees to answer any questions from the public of which notice has been given no later than midday two clear working days before the day of the meeting in accordance with Council Procedure Rules.

9 QUESTIONS FROM MEMBERS IN ACCORDANCE WITH [COUNCIL PROCEDURE RULE NO. 16](#)

The Chairman of the Council, the Chairmen of Committees and Sub-Committees and Lead Members to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rules.

10 CONTRACT STANDING ORDERS

[Paper
R57](#)

Report by the Corporate Manager - Commissioning attached.

Finance and Resources Portfolio – Jennie Jenkins

For further information on any of the Part 1 items listed above, please contact Linda Sheppard on 01473 826610 or via email at committee.services@baberghmidsuffolk.gov.uk

MINUTES OF THE MEETING OF THE BABERGH DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON TUESDAY, 22 SEPTEMBER 2015

PRESENT: Nick Ridley – Chairman

Clive Arthey	Bryn Hurren
Sue Ayres	Jennie Jenkins
Melanie Barrett	Richard Kemp
Simon Barrett	Frank Lawrenson
Tony Bavington	James Long
Peter Beer	Margaret Maybury
Peter Burgoyne	Alastair McCraw
Sue Burgoyne	Mark Newman
Tom Burrows	John Nunn
Dave Busby	Adrian Osborne
Tina Campbell	Jan Osborne
Sue Carpendale	Lee Parker
Michael Creffield	Peter Patrick
Derek Davis	Stephen Plumb
Siân Dawson	David Rose
Alan Ferguson	William Shropshire
Barry Gasper	Harriet Steer
Kathryn Grandon	Fenella Swan
John Hinton	John Ward
David Holland	Stephen Williams
Michael Holt	

Ray Smith was unable to be present.

37 PUBLIC PARTICIPATION SESSION

There were no questions or statements from the public.

38 MINUTES

RESOLVED

That the Minutes of the meeting held on [28 July 2015](#) be confirmed and signed as a correct record.

39 DECLARATION OF INTERESTS

None declared.

40 ANNOUNCEMENTS FROM THE CHAIRMAN AND/OR LEADER

The Chairman referred to [Paper R47](#) outlining recent events attended by the Chairman and Vice-Chairman.

The Chairman also read out statements regarding the Syrian Refugee Crisis and the recent Sudbury Fire and informed Members that further details would be circulated to them after the meeting.

41 PETITIONS

None received.

42 RECOMMENDATIONS AND REPORTS FROM COMMITTEES

Joint Annual Treasury Management Report (Joint Audit and Standards Committee – 17 August 2015)

William Shropshire, Chairman of the Joint Audit and Standards Committee, introduced the Committee's recommendation to note the Treasury Management activity for the year 2014/15, as set out in [Paper JAC58](#).

RESOLVED

That the Joint Annual Treasury Management Report and activity for the year 2014/15, as set out in Paper JAC58 and its appendices be noted. Further that it be noted that performance was in line with the Prudential Indicators set for 2014/15.

Note:

It is a requirement of the legislation that the Annual Treasury Management Report is submitted to the Full Council for noting.

43 QUESTIONS FROM THE PUBLIC

None received.

44 QUESTIONS FROM MEMBERS

None received.

45 DEVELOPING SUFFOLK'S DEVOLUTION PROPOSAL

Charlie Adan, Chief Executive, introduced [Paper R48](#) setting out the Suffolk ambition for, and approach, to devolution. Members were aware that the shared ambition was built on Suffolk's strong record of collaboration and innovation. Jennie Jenkins, Leader of the Council, and as Babergh's representative on the Suffolk Public Sector Leaders Group, proposed the recommendations and together with the Chief Executive answered a number of questions from Members on various related matters including

- Discussions with other Councils such as Norfolk, Essex and Cambridgeshire County Councils will take place and regard had to cross-border working, but the first priority had been to agree and submit the Suffolk bid.
- New Anglia LEP – this is likely to be stronger under the proposals for devolution. We have a seat on the Board.

- The Localism agenda and its continuing relevance regardless of the outcome of the devolution negotiations.
- Suffolk position regarding an elected Mayor – the Suffolk Leaders are not proposing this at the present time, but were looking at the need for a single spokesperson.
- Concerns were expressed about the accountability of non-elected members in the process – the Chief Executive explained the current involvement and support of public partners such as health and police, but that this was not seen as a blueprint for a new body.
- What changes are likely for Districts? – this is not a re-structure of local government but should lead to more community-based working and a re-ordering of local delivery.
- Is Government expecting a Suffolk model to be a one-off, or a possible blueprint for others? Jennie Jenkins replied that it could be looked at for rolling out, with appropriate adjustments, for other areas, but that Suffolk had been specifically asked to bid.

RESOLVED

- (1) That Suffolk’s ambition and approach to devolution be agreed.**
- (2) That the Expression of Interest submitted to Central Government on 4 September 2015 ([Appendix A of Paper R48](#)) be noted and endorsed, and agreed as providing a strong democratic mandate for future negotiation with Government.**
- (3) That the Expression of Interest (Appendix A of Paper R48) be adopted as the basis for future detailed negotiation with the Government throughout the autumn.**
- (4) That the Chief Executive, in consultation with the Leader of the Council(s), be authorised to agree any future changes to the Devolution Proposal.**

46 APPOINTMENT OF DEPUTY LEADER

The Chairman of the Council introduced this item by informing Members that they would be asked to consider (a) whether they wished to have a Deputy Leader of the Council and, if this was agreed, (b) to make an appointment.

Peter Beer in his capacity as Chairman of the Conservative Group then proposed that (a) such an appointment be made, and (b) that Simon Barrett be appointed to that position. The proposal was duly seconded.

During the course of the discussion on whether to have a Deputy Leader, an amendment was moved to defer consideration of any appointment until a constitutional report could be submitted on the responsibilities of such a role but the amendment was lost on being put to the vote. The original proposal (a) was voted upon and was carried.

Members were then asked to make an appointment to the Deputy Leader role and Sue Carpendale's name was put forward in addition to that of Simon Barrett. A ballot was requested in accordance with Council Procedure Rule No 23.5. At this point Sue Carpendale declined her nomination, and Tony Bavington's name was put forward.

The result of the subsequent ballot was announced by the Chairman and Simon Barrett was declared to have been elected.

Simon Barrett thanked Members and confirmed his intention to support the Leader in whatever capacity.

RESOLVED

That (a) the appointment be made of a Deputy Leader of the Council and (b) Simon Barrett be appointed to the post for the remainder of the current municipal year.

47 APPOINTMENTS TO OUTSIDE BODIES 2015/2016

Members had before them [Paper R49](#) together with a list of names (circulated prior to the commencement of the meeting) which had been put forward by Jennie Jenkins, Leader of the Council. She requested Members to formally approve the appointment of representatives and substitutes as listed.

Members were aware that all appointments remain subject to review prior to the 2016 Annual meeting, as agreed by Council on 28 July.

RESOLVED

That Councillors be appointed to outside bodies for the current municipal year as detailed in Appendix 1 attached to these minutes.

48 ANDREW HUNKIN

Andrew Hunkin was present at the meeting, which was his last before he leaves the Councils' employment. Jennie Jenkins, Leader of the Council, thanked Andrew and Members showed their appreciation of his 25 years' service with a round of applause. Andrew responded with his thanks, especially for the way in which Members had engaged with him and for the opportunity of listening to each other.

The business of the meeting was concluded at 6.55 p.m.

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Chairman

**APPENDIX 1 TO MINUTES OF BABERGH DISTRICT COUNCIL MEETING HELD
22 SEPTEMBER 2015**

MINUTE NO 47 – APPOINTMENTS TO OUTSIDE BODIES 2015/16 – PAPER R49

These appointments supersede any previous appointments made by the Council, for the reasons referred to, where relevant, in Paper R49.

Suffolk Health Scrutiny Committee

Appointment of Siân Dawson (representative) and Margaret Maybury (substitute)

Suffolk Flood Risk Management Scrutiny Sub-Committee

Appointment of Barry Gasper (representative) and Stephen Williams (substitute)

Greenways Countryside Project Joint Advisory Committee

Appointment of Peter Burgoyne and Dave Busby

Western Area Crime and Disorder Reduction Partnership (Responsible Authorities Group – RAG)

Appointment of Jan Osborne (28 July) as the representative endorsed. Appointment of Sue Ayres as substitute.

Greater Ipswich City Board Deal

Appointment by MSDC 30 July of Gerard Brewster as the joint representative on the Board endorsed. Appointment of Simon Barrett as substitute.

Dedham Vale and Stour Valley Joint Advisory Committee (JAC)

Appointment of Peter Patrick (*2nd member representative*)

Haven Gateway Partnership

Appointment of Peter Patrick (substitute)

Ipswich Policy Area Board

Appointment of Alan Ferguson (substitute)

Joint Waste Management Board

Appointment of Fenella Swan (substitute)

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CHAIRMAN'S ANNOUNCEMENTS - COUNCIL 27 OCTOBER 2015					R56
EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR	
SEPTEMBER 2015					
NSPCC East Suffolk Branch AGM & Reception	Orwell Park School, Nacton	24-Sep	✓		
UCS Graduation Ceremony	St Edmundsbury Cathedral, Bury St Edmunds	26-Sep	✓		
Sunday Service for the Mayor of Ipswich	St Mary-le-Tower Church, Tower Street, Ipswich	27-Sep	✓		
OCTOBER 2015					
Sudbury Mayor's Civic Service	St Gregory's Church, Church Street, Sudbury	04-Oct	✓		
Community Action Suffolk Annual Review	Ipswich	08-Oct	✓		
Village of the Year Presentation	Village Hall, Shotley	09-Oct	✓		
Suffolk Harvest Festival	St Edmundsbury Cathedral, Bury St Edmunds	11-Oct	✓		
St John Awards Presentation Evening	Haughley Park Barn, Near Stowmarket	14-Oct	✓		
Tendring DC Chairman's Civic Lunch	Harwich	15-Oct		✓	
Stowmarket Town Civic Service	St Peter & St Mary's, Stowmarket	18-Oct		✓	
Thomas Gainsborough School Official Opening	Great Cornard	19-Oct	✓		
UCS Ipswich Graduation Ceremony	Ipswich	19-Oct	✓		

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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Corporate Resources	Report Number: JAC62
To: Joint Audit and Standards Committee	Date of meeting: 19 October 2015

MID YEAR REPORT ON TREASURY MANAGEMENT 2015/16

1. Purpose of Report

- 1.1 The Code of Practice on Treasury Management requires local authorities to present a mid-year report on treasury management activity to those Members charged with scrutinising this area of activity. This report fulfils that requirement and sets out treasury management activity for the first half of 2015/16.

2. Recommendation to Council

- 2.1 That it be noted that Treasury Management activity for the first six months of 2015/16 was in accordance with the approved Treasury Management Strategy and that both Councils have complied with all Prudential Indicators for this period.

This recommendation is to each Full Council.

3. Financial implications

- 3.1 As outlined in this report.

4. Legal implications

- 4.1 There are no legal implications arising from this report.

5. Risk Management

- 5.1 This report is not directly linked with any of the Councils' Corporate / Significant Business Risks. Key Treasury Management risks are set out below:-

Risk description	Likelihood	Impact	Mitigation measures
Changes to the Bank of England base rate affecting borrowing / lending rates. The bank base rate is predicted to remain low throughout the year.	1 Rare or Never	2 Noticeable	Borrowing at fixed rates when rates are low. Regular review of long term versus short term rates.
Banks / building societies interest rate levels. These change to reflect economic conditions and affect lending rates.	2 Occasional	2 Noticeable	Daily treasury management activity includes looking at rates when investing surplus funds.

Risk description	Likelihood	Impact	Mitigation measures
Liquidity risk: access to cash.	2 Occasional	2 Noticeable	Investments in money market funds and call accounts can be accessed at short notice.

6. Consultations

- 6.1 Regular meetings have taken place with our Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

7. Equality Analysis

- 7.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

8. Shared Service / Partnership Implications

- 8.1 This is a joint report on activity. Both Councils' treasury management strategy and operations are handled by the integrated in-house finance team.

9. Links to Joint Strategic Plan

- 9.1 The treasury management policy includes authorisation to make investments with organisations such as the Churches, Charities and Local Authorities Property Fund (CCLA) and Funding Circle and will help support the Councils through their aims and objectives set out in the Joint Strategic Plan, including ensuring the long term financial sustainability of the Council.

10. Executive Summary

- 10.1 The Treasury Management Strategies for each Council for 2015/16 were approved at Full Council, on 24 February 2015 for Babergh (BDC) and 26 February 2015 for Mid Suffolk (MSDC). Amendments to the Treasury Management Strategy were approved at Full Council on 28 July 2015 for BDC and 30 July for MSDC. These amendments will enable the Councils to put in place the cash investments set out in the July reports to Council.

The reports can be accessed on:

<http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2014-15/P100R.pdf>

<http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2015-16/JAC54.pdf>

- 10.2 The Joint Treasury Management outturn report for 2014/15 was presented to Members at the Joint Audit and Standards Committee on 17 August 2015.

10.3 The Councils set their Prudential Indicators in February 2015 as part of the Treasury Management Strategy Statement. Appendix D shows the position on key Prudential Indicators for the first six months of 2015/16.

The Prudential Indicators aim to ensure that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

Both Councils can confirm that they have complied with all Prudential Indicators for 2015/16 to date.

10.4 Other key points relating to activity for the first half of the year are set out below:-

- The UK economy has continued to grow in the first six months of 2015/16 with output growing at 0.4% in Q1 and at 0.7% in Q2.
- The annual CPI inflation rate briefly turned negative in April before returning to 0.1%, 0.00% and 0.1% in May, June and July respectively.
- The MPC (Monetary Policy Committee) has made no change to the Bank Rate of 0.5.
- Investment of surplus funds - as market conditions and credit ratings have changed during the year, institutions that the Councils invest with and the period of the investments are reviewed.
- Credit risk scores were within the benchmark A- credit ratings.
- MSDC short-term debt reduced by £6m due to income exceeding expenditure in the first half of the year, which is the normal cash flow profile.
- No new long-term external borrowing.
- At the end of August, BDC invested £5m with the CCLA Local Authorities Property Fund. This is a collective investment scheme with monies being invested in a portfolio of properties.

10.5 In relation to borrowing, Babergh expects to have sufficient internal resources to fund its capital programme until March 2016. However, Mid Suffolk's estimated external borrowing requirement is up to £7.5m in 2015/16. This is to finance the capital programme in the year and to put in place the cash investments set out in the July reports to Council.

10.6 In terms of the investment of surplus funds, section 1.9 of Appendix C sets out the issues that are impacting on current and future activity:-

- All three credit rating agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Many institutions have seen upgrades to their credit ratings due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

10.7 In practice, the Councils do not have the size of deposit that interest the major banks and building societies so, on a daily basis, it is usually money market funds, short-term deposits and call accounts that are used to make short term investments.

11. Summary

11.1 This report meets the requirements of the CIPFA Code of Practice by providing Members with a summary report of the treasury management activity for the first half of 2014/15.

11.2 A prudent approach, in accordance with the approved strategy and the CIPFA Code of Practice, has continued in relation to investment activity, with priority being given to security and liquidity over yield.

11.3 Further information is provided in the Appendices A to E attached.

12. Appendices

Title	Loca
(a) Background, Economy and Outlook	Attached
(b) Debt Management	Attached
(c) Investment Activity	Attached
(d) Prudential Indicators	Attached
(e) Glossary	Attached

13. Background Documents

None.

Authorship:

Name: Katherine Steel
Position: Head of Corporate Resources
Tel: (01473) 826649 / (01449) 724806
E-mail: katherine.steel@babermidsuffolk.gov.uk

Name: Caroline Pearce
Position: Financial Services Officer
Tel: (01473) 825840
E-mail: caroline.pearce@babermidsuffolk.gov.uk

Appendix A: Background, Economy and Outlook

1. Background

- 1.1 Both Councils' Treasury Management Strategies for 2015/16 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
- 1.2 The Code also recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures the Councils are embracing best practice in accordance with CIPFA's recommendations.
- 1.3 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.4 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Councils to report on any financial instruments entered into to manage treasury risks.
- 1.5 The instruments and the limits with individual counterparties approved in the 2015/16 Treasury Management Strategy (as amended in July 2015) of each Council are aligned and are as follows:

Type of instrument	BDC and MSDC limit
Deposits with banks and building societies	£1m
AAA rated money market funds	£2m
Deposits with other local authorities	£1m
Treasury bills	No limit
Debt Management Account Deposit Facility	No limit
Pooled Funds	£5m
Registered Providers	£1m
Corporates	£1m

1.6 The total limits for non-specified investments are shown in the table below:-

Non – Specified Investment Limits	BDC and MSDC limit
Total investments without credit ratings	£10m
Total non – specified investments	£10m
Total loans to unrated corporates	£1m

1.7 In terms of which banks and building societies are included on the Councils' counterparty list, the advice of our treasury management advisors Arlingclose is used. As market conditions and credit ratings change during the year, institutions are either taken off or put on the list of counterparties that we are happy to lend money to.

1.8 In practice, the Councils do not have the size of deposit that interests the major banks and building societies, so on a daily basis it is usually money market funds, short-term deposits and call accounts that are used to make short term investments.

2. UK Economy

2.1 The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.9%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.6%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to 0.1%, before returning to 0.1%, 0.0% and 0.1% in May, June and July respectively. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to April fall to 5.5%, although this ticked back up to 5.6% in subsequent months. In the August report, average earnings excluding bonuses for the three months to June rose 2.8% year/year.

2.2 The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

2.3 The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a revised 3.7% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. Markets remained split between predicting a rate rise in September or December.

3. Market Reaction

- 3.1 Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

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Appendix B: Debt Management

- 1.1 The table below shows the level of activity on short and long term borrowing between 1st April and 30th September 2015:-

<u>BDC</u>	Balance 01/04/15 £'000	New borrowing £'000	Debt repaid £'000	Balance 30/09/15 £'000	Increase/ (Decrease) £'000
Short term	0	0	0	0	0
Long term	87,797	0	(250)	87,547	(250)
Total borrowing	87,797	0	(250)	87,547	(250)

<u>MSDC</u>	Balance 01/04/15 £'000	New borrowing £'000	Debt repaid £'000	Balance 30/09/15 £'000	Increase/ (Decrease) £'000
Short term	12,000	13,500	(19,500)	6,000	(6,000)
Long term	76,183	0	(275)	75,908	(275)
Total borrowing	88,183	13,500	(19,775)	81,908	(6,275)

- 1.2 The tables above show that all new borrowing for Mid Suffolk for the first six months of 2015/16 has continued to be short term in order to take advantage of the relatively low rates. The level of short-term borrowing has reduced though, as it normally does in the first 6 months of the year, due to Council Tax and other income exceeding expenditure.
- 1.3 The reduction in temporary debt has only slightly changed the total debt portfolio of Mid Suffolk, as shown below:

	BDC	MSDC
Average Interest Rate 31/03/15 (%)	3.27	3.35
Average Interest Rate 30/09/15 (%)	3.28	3.43
Average life of loans (years)	17	21

- 1.4 Babergh did not borrow any monies short term between April and September 2015. Mid Suffolk borrowed short term monies from other local authorities between April and September 2015 at interest rates between 0.40% and 0.45%. The total of short term loans held by Mid Suffolk at 30 September 2015 was £6m.
- 1.5 **LOBOs:** Mid Suffolk hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Mid Suffolk acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.
- 1.6 **PWLB Certainty Rates:** The Councils qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 1st November 2014. In April both Councils submitted applications to the CLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 1st November 2015.

- 1.7 Where possible both Councils make use of internal resources (surplus funds) instead of external borrowing to fund their capital expenditure as this lowers the overall treasury risk by reducing both external debt and temporary investments.
- 1.8 Babergh expects to have sufficient internal resources to fund its capital programme until March 2016.
- 1.9 Mid Suffolk is planning to replace previous internal borrowing with short term external borrowing. In consequence, Mid Suffolk expects to borrow up to £7.5m in the six months to 31 March 2016 to finance the capital programme and to put in place the cash investments set out in the July reports to Councils.
- 1.10 The Councils' chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. As short term interest rates have remained, and are likely to remain lower than long-term rates at least over the next two years, it is likely to be more cost effective for Mid Suffolk to borrow short term loans.

Appendix C: Investment Activity

- 1.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Councils' aim is to achieve a yield in line with these principles.
- 1.2 The table below shows the activity on investments between 1 April 2015 and 30 September 2015. During this period both Councils have only made short term investments.

Babergh Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m
Short term Investments (call accounts, deposits) Banks and Building Societies with ratings of A- or higher Local Authorities	£3.5m	£8m	(£8m)	£3.5m
UK Government: DMADF Treasury Bills	£3.5m	£52.3m	(£53.8m)	£2m
Money Market Funds	£4m	£20.4m	(£18.8m)	£5.6m
Pooled Funds CCLA Property fund		£5m		£5m
TOTAL INVESTMENTS	£11m	£85.7m	(£80.6m)	£16.1m
Increase/ (Decrease) in Investments £m				£5.1m

Mid Suffolk Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/09/2015 £m
Short term Investments (call accounts, deposits) Banks and Building Societies with ratings of A- or higher Local Authorities	£0.75m	£0.55m	(£0.3m)	£1m
UK Government: DMADF Treasury Bills		£28.5m	(£26.5m)	£2m
Money Market Funds	£1m	£20.8m	(£19.7m)	£2.1m
TOTAL INVESTMENTS	£1.75m	£49.85m	(£46.5m)	£5.1m
Increase/ (Decrease) in Investments £m				£3.35m

- 1.3 Investments held by Babergh increased from £11m at 1 April 2015 to £16.1m at 30 September 2015. Interest receivable for the period was £28,329 and the average interest rate was 0.40%.
- 1.4 Investments held by Mid Suffolk decreased from £1.75m at 1 April 2015 to £5.1m at 30 September 2015. Interest receivable for the period was £10,661 and the average interest rate was 0.40%.

- 1.5 **Budgeted Income and Outturn:** The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2016/17. Short-term money market rates have remained at very low levels for investments, (see table below). The anticipated interest receivable for 2015/16 is as follows:

£'000	BDC	MSDC
Average money market rate	0.42%	0.45%
Budget for 2015/16	17	14
Predicted Outturn for 2015/16	169	115

Note - The predicted outturn reflects new investments within the CCLA property fund with a current forecast interest rate of 4.8% for the second half of the year.

- 1.6 **Security of capital:** This remains the Councils main investment objective. This has been maintained by following the Councils counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16. New investments can be made with the following institutions and instruments for both councils unless specified otherwise:-

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- Deposits with banks and building societies;
- Deposits with the Debt Management Account Deposit Facility;
- Treasury Bills; and
- Pooled Funds.

- 1.7 Counterparty credit quality is assessed and monitored with reference to:-

- Credit ratings, the Councils minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard and Poor's and Moody's;
- credit default swaps;
- GDP of the country in which the institution operates;
- the country's net debt as a percentage of GDP;
- sovereign support mechanisms/potential support from a well-resourced parent institution;
- Share price.

- 1.8 **Credit (Security) Risk:** The aim is to have an average credit rating of A- or higher, with a score of 7 or lower, to reflect the current investment approach with the main focus being on security of the investment.

BDC	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	3.38	AA	3.34	AA
30/06/2015	3.87	AA-	2.91	AA

MSDC	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	5.30	A+	5.30	A+
30/06/2015	4.79	A+	2.31	AA+

Information at 30/09/15 not available at the time the report was written.

Scoring

Value weighted average reflects the credit quality of investments according to the size of the deposit. Time weighted average reflects the credit quality of investments according to the maturity of the deposit.

AAA = highest credit quality = 1

D = lowest credit quality = 26

- 1.9 ***Investment/Counterparty Update:*** All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thueringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.

At the end of July, Arlingclose advised extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis.

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Appendix D : Prudential Indicators

1.1 Prudential Indicators 2015/16

The Local Government Act 2003 requires Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.2 Estimates of Capital Expenditure

The Councils' planned capital expenditure and financing may be summarised as follows:

<u>BDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	2.9	33.7
HRA	3.7	10.5
Total Expenditure	6.6	44.2
Capital Receipts	0.6	0.6
Grants and contributions	0.5	0.3
Reserves	0.2	2.9
Revenue	3.2	6.9
Borrowing	2.1	33.5
Total Financing	6.6	44.2

<u>MSDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	3.5	32.7
HRA	5.0	7.5
Total Expenditure	8.5	40.2
Capital Receipts	1.8	1.8
Grants and contributions	0.3	0.2
Reserves	2.6	5.3
Revenue	1.3	2.2
Borrowing	2.5	30.7
Total Financing	8.5	40.2

1.3 Estimates of Capital Financing Requirement

<u>BDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	9.8	42.6
HRA	85.5	84.4
Total CFR	95.3	127.0

<u>MSDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	16.7	46.2
HRA	86.8	86.8
Total CFR	103.5	133.0

Both Councils are well within the approved capital financing requirement in 2015/16.

1.4 Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent, but not worst case scenario without the additional headroom included within the Authorised Limit. The Authorised Limit and Operational Boundary for 2015/16 are as follows:

	Authorised Limit £m	Operational Boundary £m	Peak Borrowing up to 30/09/15 £m
BDC	130	127	87,797
MSDC	139	136	87,183

The Section 151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary in the period to end of September.

1.5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limits on fixed and variable rate exposures expressed as the amount of net principal borrowed (loans borrowed less amounts invested) are shown in the table below.

Limits for 2015/16 £m	BDC	MSDC
Upper limit on fixed interest rate exposure	127	136
Actual 30/09/2015	88	76
Compliance with limits:	Yes	Yes
Upper limit on variable interest rate exposure	20	40
Actual 30/09/2015	(17.3)*	0.2
Compliance with limits:	Yes	Yes

* Investments only at variable rates.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

1.6 Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<u>BDC</u>					
Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	500	0.57	Yes
12 to < 24 months	50	0	500	0.57	Yes
24 months to < 5 years	50	0	1,500	1.71	Yes
5 years to <10 years	100	0	300	0.34	Yes
10 years and above	100	0	84,747	96.81	Yes

<u>MSDC</u>					
Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	6,371	7.78	Yes
12 to < 24 months	50	0	1,100	1.34	Yes
24 months to < 5 years	50	0	900	1.1	Yes
10 years and above	100	0	73,537	89.78	Yes

1.7 Total Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the total principal sum invested to final maturities beyond the period end are:-

<u>BDC and MSDC</u>	2015/16
	£m
Limit on principal invested beyond year end	2
Actual	0

1.8 Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Babergh District Council

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %
General Fund (including Delivery Plan Projects 2015/16)	3.06%	11.52%
HRA	18.06%	17.35%

Mid Suffolk District Council

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %
General Fund (including Delivery Plan Projects 2015/16)	5.98%	15.12%
HRA	22.01%	22.12%

1.9 Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Babergh District Council

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £
General Fund - increase in annual Band D Council Tax	8.34
HRA - increase in average weekly rents	9.42

Mid Suffolk District Council

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £
General Fund - increase in annual Band D Council Tax	10.31
HRA - increase in average weekly rents	-3.81

Glossary of Terms

Annuity	Annuity or Equal Repayments. Fixed rate loans repayable by fixed half-yearly instalments to include principal and interest.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
DMADF	Debt Management Account Deposit Facility.
EIP	Equal Instalments of Principal. Fixed rate loans repayable by equal half-yearly instalments of principal together with interest on the balance outstanding at the time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
T Bills	Treasury Bill. A short term Government Bond.

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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager - Commissioning	Report Number: R57
To: Babergh Council Mid Suffolk Council	Date of meeting: 27 October 2015 29 October 2015

CONTRACT STANDING ORDERS

1. Purpose of Report

- 1.1 The purpose of this report is to approve revised Contract Standing Orders.

2. Recommendations

- 2.1 That the revised Contract Standing Orders as detailed in Appendix A be approved
- 2.2 That the second bullet point in A12 of the Councils' Financial Regulations be amended to read as follows:-

'Signing contracts in relation to their specific areas on behalf of the authority in accordance with the Procurement Scheme of Delegation.'

3. Financial Implications

- 3.1 None.

4. Legal Implications

- 4.1 None.

5. Risk Management

- 5.1 The proposed Contract Standing Orders provide clearer guidance than the current Contract Standing Orders and through this will enable a reduction in the Council's risk with regard to its Commissioning and Procurement.

6. Consultations

- 6.1 Relevant stakeholders in the Council, including Legal and Financial Services have been consulted.

7. Equality Analysis

- 7.1 There are no direct impacts for equality from the adoption of the revised Contract Standing Orders. The revised Contract Standing Orders require that the process and impact of the Council's commissioning and procurement should not adversely impact upon any community or groups within a community.

8. Shared Service / Partnership Implications

- 8.1 The Contract Standing Orders will be the same for Babergh District Council and Mid Suffolk District Council.

9. Links to Joint Strategic Plan

9.1 The revised Contract Standing Orders support the development of the Councils' capability to commission.

10. Key Information

10.1 The revised Contract Standing Orders now include details of the approvals and delegations required for procurement and the value triggers for the different types of sourcing processes. Appendix A provides a copy of the current Contract Standing with differences from the proposed new version of Contract Standing Orders marked. Text that has been removed is shown as struck out and the revised text is shown in blue.

10.2 The revised Contract Standing Orders have been developed in conjunction with a joint (Babergh and Mid Suffolk) Commissioning and Procurement Manual.

10.3 The implementation of the revised Contract Standing Orders and joint Commissioning and Procurement Manual will be supported by a programme of learning for Officers.

10.4 The Councils' Financial Regulations currently include the following –

MANAGEMENT BOARD AND HEADS OF SERVICE

A.12 These are responsible for:

- *Signing contracts in relation to their specific areas on behalf of the authority, which are not under seal.*

In order to be consistent with the proposed new Contract Standing Orders this should be amended to:

- Signing contracts in relation to their specific areas on behalf of the authority in accordance with the Procurement Scheme of Delegation.

11. Appendices

	Title	Location
A	Current Contract Standing Orders with amendments marked	Attached

12. Background Documents

12.1 None.

Authorship:

Rachel Hodson-Gibbons
Corporate Manager – Commissioning

01449 724587 / 01473 825715
rachel.hodson-gibbons@baberghmidsuffolk.gov.uk



CONTRACT STANDING ORDERS

October ~~2014~~ 2015

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6. Sourcing Processes

**7. Exemptions to Undertaking a Competitive Sourcing
Process**

8. Extension of Contracts

9. Purchase and Works Orders

1. Introduction

1.1 These Contract Standing Orders are made in accordance with the requirements of Section 135 of the Local Government Act 1972. The Contract Standing Orders form part of the Council's Constitution. The purpose of these Contract Standing Orders is to provide a framework within which commissioning and purchasing decisions are undertaken to enable the Council to:

- furthers its priorities
- use its resources efficiently
- commission quality goods, services and works
- operate in a fair, open and transparent manner
- safeguard its reputation from the implication of dishonesty or corruption.

1.2 These Contract Standing Orders provide the minimum standards and requirements that must be met on all occasions when the Council enters into an agreement for the supply of goods, services or the execution of works. Further guidance that should be applied to all of the Council's commissioning and procurement is provided in the Council's Commissioning and Procurement Manual.

1.3 These Contract Standing Orders apply to all contracts, leases, concessions and agreements entered into by or on behalf of the Council; except ~~where:~~ for the specific types of contracts and which are listed below:

- ~~• circumstances where purchases are made or services rendered as a consequence of a contract made by another local authority, government department, body or agent the benefits of which the Council obtains as a result of participation in a consortium.~~
- ~~• goods purchased by public auction~~

- ~~• circumstances where the Council enters into a contract jointly with one or more other local authorities one of whom is the “lead authority” for that contract~~
- ~~• the lending or borrowing of money~~
- ~~• the appointment of any officer directly employed by the Council~~
- ~~• the sale or purchase of any land or buildings~~
- ~~• the provision of services by legal counsel.~~
- ~~• service level agreements setting out the conditions which the Council will provide funding to particular voluntary sector bodies.~~
- The goods, services or works are provided by a wholly owned subsidiary of the Councils where the Councils control the subsidiary in a similar way to which control is exercised over their own departments, more than 80% of the subsidiary’s activities are undertaken for the Councils and there is no direct private capital participation in the subsidiary.
- The Councils collaborate with other Public Authorities to deliver a public service with a view to achieving objectives that they have in common and the collaboration is implemented in a manner governed solely by considerations relating to the public interest.
- The Councils’ have established a Mutual Organisation delivering a service contract in relation to education, healthcare and housing, health and social work services, or library and other cultural services. A contract may be awarded for no more than 3 years.
- Circumstances where purchases are made or services rendered as a consequence of a contract made by another Local Authority, Government Department, Government Body or Agent, the benefits of which the Councils obtain as a result of participation in a consortium.

- Goods are purchased by public auction.
- The lending or borrowing of money.
- The appointment of any Officer directly employed by the Councils.
- The sale or purchase of any land or buildings.
- The provision of services by Legal Counsel.
- Agreements setting out the conditions which the Councils will provide funding to particular voluntary sector bodies.
- The goods or services are supplied at a fixed price or the prices are wholly controlled by trade organisations or Government order and no satisfactory alternative is available.

2. Delegated Authority

2.1 All commissioning and procurement activity by the Council must be undertaken in compliance with the Council's [Procurement Scheme of Delegation](#) which is provided in [Table 1](#). ~~Details of the Scheme of Delegation are included in the Council's Commissioning and Procurement Manual.~~

Table 1 – Standard Procurement Scheme of Delegation

£ Value excl. VAT	Approve the Selection of Suppliers to Invite to Tender	Approve the award of business	Signing of contracts	Approval of Purchase orders and invoices	Approval of certification of completion for services and works	Approval of contract extensions	Approval of exemption to undertake a competitive sourcing
Up to £10k	Not Applicable	Approved Officer	Approved Officer	Approved Officer	Approved Officer	Approved Officer	Corporate Manager
£10k to £75k	Not Applicable	Corporate Manager	Corporate Manager	Corporate Manager	Approved Officer	Corporate Manager	Corporate Manager
£75k to £250k	Corporate Manager	Head of Service	Councils' Monitoring Officer	Head of Service	Corporate Manager	Head of Service	Head of Service
Over £250k	Corporate Manager	Director and Mid Suffolk Executive and Babergh Strategy Committees for Strategic Contracts	Councils' Monitoring Officer	Director	Corporate Manager	Director	Director
All values	For the Best Value Exemption for to undertake a competitive sourcing process approval for all values is required by: Head of Legal and Governance and the Corporate Manager Commissioning & Procurement.						

2.2 Delegation of Authority to Approved Officers

Corporate Managers have responsibility to delegate authority to Approved Officers and should ensure that they have the appropriate levels of capability and understanding to undertake the role.

2.3 Recording of Delegations

Effective records of delegations should be maintained in the Councils' Authorised Signatory List which the Councils' Section 151 Officer or his/her nominee has responsibility for the compilation of. Corporate Managers have responsibility to ensure that details of Approved Officers are maintained in the Authorised Signatory List.

2.4 Approval of the Award of Business of Strategic Contracts

For the purpose of approval strategic contracts are defined as:

- Over £250k in value and
- The goods, services or works have a significant impact upon the delivery of the Councils' services are not replacements for an existing operation.

Following the completion of the evaluation phase of procurement, before the approval for the award of the business should be obtained from Executive /Strategy Committees. This approval can be delegated from the relevant Committee to an Officer with the appropriate level of responsibility, however the delegation must be in place before the procurement process commences.

2.5 Variation from the Procurement Scheme of Delegation

Where requirements for high value contracts and purchase orders occur on a regular basis the Section 151 Officer may approve a variation from the Standard Procurement Scheme of Delegation for requirements up to £250k. Any such variations should be recorded in the Councils' Authorised Signatory List.

3. Personal Interests of Officers and Members

~~3.1 Section 117 of the Local Government Act 1972 requires employees to give notice in writing to the Council of any pecuniary interest, direct or indirect, which he/she has in a contract entered into (or to be entered into) by the Council.~~

3.1 Employees of the Council and Members of the Councils should give notice in writing to the Council of any pecuniary interest, direct or indirect, which he/she has in a contract entered into (or to be entered into) by the Council.

3.2 Such notification should be given to the Council's Monitoring Officer.

~~4. Statutory Requirements~~

~~4.1 All commissioning and procurement activity by the Council must be undertaken in compliance with EC Treat Principles, EU Directives and all relevant UK legislation.~~

~~4.2 Further guidance on relevant Directives and Statutes is provided in the Commissioning and Procurement Manual.~~

4. Management of Records

4.1 Proper records of all communications, reports, minutes, meetings, quotes, tenders, contract and other relevant documents should be retained securely so as to protect the integrity of the process and managed in accordance with the Council's policy on The Management and Retention of Records.

4.2 A record of all Contracts should be entered into the Council's Contract Register.

~~5. Transparency and Fairness~~

~~5.1 All procurement and commissioning activity by the Council must be undertaken in an open, fair and transparent manner which provides an equal opportunity for all potential providers.~~

~~5.2 The total economic opportunity in terms of value available for the whole period of the requirement (excluding VAT) will determine the procurement processes which should be followed. Guidance on the contract value thresholds and procurement processes that should be used is provided in the Council's Commissioning and Procurement Manual.~~

~~5.3 Requirements should not be broken down into smaller portions (lots) for the purpose of avoiding the impact of the contract value threshold.~~

~~5.4 A standing list of suppliers may be compiled where the business requirements of the Council require access to a number of suitably qualified suppliers for a specific category, value or quantity of goods, services or the execution of works. Invitations to tender or quotation for these categories will be limited to those suppliers whose names are included on the list compiled and maintained for that purpose.~~

~~5.5 All suppliers included on a standing list must be given equal opportunities to respond to quotes and tenders.~~

~~5.6 Standing lists are effective for a limited period and must be renewed on a regular basis in accordance with the guidance and procedures provided in the Commissioning and Procurement Manual.~~

5. Principles

5.1 The Councils are required to comply with the Fundamental Treaty Principles of the EU which should be applied to all of the Councils' commissioning and procurement, the principles are:

- Non-discrimination on the basis of nationality
- Transparency
- Equality and fairness

5.2 All of the Councils' commissioning and procurement should be undertaken in an open and fair manner which provides the same information to all suppliers and an equal opportunity to all potential suppliers.

5.3 The Councils should ensure that comparable situations are not treated differently and that different situations are not treated similarly.

5.4 The process of the Councils' commissioning and procurement and the impact of the outputs and outcomes achieved should not impact adversely upon any communities or groups within a community.

5.5 The Councils' commissioning and procurement should be undertaken with regard to the principle of proportionately. This requires that requirements placed upon suppliers should be appropriate for attaining the objective pursued and should not go beyond what is required to achieve the objectives of the procurement.

5.6 The selection of offers for goods, services or the execution of works from suppliers should be based upon achieving value for money for the Council, utilising sustainable and ethical sources of supply with minimal impact upon the environment.

5.7 Subject to the test of fairness and equality for potential suppliers the requirement to support specific regional economic and social development opportunities may be included.

6. Management of Records

~~6.1 Proper records of all communications, reports, minutes, meetings, quotes, tenders, contract and other relevant documents must be retained securely so as to protect the integrity of the process and managed in accordance with the Council's policy on The Management and Retention of Records.~~

~~6.2 A record of all Contracts must be entered into the Council's Contract Register.~~

7. ~~Value for Money and Selection~~

~~7.1 The selection of offers for goods, services or the execution of works from suppliers should be based upon achieving value for money for the Council, utilising sustainable and ethical sources of supply with minimal impact upon the environment.~~

~~7.2 Subject to the test of fairness and equality for potential suppliers the requirement to support specific regional economic and social development opportunities may be included.~~

6. Sourcing Processes

6.1 The sourcing process that should be used will depend upon the type and estimated value of the requirement (excluding VAT), refer to Table 2.

6.2 Requirements should not be broken down into smaller portions (lots) for the purpose of avoiding the application of the procurement thresholds.

6.3 A Standing list of suppliers may be compiled where the business requirements of the Council require access to a number of suitably qualified suppliers for a specific category, value or quantity of goods, services or the execution of works. Invitations to quote for these categories will be limited to those suppliers whose names are included on the list compiled and maintained for that purpose. All suppliers included on a standing list should be given equal opportunities to respond to invitations to quote.

Table 2 – Sourcing Processes

Value of Expenditure	Where an Approved List of Suppliers is Not Used	Where an Approved List of Suppliers is Used (see Section 7)
Less than £1k – All Categories	Verbal or email confirmation from supplier, pricing obtained from suppliers' catalogue.	Councils' Standing List –as required by the procedures of the relevant Standing List.
£1k to £10k – All Categories	At least one Informal Quote.	
£10k to £30k – All Categories	At least three Informal Quotes.	
Goods and Services- £30k to £75k	At least three Formal Quotes.	Framework Agreement – as required by the procedures of the relevant Framework Agreement.
Goods and Services £75k to £172k	Tender advertised nationally.	
Goods and Services (apart from Light Touch Services¹) over £172k	Tender advertised in EU and undertaken using the formal EU Procurement Regime.	

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1 – Light Touch Services are health, social and related services, administrative social, educational and cultural services, compulsory social services, benefit services, community social and personal services, religious services, catering services for private households, prison services, postal services, investigation and security services.

Value of Expenditure	Where an Approved List of Suppliers is Not Used	Where an Approved List of Suppliers is Used (see Section 7)
Light Touch Services £75k to £625k	Tender advertised nationally.	
Light Touch Services over £625k	Tender advertised in EU, the formal EU Procurement Regime does not have to be applied, however the EU Treaty principles should be applied and the Contract Award should be published in OJEU.	
Works £30k to £150k	At least three Formal Quotes.	
Works £150k to £4.3m	Tender advertised nationally.	
Works over £4.3m	Tender advertised in EU and undertaken using the formal EU Procurement Regime.	

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7. Exemptions to Undertaking a Competitive Sourcing Process

7.1 Exemptions to the requirement to undertake a competitive sourcing process should be approved in accordance with the Councils' Procurement Scheme of Delegation and can only be undertaken in the circumstances listed in Table 3.

Table 3- Exemptions to Undertaking a Competitive Sourcing Process

Type of Exemption	Criteria	£ Value for which this Exemption can be Applied
Sole Provider	Where for technical or artistic reasons connected with the protection of exclusive rights only a single supplier can meet the requirements.	Unlimited
Urgency A	Emergency action is required which acting diligently the Council(s) could not have foreseen and if not taken would provide an unacceptable impact upon on the delivery of the Councils' services. This exemption cannot be applied where insufficient time has been allowed to undertake the relevant procurement process.	Goods and Services up to £172k Works up to £4.3m
Urgency B	In cases of extreme urgency, where the health and safety of the public is at stake and the likelihood of harm during the period of delay is considerable, for reasons unforeseeable by and not attributable to the Councils.	Unlimited

Type of Exemption	Criteria	£ Value for which this Exemption can be Applied
Additional Works or Services	Where the Councils require a contractor to provide additional goods or carry out additional works or services beyond 50% of the original contract value (including any extension included in the original terms of the contract); which the Councils acting diligently could not have foreseen and undertaking a further competitive sourcing process is unlikely to deliver value for money and will impede upon the delivery of the Councils' services, an exemption may be used. The extension cannot include a variation in the scope of the contract.	The contract can be extended to its original value once again and the total expenditure (including the value of the original contract) cannot be above: <ul style="list-style-type: none"> • £172k for goods and services. • £625k for Light Touch Services • Works up to £4.3m
Best Value	Where there is sufficient evidence that only one supplier is able to undertake the work within the required timescale and undertaking a competitive sourcing process would be unlikely to deliver value for money and will impede upon the delivery of the Councils' services, an exemption may be used. This exemption cannot be applied where insufficient time has been allowed to undertake the relevant procurement process.	£75k for Goods and all types of Services £150k for Works

8. Extension of Contracts

~~8.1 Where the extension of a contract is required to enable the continued provision of goods, services or execution of works; contracts may be extended, subject to adequate budgetary provision:~~

- ~~• by value or period, or any other variation that has been accounted for in the original terms of the contract~~

- ~~• in addition to the terms of the original contract, the contract may be extended by a period of not more than half of the original term~~
- ~~• in addition to the terms of the original contract by not more than 40% of the total value of the original contract~~
- ~~• an exemption or exception these Contract Standing Orders applies.~~

~~8.2 Contract extensions must be authorised in accordance with the guidance provided in the Councils' Commissioning and Procurement Manual.~~

8. Extension of Contracts

8.1 The term of existing contracts may only be extended if satisfactory performance has been provided from the contracted supplier and there is adequate budgetary provision.

8.2 Contracts may be extended for any period that was provided for in the original terms of the contract.

8.3 Where the Councils require a contractor to provide additional goods or carry out additional works or services due to circumstances which acting diligently the Councils could not have foreseen an extension of up to 50% of the original value of the contract (which includes any extension periods provided for in the terms of the original contract) can be undertaken.

8.4 Contracts may not be varied with regard to the scope and the type of goods, services or works that they deliver unless, the variation has already been provided for in the original contract terms or the changes are not substantial and do not alter the nature of the Contract.

9. Third Parties

~~9.1 Where third parties, such as consultants or contractors are engaged to commission or procure goods, services or the execution of works, or manage a contract on behalf of the Council these activities must be undertaken in~~

~~compliance with these Contract Standing Orders and the guidance contained in the Council's Commissioning and Procurement Manual.~~

~~9.2 The requirement in 10.1 must be included in the conditions of contract for third parties.~~

9. Purchase and Works Orders

9.1 With the exception of the requirements included on the Council's Purchase Order Exemption List an official Purchase or Works Order should be used to undertake all financial commitments on behalf of the Council.

10. Purchase Orders

~~10.1 With the exception of the requirements included on the Council's Purchase Order Exemption List, an official Purchase Order must be used to undertake all financial commitments on behalf of the Council.~~

~~10.2 The Purchase Order Exemption List is contained in the Council's Commissioning and Procurement Manual.~~

11. Exemptions to the Contract Standing Orders

~~11.1 Exemptions to these Contract Standing Orders may be made within the relevant law as follows:~~

- ~~• the goods required are available only as proprietary or patented articles from one supplier and there is no reasonable satisfactory alternative~~
- ~~• the goods or services to be supplied consist of a repair to or the supply of parts of existing proprietary machine or plant~~
- ~~• the goods or services to be supplied are required to be the same as those currently in use by the Council for the purpose of standardisation~~
- ~~• emergency action is required, which if not taken would provide an unacceptable impact upon on the delivery of the Councils' services~~

- ~~the goods or services are supplied at a fixed price or the prices are wholly controlled by trade organisations or Government order and no satisfactory alternative is available~~
- ~~taking into account the cost of change the Council is unlikely to benefit from improved value for money.~~

~~11.2 Exemptions to these Contract Standing Orders must be authorised in accordance with the guidance in the Commissioning and Procurement Manual.~~

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