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The Report of the Executive

The Executive met on Tuesday 16 October, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors Andrew Backhouse, Arthur Barker, Eric Broadbent, Geoffrey Cullern, Ron Haigh, Michael Knaggs, Martin Smith and Peter Sowray.

The Executive met again at County Hall, Northallerton on Tuesday, 30 October, 2007. Present:- County Councillor John Weighell in the Chair. County Councillors Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers and Clare Wood.

Also in attendance:- County Councillors Keith Barnes, Bill Barton OBE, Tony Hall and Michael Knaggs.

The Executive met again at County Hall, Northallerton on Tuesday, 6 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Liz Casling, Geoffrey Cullern, Ron Haigh, Tony Hall, Michael Knaggs, Pat Marsburg, Paul Richardson, Martin Smith and Mark Wheeler.

The Executive met again at County Hall, Northallerton on Tuesday, 20 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Bill Hoult, Gillian Ivey. Shelagh Marshall, Paul Richardson, Martin Smith, Peter Sowray and Melva Steckles

The Executive met again at County Hall, Northallerton on Tuesday, 27 November 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance: County Councillors Mrs M.A de Courcey-Bayley, Ron Haigh, Tony Hall, Paul Richardson and Peter Sowray.

The Executive met again at County Hall, Northallerton on Tuesday, 4 December 2007. Present:- County Councillor John Weighell in the Chair. County Councillors John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors John Blackie, Eric Broadbent, Geoffrey Cullern, Heather Garnett, David Lloyd Williams, Paul Richardson, Martin Smith, Peter Sowray and Tim Swales.

The Executive met again at County Hall, Northallerton on Tuesday 11 December 2007. Present:- County Councillor John Weighell in the Chair. County Councillors

John Fort BEM, Carl Les, Chris Metcalfe, Caroline Patmore, Helen Swiers, John Watson OBE and Clare Wood.

Also in attendance:- County Councillors Heather Garnett, Michael Knaggs and Paul Richardson

1.   Capital Plan: The Capital Plan is a detailed 3 year programme that sits at the front end of the longer term 10 year Capital Forecast, which was developed as part of the County Council's Medium Term Financial Strategy MTFS. The Executive recommends updating this Capital Plan in the light of policy and operational developments; recently notified Education capital approvals from 2008/09; and by adding a further year (2010/11). A summary of each Directorate's Plan, analysed into the main areas of capital spending, is attached as Appendices 1A to 1D.

This updated Capital Plan is based on the version approved by Executive on 21 August 2007 but incorporates the following:

- the addition of a further year (2010/11) to the Capital Plan based on the pre existing 10 year Forecast approved in February 2004 as adjusted for agreed subsequent refinements.

- additions or variations to schemes that are self funded (ie through grants, contributions, revenue contributions and earmarked capital receipts). This includes Education Capital approvals for the years 2008/09 to 2010/11.

- variations in spend profile and/or allocations received in relation to schemes funded by specific supported borrowing approvals from the Government (including Education Capital approvals for the years 2008/09 to 2010/11).

- identified re-phasing of expenditure between years.

- virements between schemes resulting from variations in scheme costs (eg arising from a tender process) and ongoing, re-assessment between priorities within a Directorate's finite control total.

- additional capital schemes approved by the Corporate Asset Group (CAG) and Executive for inclusion in the Plan.

- various other miscellaneous refinements.

An overall summary of the plan at Directorate level, together with changes compared with the last version, is attached as Appendix 1E.

The lastest gross spend Capital Plan position at Directorate level is:

Directorate	Appendix	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Adult and Community Services	**A**	3.3	9.7	6.7	8.5
Business and Environmental Services	**B**	59.1	46.1	40.2	31.0
Children and Young People's Service	**C**	39.5	45.1	44.9	42.0
Other County Services	**D**	10.6	4.6	1.8	1.4
Total		112.5	105.5	93.6	82.9

This indicates a planned gross capital spend of £112.5m in 2007/08, £105.5m in 2008/09, £93.6m in 2009/10 and £82.9m in 2010/11 but these totals include a number of significant individual schemes and provisions, as follows:-

Directorate/scheme	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Children and Young People's Service				
Modernisation programme block provision	2.1	1.9	8.1	8.9
Children's Centres	3.9	6.8	2.6	1.5
Building Schools for the Future	6.0	12.2	12.2	-
Devolved Capital funding to schools	9.2	7.4	6.9	12.0
School Self Help schemes	5.0	4.9	2.5	2.5
Targeted Capital Fund	-	-	0.3	4.0
ICT Targeted Capital Fund	-	1.7	4.4	3.9
BES				
Highways LTP	28.1	28.6	26.9	27.6
Depots Rationalisation Programme	5.2	7.7		
Scarborough Integrated Transport	18.5	7.1	0.1	1.4
Waste Strategy		0.4	10.9	
Adult and Community Services				
Our Future Lives Schemes	1.2	5.6	5.1	8.1
Other County Services				
Loans to Limited Companies	2.4	2.0		
	81.6	86.3	80.0	69.9
All other schemes and provisions	30.9	19.2	13.6	13.0
Total	112.5	105.5	93.6	82.9

A few individual schemes and provisions make up about 80% of the total planned capital spend in each year and any slippage or delays in these individual schemes will therefore have a significant consequential impact on financing requirements.

For the Capital Plan update there has been a re-phasing of £5.3m from 2007/08 to subsequent years. Of this sum, £1.4m is self funded from grants and contributions and £3.9m funded from a combination of capital receipts and borrowing. The areas of rephasing are:

	£m
Schools Access initiative (CYP)	0.6
Childrens Centres capital (NYCC funding) (CYP)	1.1
Waste Disposal Service	0.7
Scarborough Integrated Transport	0.7
Rephasing of various other schemes (balance)	2.2
	5.3

The rephasing figures shown for 2008/09 and subsequent years reflect two other significant factors. Firstly, a provisional phasing of spending between years of the recently announced Education capital approvals for the three years 2008/09 to 2010/11. Secondly, the addition of a new year (2010/11) to the Capital Plan has resulted in expenditure already included in the Q1 Capital Plan, within the later years total, being phased into 2010/11. This additional year shows a gross capital spend of £82.9m, with a breakdown into major schemes and provisions and how they are financed shown in Appendices 1F and 1G. The addition of 2010/11 to the detailed Capital Plan at this stage does not preclude further refinements as part of the 2008/09 Budget and MTFS process. No new schemes and provisions are reflected in this additional year, with items only being included on the basis of:

- schemes and provisions for 2009/10 approved in 2004 as part of the extended 10 year Capital Forecast.

- being self financed from capital grants, contributions and revenue contributions.

- being financed from estimated Supported Borrowing approvals for 2010/11.

- capital expenditure has previously slipped from the years up to 2009/10 and was shown in the Capital Plan as 'later years'. A proportion of this has now been phased into 2010/11 with the rest remaining as 'later years' spending.

A number of annual Capital Provisions are based on approvals from Government departments which are funded from a combination of supported borrowing approvals and capital grants. Firm allocations have been received for 2007/08 and Education Capital allocations for 2008/09 to 2010/11 have also recently been received. Updated allocations for the three years 2008/09 to 2010/11 in other areas such as Highways, LTP are expected as part of this year's Local Government Finance Settlement. This year's settlement is expected to see the first proper 'three year settlement' to tie in with the period covered by the recently announced 2007 Comprehensive Spending Review.

The Executive has considered progress on significant projects and variations reflected in the updated Capital Plan. The total estimated cost of the Highways Depots Rationalisation Programme has increased by £4,081k, funded from an increased value of capital receipts of £1,010k with the resulting increased net shortfall of £3,071k being funded from Prudential Borrowing.

Key issues are:

- the overall latest net funding shortfall to be financed from Prudential Borrowing is now £3.8m.

- the Executive approved a ten year pay back period in relation to the net borrowing costs of £3.8m (approximately £0.5m per annum principal and interest). These costs are to be funded by BES from salt savings, etc, resulting from the rationalisation programme.

- capital receipts are estimated to be in the range of £11.7m to £13.7m and a working assumption of £12.7m has been made at this stage.

- if capital receipts are less than £12.7m and it is not possible to absorb this loss in the approved Programme costs, it would then be necessary to seek further approval for additional Prudential Borrowing.

Whilst full commitment is in place to keep within the current net cost of this project, the profile of expenditure is subject to variation, given the nature of the programme, although specific instructions have been issued to consultants that build costs are not to be exceeded. Specifications will be reduced, if necessary, to ensure no further increase in costs.

Capital Plan provision for the Waste Procurement Project was made following a report on the Waste Management PFI. The County Council is securing land options for potential residual waste facilities and for front end infrastructure, including a materials recovery facility and transfer stations throughout the County. The City of York Council is also making a contribution of 25% towards the cost of any sites for residual waste facilities. It may be that the County Council secures options on sites but does then need to take up such options, as PFI bidders indicate that they have sites available which they would prefer to develop. Significant progress has been made in relation to sites and the table below represents a significant reduction in estimated capital funding required for the project, compared with earlier provision:

Item	2007/08	2008/09	2009/10	2010/11	Total
	£000	£000	£000	£000	£000
Capital Q1 Plan					
Residual Waste Treatment	498	6,875	-	-	7,373
Front end infrastructure	2,244	-	14,150	-	16,394
City of York contribution	-125	-1,719	-	-	-1,844
= balance from Prudential Borrowing	**2,617**	**5,156**	**14,150**	**-**	**21,923**

Q2 Plan update					
Residual Waste Treatment	-	-	-	-	-
Front end infrastructure	-	400	10,887	-	11,287
City of York contribution	-	-	-	-	-
= balance from Prudential Borrowing	**-**	**400**	**10,887**	**-**	**11,887**
Reduced Capital provision/ Prudential Borrowing	**-2,617**	**-4,756**	**-3,263**	**-**	**-10,636**
Leases (Revenue) Q2					
Residual Waste Treatment	-	-	75	239	
Front end infrastructure	-	-	249	317	
City of York contribution	-	-	-19	-60	
Net NYCC	-	-	305	496	

It should be noted, however, that this reduction of £10.6m in forecast capital expenditure is predominantly due to:-

- landowners agreeing to leases on sites rather than outright capital purchase. The lease is treated as revenue expenditure which will have to be funded through the revenue budget for the Waste PFI "in lieu" of the revenue charges arising from Prudential Borrowing

- the number of transfer stations being procured, either through lease or outright capital purchase, is reduced by 3. This is principally due to existing infrastructure in parts of the county

- the programme for front end infrastructure has been revised in order to ensure better fit with the PFI Project for residual waste facilities and the potential interim solution which is currently under procurement. This revised programme will not have any impact upon the timing of the PFI Project for residual waste facilities.

It is important that capital funding remains available in the event that other sites are identified as suitable for the PFI Project. Any sites secured on an options basis will only be exercised in the event of a successful planning outcome. It is therefore unlikely that all options will be exercised, thereby reducing further the overall capital cost and subsequent prudential borrowing/lease costs of the sites.

The Revenue Budget for 2007/08 and the Medium Term Financial Strategy for 2008/09 to 2010/11 will include revenue provision to meet the lease costs and any associated prudential borrowing costs. This Budget provision will be revised accordingly as more up to date site information is gathered.

The latest expenditure forecasts and profile for the Scarborough Integrated Transport (SITS) and Reighton Bypass Major Schemes are:

item	SITS	Reighton Bypass
	£000	£000
Expenditure to 31 March 2007	3,485	4,217
2007/08	18,541	2,661
2008/09	7,107	55
2009/10	50	
2010/11	1,353	
gross expenditure	30,536	6,933
Funded from		
Grant	29,786	4,334
County Council (presently LTP)	750	383
Supported Borrowing approval	-	2,216
total funding	30,536	6,933

The SITS scheme is scheduled to complete in summer 2008. At this stage the scheme is expected to be achieved within budget. An overspend of £383k, to be funded from the Local Transport Plan, is expected on the Reighton Bypass scheme (from £6,550k to £6,933k). This represents compensation events agreed with the works contractor.

The waste disposal service programme is under review. Options have been produced and are actively being reviewed in preparation for submitting a report as soon as possible for consideration by the Executive. Slippage on the programme reflects the latest expenditure estimates on the schemes already underway.

The Department for Transport (DfT) are consulting on future years allocations for the Local Transport Plan. The Capital Plan has been amended to reflect the latest expected future allocations, both in terms of gross expenditure and the split between direct grant and supported borrowing approvals. Allocations and funding splits will be confirmed as part of the LTP Settlement expected in December 2007.

Based on the above updated Capital Plan provision is:-

item	2007/08 Allocation	2008/09 Forecast	2009/10 Forecast	2010/11 Forecast
	£000	£000	£000	£000
Integrated Transport Block allocation	9,025	8,792	8,650	8,471
Maintenance	17,218	17,614	18,241	19,153
Total	26,243	26,406	26,891	27,624

Financed from				
Supported Borrowing approval	21,635	18,214	18,718	19,220
Capital Grant	4,608	8,192	8,173	8,404
Total	26,243	26,406	26,891	27,624

The Capital Plan has been updated to reflect Education capital allocations for the years 2008/09 to 2010/11 which have recently been announced by the DCSF.

funding approval	2007/08 As previously notified	2008/09 (Oct 2007)	2009/10 (Oct 2007)	2010/11 (Oct 2007)
	£000	£000	£000	£000
100% Capital Grant				
Devolved Capital	12,445	12,030	11,981	11,981
Extended Schools		1,010	1,070	553
ICT harnessing technology	5,042+	4,719	4,374	3,895
Targeted Capital Fund			2,000	6,000
Childrens Centres Phase 3	4,114*	983	2,621	1,511
Primary Capital Programme			4,794	7,172
sub total	21,601	18,742	26,840	31,112
100% Borrowing approval				
Basic need – new pupil places	1,863	2,993	2,993	2,993
School access initiative	1,050	1,194	1,194	1,194
sub total	2,913	4,187	4,187	4,187
Mix of grant/borrowing approval				
Primary Modernisation				
- grant	1,020		1,734	3,887
- borrowing approval	2,379	4,092	2,732	447
Secondary Modernisation				
- grant	1,113		1,918	4,299
- borrowing approval	2,596	3,700	2,470	404
sub total	7,108	7,792	8,854	9,037
	31,622	**30,721**	**39,881**	**44,336**
Summary				
Capital grant	23,734	18,742	30,492	39,298
Borrowing approvals	7,888	11,979	9,389	5,038
	31,622	**30,721**	**39,881**	**44,336**

+	includes £1,273k matching funding provided by the County Council
*	50% of 2 year allocation for Children's Centres Phase 2

At this stage the DCSF announcement has provided only the total allocations with no details regarding policy priorities or the 'rules' for the use of the funds. These details will not be known until later in the year, perhaps even delayed for some allocations to 2008. Some details are known from the publication of the DCSF 'responses' to a consultation exercise. CYPS is developing its spending plans in advance of the outstanding announcements, with the aim of submitting detailed proposals for approval in February 2008. In relation to Schools Developed Capital, there are some changes to reduce the allocations for modernised schools, but otherwise it seems that schools will receive allocations at similar levels to the current year. The approvals shown in the table above have been reflected in the Capital Plan, based on a very initial provisional profile of programme spending in each year, bearing in mind that, at this stage, no decisions on the schemes to be funded from these allocations have been taken.

These latest allocations reflect a change of funding source on the Modernisation programme allocations as follows:-

year	Grant		borrowing approval		total
	£000	%	£000	%	£000
2007/08	2,133	30	4,975	70	7,108
2008/09	-	-	7,792	100	7,792
2009/10	3,652	41	5,202	59	8,854
2010/11	8,186	91	851	9	9,037

At this stage the reasons for the different percentage split each year (borrowing approvals are 70%, 100%, 59% and 9% over the four year period) are not known. One implication of these funding allocations is that approximately £4m (from £7.9m to £12m) of additional borrowing will be required, in 2008/09, to support the Supported Borrowing approvals, with consequential loan charges impacting on the MTFS. Revenue Support Grant calculations will reflect these borrowing approvals but, if severe 'grant damping' continues as in previous years, then the ultimate additional grant received is likely to fall well short of the extra loan charges incurred.

Earlier in the year the Executive agreed to the submission of a bid for Big Lottery funding for a scheme to remodel Harrogate Library to provide improved services. In terms of the Lottery bid, this was based on redefining the way that Library Services are delivered in Harrogate to meet local needs. The intention has been, by working closely with the local voluntary and community sectors, to develop and deliver services such as health promotion, adult learning, intergenerational work and volunteering opportunities for which there is a known demand. The aim of the scheme is to create an innovative new library space that will be attractive to all sectors of the community, particularly older people, which will redefine the internal space of the facility. The bid recognised that the scheme will also offer a one stop shop for council and other agency services which will be met out of the County Council's contribution to the overall funding of the scheme. At the time the bid needed to be submitted, some preliminary feasibility work had been carried out on how the library space might be remodelled. There were a range of issues about the suitability and deliverability of that scheme, it provided the basic cost framework of £3.1m, for works costs and fees, but excluded the costs of shelving and other fitting out. This cost envelope has been used in the feasibility work that has continued during the summer. In terms of the service outcomes being sought, the Big Lottery has been able to grant the maximum grant available, £1.5m under this scheme for Community Libraries. To confirm the availability of that grant a detailed business case will need to be submitted by April 2008.

Detailed work needs to be completed on the new feasibility scheme. Two important issues remain to be finalised. The first is that there are certain structural issues inherent in the current library that need to be resolved before the practicality of a final design can be confirmed. The second is the acceptability of design options, bearing in mind that the library is a Grade 2 listed building. At this point, however, it appears that the scheme is practical within the previous cost envelope of £3.1m for works and professional fees. The estimated cost of the specialist library furniture and fitting is £300k. Consideration is being given to the business case for a large scale use of Radio Frequency identification (RFID) technology, which allows scope for customer self service and improvement of stock management. Investment in this technology, which would cost £160k at today's prices, would open up the possibility of revenue savings.

The feasibility work has looked carefully at whether there is any possibility of maintaining a reduced level of service within the building during the works period. This will not be possible, and so decisions will be required on how appropriate temporary arrangements can be made during the closure period. This is likely to last from around November 2008 for a period of approximately 2 years. The revenue implications of those temporary arrangements, and the need for possible alteration/improvement costs to any premises brought into use, still needs to be determined. Because the scheme design and costings are not yet finalised, the indicative costs noted above have not been included in the Capital Plan. There will be a fuller report to the Executive to deal with this scheme in more detail, and the inclusion in the formal Plan can be reflected at the next update.

The background to loans to companies in which the County Council has a controlling interest was reported to Executive as part of the 2006/07 Capital Plan update. The latest assessment of take up now reflected in the 2007/08 Capital Plan is:

Company	Actual 2006/07	2007/08	2008/09	Total
	£000	£000	£000	£000
Yorwaste	1,700	-	2,000	3,700
NYnet	1,553	2,447	-	4,000
total	3,253	2,447	2,000	7,700

- the loan facilities agreed with the two companies are intentionally flexible and, therefore, the total loans eventually taken up and their phasing between years is likely to differ from those shown in the table. Future Capital Plan updates will, however, be adjusted to reflect the latest known position.

- the loans are treated as capital expenditure which is then financed by additional Prudential Borrowing. Repayments by the companies will then constitute capital receipts, which will reduce subsequent Prudential Borrowing, which will be a broadly neutral position over time.

- Prudential Borrowing for these loans will be taken internally from surplus cash balances rather than new external debt.

- the revenue impact of this internal Prudential Borrowing, in terms of 'lost interest earned' and a statutory 4% Minimum Revenue provision for debt

repayment, will be financed from interest charged to the companies and subsequent loan repayments.

- the loans are reflected in various Prudential Indicators that are affected by capital spending, including the Capital Financing Requirement and debt limits.

Capital Plan provision for the Thurston Road office accommodation project was made in 2006/07, following consideration of a report in relation to the Bright Office Strategy – future accommodation needs, when the Executive agreed to an acquisition and disposals programme for office accommodation in the Northallerton area.   The project provides accommodation for over 240 staff from various Directorates utilising 186 workstations and shared facilities. The 2007/08 Capital Plan provision for this project has now been updated, to reflect the latest forecast of costs and capital receipts from the disposal of released properties, as follows:-

item	Q1 Capital Plan	Q2 Capital Plan update	Difference
	£000	£000	
Capital Plan provision for building purchase and associated costs			
2006/07	1,366	1,366	-
2007/08	1,752	2,058	+306
Total	3,118	3,424	+306
Financed from capital receipts from the disposal of related properties	1,950	1,891	-59
Other capital receipts	1,168	1,533	+365
Total	3,118	3,424	+306

The total cost of the project is therefore now £306k more than originally approved. This increase is a result of modifications to the building specification, for example the inclusion of CCTV and automatic doors, as well as the cost of eco-friendly features such as daylight sensitive lighting and the natural ventilation system, which were not included in the original cost estimates. A number of these features will yield additional savings in running costs over the years. The net cost of the scheme increases by £365k (from £1,168k to £1,533k). This results from the cost increases of £306k together with the latest forecast of capital receipts from the disposal of released properties being £59k lower than originally estimated. The increased cost does not fundamentally alter the judgement in the approved business case presented to Executive that the project will generate an NPV surplus over 20/25 years. This business case was based purely on the physical costs of the project and did not attribute any value to the efficiency gains that can be realised by management once staff are in the building.

The latest financial position on the Northallerton Thurston Road project includes forecast capital receipts of £1,891k from the disposal of related properties. This sum includes £450k for the East Road offices, which are currently being considered for use as a Pupil Referral Unit (PRU). If this development does go ahead, East Road will therefore transfer to CYPS and no 'cash capital receipt' will be received towards financing the Thurston Road project. However, to balance the books, the Thurston Road project would be credited with the £450k value of East Road offices which would be funded by reducing the

CYPS Capital Plan by £450k, in lieu of that Directorate not having to buy an alternative property on the market.

The financing of the updated Capital Plan is summarised as:-

Source	2007/08	2008/09	2009/10	2010/11
	£m	£m	£m	£m
Forecast sources of finance				
Borrowing	47.3	38.0	45.8	31.9
Grants and contributions	58.0	47.6	41.5	44.1
Schemes financed from revenue	3.5	6.4	2.3	2.9
Capital receipts	13.0	14.1	4.0	4.0
= total forecast capital funding	121.8	106.1	93.6	82.9
- Updated Capital Plan	-112.5	-105.5	-93.6	-82.9
- Funding from 2006/07 held against SITS risk	0.7			
= potential unallocated capital resources	8.6	0.6	-	-
Total available over period to 2010/11			9.2	

There is potentially £9.2m of unallocated capital funding that might (depending upon the realisation of forecast capital receipts) become available in the four year period to 2010/11. This sum arises principally from additional capital receipts that have built up over a period of time and includes a number of properties identified for disposal for some time, which have only recently had a specific monetary value placed on them by Bruton Knowles, the County Council's property agents, and a number of County Farm sales which have unexpectedly become possible in recent months. A potential commitment against the £9.2m surplus capital resources, however, is a matched contribution towards the Harrogate Library Lottery Funded scheme of about £1.6m.

The remaining £7.6m could be made available for either:

(i)   new capital investment (ie additional schemes), or

(i)   reducing prudential (unsupported) borrowing in 2007/08, 2008/09, 2009/10 or 2010/11 and therefore achieving financing cost savings in the Revenue Budget, or

(iii)   holding for the time being with no immediate decision to either spend or reduce borrowing. This course of action would result in additional short-term interest being earned within Corporate Miscellaneous.

The Executive has agreed to retain any surplus capital funding for the time being, recognising that the forecast funding levels include a capital receipts risk in terms of both forecast receipts slipping into a future year and/or not achieving their assumed estimate.

The Executive RECOMMENDS:

> That the updated Capital Plan, summarised at Appendix 1E, be approved.

2. **Corporate Risk Management Policy and Strategy:** The County Council formally adopted the current Corporate Risk Management Policy and Strategy in July 2005, with a provision that it should be updated and reviewed every two years. It has now been examined by the Audit Committee and Executive.

The Policy expresses fundamentals such as the County Council's objectives and basic principles of risk management. It is therefore unlikely the text of this document will need to change much over time and it has not been amended, other than for minor typographical corrections.

The Strategy identifies what is required to implement and achieve the Policy. This document has been amended taking into account:

- Changes to the County Council's organisational structure during the last two years.

- Changes in the ad hoc working groups linked to the Corporate Risk Management Group.

- Changes to the software used for annual updates of risk registers and development of new risk registers.

- Extra requirements from new legislation best practice guidance relating to risk management compliance such as CPA Use of Resources criteria, Internal Audit reports and CIPFA/SOLACE.

The Risk Management Strategy would normally be accompanied by a detailed 2 year action plan. The plan has been substantially revised and redrafted but, due to the recent publication of new best practice guidance in relation to corporate governance and updated criteria relating to risk management in the CPA Use of Resources, the opportunity should be taken to cross reference the updated plan to these new documents to ensure there are no omissions from the plan. An updated Risk Management Plan will therefore be submitted for approval to the next meeting of the Audit Committee.

Under the terms of the Risk Management Policy and Strategy, risk registers are maintained at Corporate, Directorate, Business Unit and some section levels, as well as for certain individual projects. Each year there is a review of the Corporate Risk Register (CRR). This is carried out by facilitating a workshop to update risks, risk rankings and consequent management actions by utilising a networked piece of software called RisGen. The review has entailed both a "bottom-up" and "top-down" process. Thus the risks identified at Business Unit, and Directorate level have been "sieved" to identify generic themes and/or highly significant risks. At the same time, the Chief Executive and Corporate Directors have sought to identify significant corporate risks that may not necessarily surface at individual Business Unit or Directorate level. The result is six corporate level risks, the top two of which are the waste strategy and the ability to deal with internal emergencies effectively. These risks are ranked highly because, if the risks involved are not addressed but did materialise, they would almost certainly have a major impact on the County Council and its

ability to maintain services. The Corporate Risk Register has been updated by Management Board and, on the recommendation of Audit Committee and the Corporate Affairs Overview and Scrutiny Committee has been approved by the Executive.

The Executive RECOMMENDS:

That the updated Corporate Risk Management Policy and Strategy, as set out in Appendix 2 to the report, be approved.

3. **Corporate Procurement Strategy and Corporate Procurement Strategy Implementation Plan:** The current versions of the Corporate Procurment Strategy (CPS) and Implementation Plan (CPSIP) were approved by the County Council in July 2005 and aspects of both documents are out of date. Bearing in mind the increasing focus on procurement within the CPA Use of Resources assessment and in relation to achieving efficiency savings, it is felt appropriate that new editions should be endorsed.

A review of the contents of the CPS and the CPSIP has been undertaken and the documents have been considered by the Corporate Procurement Members' Working Group. In putting forward updated editions, it was accepted that there are further changes in the pipeline which are anticipated to have an impact on the County Council, including

(i)   the Yorkshire & Humber Regional Centre of Excellence being replaced by Local Government Yorkshire & Humber on 1 April 2008. The impact this will have on Y&HRCoE's procurement work is not clear at this stage.

(ii)   issue of further guidance by IDeA/LGA on Sustainability and Procurement. The present guidance is in draft form and no publication date has been announced for a final version.

(iii)   CSR07, with the expectation of significant year on year efficiency savings. The DCLG issued "Delivering Value for Money in Local Government : Meeting the Challenge of CSR07" on 9 October 2007. At national level, efficiency savings of £9.6bn are expected over the three years 2008/09 to 2010/11 and 57% of this (£5.5bn) is targeted to come from "smarter procurement".

The Working Group agreed the updated versions of the CPS and CPSIP, subject to minor changes which have been incorporated into the versions attached to this report. The Working Group also committed themselves to reviewing the CPS and the CPSIP on an annual basis to ensure the documents are relevant to the County Council's policies and objectives and in step with regional and national practices. In addition, the Executive will receive progress reports on corporate procurement based on those being provided to the Corporate Affairs Overview and Scrutiny Committee.

The parts of the documents that have significant changes are:-

Corporate Procurement Strategy

- Foreword
- Para 21 - Diversity and Equality
- Para 25 - Doing Business Electronically

- Para 26 - Procurement Training & Development
- Para 37 - Ensuring Good Access for All
- Para 50 - Working with Partners

Corporate Procurement Strategy Implementation Plan

- Paras 18 - 20 - Regional Centre of Excellence
- Para 30 - Providing Leadership and Building Capacity
- Para 35 - Partnering and Collaboration
- Paras 37 & 39 - Doing Business Electronically
- Paras 43, 45, 47 & 48 - Stimulating Markets & Achieving Community Benefits
- Paras 50 & 51 - Corporate Contracts Register
- Paras 53 & 54 - Annual Procurement Plans
- Para 56 & 57 - Spend Analysis : Methodology

The Executive RECOMMENDS:

That the updated version of the Corporate Procurement Strategy and Implementation Plan, attached as Appendix 3 to the report, be approved.

4. **Changes to the Constitution:** The Contract, Financial and Property Procedure Rules form part of the Constitution of the County Council and it falls within the Audit Committee's terms of reference to review and recommend to the Executive changes to those rules. Because the rules govern activities that officers undertake on a daily basis, it is inevitable that suggestions for addition or amendment emerge on a continuous basis. For practical purposes, however, officers conduct an annual review for various procedure rules, although it is accepted that particular circumstances may arise that require urgent changes to be made at other times of the year. As a result of the annual review process, proposed amendments to the rules are set out in appendices 4A, 4B and 4C, to this report.

A number of changes are proposed to Contract Procedure Rules:-

- including a requirement for a financial assessment to be undertaken, prior to a contractor being awarded a contract;

- ensuring that the rules are more specific about when it is appropriate to involve finance staff in the evaluation aspect of any procurement process;

- giving guidance about what documentation should be retained by the officer leading the procurement exercise, to support any decision to award a contract; and

- ensuring that the statutory officers for the County Council, the Monitoring Officer and the Section 151 Officer, are aware of all potential contracts of significant value.

The amendments proposed to Financial Procedure Rules are minor. However, there will be a need to update the FPR, in due course, to reflect changes relating to:

(i)   the Revenue Budget – to reflect fully the MTFS process

(ii)   the Capital Plan – to reflect the Capital Project Management process

(iii)   Partnerships – to reflect the financial management requirements in relation to Partnerships, including the LAA.

The Property Procedure Rules (PPR) require the most amendment in order to:

(iv)   reflect the increasing range and complexity of property transactions that the County Council becomes involved with

(v)   regularise the issue of leases and related options within the PPR

(vi)   update the references in the PPR to key guidance/process documents as they are developed by the Corporate Asset Group and the Asset Management process within CPLU.

The changes to the Procedure Rules have an effect on the Executive Members' delegation scheme, which is also part of the Constitution. Proposed consequential amendments to that scheme are set out in appendix 4D to this report.

The Executive has also considered a report relating to the process to be applied when the disposal of a County Council site may be at less than its open market value, and recommends below an amendment to Property Procedure Rule 8.1.4 to address those circumstances.

In addition, the Executive and the Pension Fund Committee have considered proposals to modify the powers delegated to the Corporate Director – Financial and Central Services, under the scheme of delegation to officers, relating to the management of the Pension Fund, in view of the recent volatility of financial markets. The powers currently delegated to the Corporate Director – Financial and Central Services in respect of the Pension Fund are:-

4.6(b) to manage from day to day the:-

(iii)   Pension Fund, including the exercise of the Council's functions as administering authority where such exercise does not involve use of a discretion, and the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pension Regulations.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the managers of the Pension Fund.

The Executive and Pension Fund recommend these should be amended to state:-

4.6(b) to manage from day to day the:-

(iii)   Pension Fund, including:-

- the exercise of the Council's functions as administering authority, where such exercise does not involve use of discretion;

- the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pensions Regulations; and

- to change the mandate of a Fund manager, in consultation with the Chairman and at least one other member of the Pension Fund Committee, in circumstances when not to do so would lead to a real, or potential, loss in value of the Fund's investments. Any such action to be reported to the Pension Fund Committee as soon as practicable.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the fund manager structure of the Pension Fund.

The Executive RECOMMENDS:

(a) That the amendments to the Contract Procedure Rules, as set out in Appendix 4A appended to this report, be adopted.

(b) That the amendments to the Financial Procedure Rules, as set out in Appendix 4B appended to this report, be adopted.

(c) That the amendments to the Property Procedure Rules, as set out in Appendix 4C appended to this report, be adopted, subject to the following change to Rule 8.1.Y.

"8.1.Y The CDFCS may approve any variation to the terms of an existing lease or licence (including the grant of a licence to assign or sublet), except that, if the variation would result in an increase to the rent or licence fee, Rule 8.1.3 shall apply".

(d) That the amendments to the Executive Members' Delegation Scheme set out in Appendix 4D be approved.

` (e) That Property Procedure Rule 8.1.4 be amended as follows:-

"Where the disposal of any property is being considered which is likely to result in either a sale or long lease (7years and over) at undervalue, the "in principle" approval of the Executive is required at the inception of the disposal process. Further approval of the Executive is required if the potential undervalue increases by more than £50K since the previous report to the Executive, and once the precise amount of the undervalue is known. Where the amount of the undervalue is more than £2,000,000 the disposal may only proceed with the prior consent of the Secretary of State".

(f) That the Scheme of Delegation to Officers be amended to authorise the Corporate Director – Finance and Central Services:-

4.6(b) to manage from day to day the:-

(iii) Pension Fund, including:-

- the exercise of the Council's functions as administering authority, where such exercise does not involve use of discretion;

- the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pensions Regulations; and

- to change the mandate of a Fund manager, in consultation with the Chairman and at least one other member of the Pension Fund Committee, in circumstances when not do so would lead to a real or potential, loss in value of the Fund's investments. Any such action to be reported to the Pension Fund Committee as soon as practicable.

NOTE: The Corporate Director – Finance and Central Services is not empowered to change the fund manager structure of the Pension Fund.

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5. **Appointments to Committees and Other Bodies:** The Executive recommends below an appointment to the Young People's Overview and Scrutiny Committee and, in order to provide an opportunity for political groups and independent Members on the Council to propose changes to memberships, or substitute memberships of Committees, or other bodies to which the County Council makes appointments, the Executive recommends below that such nominations be approved.

The Executive RECOMMENDS:

(a) That Mr Jos Huddleston be appointed to the Young People's Overview and Scrutiny Committee as a voting Member representing the non conformist church.

(b) That any proposals for other changes to memberships, or substitute memberships, of Committees or other bodies to which the County Council makes appointments, put forward by the relevant political group, at or before the meeting of the Council, be approved.

JOHN WEIGHELL
Chairman

County Hall,
NORTHALLERTON.

11 December, 2007

ANNEX D

CAPITAL PLAN APPENDICES

ADULT AND COMMUNITY SERVICES

2007/08 CAPITAL BUDGET MONITORING - POSITION TO 30 SEPTEMBER 2007

	Total	Expenditure to 31.03.07	2007/08	2008/09	2009/10	20010/11	Later Years
	£000	£000	£000	£000	£000	£000	£000
GROSS EXPENDITURE							
Maintaining Fabric / Facilities of Properties	1,890	0	664	446	390	390	0
"Our Future Lives" Extra Care Scheme	14,640	1,600	1,180	3,090	3,090	5,680	0
"Our Future Lives" Older People Resource Centre	8,139	0	31	2,469	2,000	2,439	1,200
"Valuing People" Day Service Provision	2,369	0	240	1,326	803	0	0
Improving Care Home Environments for Older People	835	0	835	0	0	0	0
Library and Customer Service Centres / Public Access	728	0	0	728	0	0	0
Helmsley Community Resource Centre	188	15	32	141	0	0	0
Catterick Community Resource Centre	526	0	0	263	263	0	0
Directorate IT Facilities	309	0	309	0	0	0	0
Mental Health Supported Expenditure	518	0	3	337	178	0	0
Disability Respite Centre, Skipton	889	4	50	835	0	0	0
TOTAL GROSS SPEND	**31,029**	**1,620**	**3,344**	**9,633**	**6,723**	**8,509**	**1,200**
Last Update - Q1 2007/08	29,439	1,620	3,669	9,309	6,723	0	8,119
CAPITAL GRANTS AND CONTRIBUTIONS							
Capital Grants							
- Improving Care Home Environment for Older People	835 CR	0	835 CR	0	0	0	0
- Directorate IT Facilities	309 CR	0	309 CR	0	0	0	0
Capital Contributions	0	0	0	0	0	0	0
Revenue Contributions	0	0	0	0	0	0	0
TOTAL GRANTS AND CONTRIBUTIONS	**1,144 CR**	**0**	**1,144 CR**	**0**	**0**	**0**	**0**
Last Update - Q1 2007/08	1,144 **CR**	0	1,144 CR	0	0	0	0
TOTAL NET EXPENDITURE	**29,885**	**1,620**	**2,200**	**9,633**	**6,723**	**8,509**	**1,200**
Last Update - Q1 2007/08	28,295	1,620	2,525	9,309	6,723	0	8,119

BUSINESS AND ENVIRONMENTAL SERVICES

2007/08 CAPITAL BUDGET MONITORING - POSITION TO 30 SEPTEMBER 2007

	Total	Expenditure to 31.03.07	2007/08	2008/09	2009/10	20010/11	Later Years
	£000	£000	£000	£000	£000	£000	£000
GROSS EXPENDITURE							
New and Replacement Road Lighting Columns	11,134	4,044	1,491	1,900	1,900	1,800	0
Rationalisation of Depots	16,469	3,551	5,241	7,677	0	0	0
Waste Disposal Service	2,482	0	839	1,643	0	0	0
Designated Collection Facilities	180	0	180	0	0	0	0
Waste Procurement Project	11,287	0	0	400	10,887	0	0
Scarborough Integrated Transport Scheme	30,536	3,485	18,541	7,107	50	1,353	0
Reighton Bypass	6,933	4,217	2,661	55	0	0	0
Advance Design Fees	131	0	111	20	0	0	0
Local transport Plan							
- Integrated Transport	34,542	0	9,012	8,409	8,650	8,471	0
- Maintenance	73,532	0	18,804	17,584	18,241	18,903	0
Specific Road Safety Grant	1,758	0	452	442	435	429	0
Economic Development Unit Grants							
- Property Grants	493	0	493	0	0	0	0
- Business Development Fund	190	0	190	0	0	0	0
- Rural Target Fund	636	0	525	111	0	0	0
- Public Service Agreement (PSA4)	1,019	0	415	604	0	0	0
- Other	310	0	170	140	0	0	0
Other Minor Schemes	58	31	27	0	0	0	0
TOTAL GROSS SPEND	**191,689**	**15,328**	**59,151**	**46,092**	**40,163**	**30,956**	**0**
Last Update - Q1 2007/08	169,454	15,328	62,618	47,856	42,802	0	850
CAPITAL GRANTS AND CONTRIBUTIONS							
Capital Grants							
- A165 Scarborough Intergrated Transport Scheme	29,786 CR	3,485 CR	18,291 CR	6,857 CR	50 CR	1,103 CR	0
- A165 Reighton Bypass	4,334 CR	2,001 CR	2,278 CR	55 CR	0	0	0
- Local Transport Plan Grant	32,603 CR	0	6,308 CR	8,854 CR	8,608 CR	8,833 CR	0
- Waste Performance and Efficiency Grant	633 CR	0	351 CR	282 CR	0	0	0
- Economic Development Unit Grants	2,647 CR	0	1,793 CR	855 CR	0	0	0
- Other Grants	182 CR	0	182 CR	0	0	0	0
Revenue Contributions	768 CR	137 CR	631 CR	0	0	0	0
TOTAL GRANTS AND CONTRIBUTIONS	**70,953 CR**	**5,623 CR**	**29,833 CR**	**16,903 CR**	**8,658 CR**	**9,936** CR	**0**
Last Update - Q1 2007/08	63,269 CR	5,623 **CR**	31,061 CR	17,614 CR	8,120 CR	0	850 CR
TOTAL NET EXPENDITURE	**120,736**	**9,704**	**29,318**	**29,189**	**31,505**	**21,020**	**0**
Last Update - Q1 2007/08	106,185	9,704	31,558	30,241	34,682	0	0

CHILDREN AND YOUNG PEOPLES SERVICES

2007/08 CAPITAL BUDGET MONITORING - POSITION TO 30 SEPTEMBER 2007

	Total	Expenditure to 31.03.07	2007/08	2008/09	2009/10	20010/11	Later Years
	£000	£000	£000	£000	£000	£000	£000
GROSS EXPENDITURE							
Major Capital Schemes at Schools	23,574	11,722	7,425	2,620	1,806	0	0
NDS Modernisation Funded Schemes	27,931	0	606	1,895	8,113	8,910	8,407
Minor Works	11,027	0	2,376	264	2,402	2,992	2,992
Capitalised Repairs and Maintenance	8,715	0	3,161	3,604	1,100	850	0
SEN & Behaviour Review	2,920	0	0	2,920	0	0	0
Self Help Schemes	14,942	0	5,000	4,942	2,500	2,500	0
General Provisions	1,250	0	629	461	80	80	0
Schools Access Initiatives	4,851	0	769	500	1,194	1,194	1,194
New Opportunities Fund	71	0	71	0	0	0	0
Primary Capital Programme	11,967	0	0	0	500	3,294	8,172
Childrens Centre Capital	15,014	105	3,944	6,834	2,621	1,512	0
Targeted Capital	8,000	0	0	0	250	4,000	3,750
ICT Harnessing Technology	12,988	0	0	1,719	4,374	3,895	3,000
Devolved Capital	50,431	0	6,946	6,043	6,631	11,981	18,831
School Travel Plan Grant	1,361	816	495	50	0	0	0
Specialist Schools Grant	600	0	400	200	0	0	0
Building Schools for the Future	31,600	1,160	6,000	12,220	12,220	0	0
Other Grants	3,886	101	907	500	1,075	803	500
School E-Learning Credits	1,698	721	678	300	0	0	0
Invest to Save Schemes	288	131	57	50	50	0	0
TOTAL GROSS SPEND	**233,115**	**14,756**	**39,464**	**45,122**	**44,916**	**42,011**	**46,847**
Last Update - Q1 2007/08	142,055	14,756	38,374	33,459	33,916	0	21,550
CAPITAL GRANTS AND CONTRIBUTIONS							
Capital Grants							
- Devolved Capital Grant	56,385 CR	2,083 CR	9,210 CR	7,400 CR	6,881 CR	11,981 CR	18,831 CR
- NDS Modernisation	13,971 CR	0	2,132 CR	0	3,653 CR	8,186 CR	0
- Childrens Centre Grant	14,048 CR	740 CR	3,920 CR	5,257 CR	2,621 CR	1,512 CR	0
- Building Schools for the Future	31,600 CR	1,160 CR	6,000 CR	12,220 CR	12,220 CR	0	0
- Primary Capital Programme Grant	11,967 CR	0	0	0	500 CR	3,294 CR	8,172 CR
- Targeted Capital Fund	8,000 CR	0	0	0	250 CR	4,000 CR	3,750 CR
- ICT Harnessing Technology	12,988 CR	0	0	1,719 CR	4,374 CR	3,895 CR	3,000 CR
- Other	7,851 CR	2,123 CR	2,282 CR	1,074 CR	1,070 CR	803 CR	500 CR
Capital Contributions							
- Minor Works	349 CR	0	349 CR	0	0	0	0
- Self Help Schemes	7,192 CR	0	3,500 CR	2,692 CR	500 CR	500 CR	0
- Other	1,344 CR	347 CR	80 CR	167 CR	750 CR	0	0
Revenue Contributions							
- Capitalised Repairs & Maintenance	3,900 CR	0	1,100 CR	1,100 CR	850 CR	850 CR	0
- Self Help Schemes	7,750 CR	0	1,500 CR	2,250 CR	2,000 CR	2,000 CR	0
- Other	4,564 CR	68 CR	975 CR	3,516 CR	5 CR	0	0
TOTAL GRANTS AND CONTRIBUTIONS	**181,910 CR**	**6,522 CR**	**31,048 CR**	**37,395 CR**	**35,673 CR**	**37,020** CR	**34,253 CR**
Last Update - Q1 2007/08	102,036 CR	6,522 CR	26,776 CR	30,669 CR	25,670 CR	0	12,400 CR
TOTAL NET EXPENDITURE	**51,205**	**8,234**	**8,416**	**7,727**	**9,243**	**4,991**	**12,594**
Last Update - Q1 2007/08	40,019	8,235	11,598	2,790	8,246	0	9,150

OTHER COUNTY SERVICES

2007/08 CAPITAL BUDGET MONITORING - POSITION TO 30 SEPTEMBER 2007

	Total	Expenditure to 31.03.07	2007/08	2008/09	2009/10	20010/11	Later Years
	£000	£000	£000	£000	£000	£000	£000
GROSS EXPENDITURE							
Material Damage Provision	2,000	0	500	500	500	500	0
Public Access to Buildings for Disabled People	1,000	200	425	125	125	125	0
Affordable Housing Fund	4,000	1,269	1,381	932	419	0	0
Control of Legionella Bacteria in Water Systems	450	125	325	0	0	0	0
Purchase of Vehicles, Plant and Equipment	3,200	0	800	800	800	800	0
North Yorkshire House - Car Parking	135	95	40	0	0	0	0
Telephone Contact Centre	1,179	781	398	0	0	0	0
Access to Services	2,527	1,426	1,101	0	0	0	0
Wide Area Network	1,282	1,091	191	0	0	0	0
Standard Desktop - Rollout	4,858	4,764	47	47	0	0	0
NYNET - Broadband GAP Project	0	0	0	0	0	0	0
Project TITAN	1,535	850	685	0	0	0	0
Thurston Road Office Accommodation	3,424	1,366	2,058	0	0	0	0
Carbon Reduction Initiative	500	112	179	210	0	0	0
Loans to Limited Companies	7,700	3,254	2,447	2,000	0	0	0
TOTAL GROSS SPEND	**33,789**	**15,332**	**10,575**	**4,614**	**1,844**	**1,425**	**0**
Last Update - Q1 2007/08	35,060	15,333	10,269	7,614	1,844	0	0
CAPITAL GRANTS AND CONTRIBUTIONS							
Capital Grants - Other	250 CR	35 CR	93 CR	122 CR	0	0	0
Revenue Contributions - Other	847 CR	535 CR	265 CR	47 CR	0	0	0
TOTAL GRANTS AND CONTRIBUTIONS	**1,097 CR**	**569 CR**	**358 CR**	**169 CR**	**0**	**0**	**0**
Last Update - Q1 2007/08	1,047 CR	569 CR	308 CR	169 CR	0	0	0
TOTAL NET EXPENDITURE	**32,693**	**14,762**	**10,217**	**4,445**	**1,844**	**1,425**	**0**
Last Update - Q1 2007/08	34,013	14,764	9,961	7,445	1,844	0	0

OVERALL SUMMARY

SUMMARY CAPITAL PLAN

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Later Years £m
Gross Spend					
Children and Young People's Services	39.5	45.1	44.9	42.0	46.8
Business and Environmental Services	59.2	46.1	40.2	31.0	0.0
Adult & Community Services	3.3	9.7	6.7	8.5	1.2
Other County Services	10.6	4.6	1.8	1.4	0.0
	112.5	**105.5**	**93.6**	**82.9**	**48.0**
Grants & Contributions					
Children and Young People's Services	31.1 CR	37.4 CR	35.7 CR	37.1 CR	34.3 CR
Business and Environmental Services	29.8 CR	16.9 CR	8.7 CR	9.9 CR	0.0
Adult & Community Services	1.1 CR	0.0	0.0	0.0	0.0
Other County Services	0.4 CR	0.2 CR	0.0	0.0	0.0
ICT Revenue Financing adj	0.9	0.5	0.5	0.0	0.0
	61.5 CR	**54.0 CR**	**43.9 CR**	**47.0 CR**	**34.3 CR**
Net Spend (to be funded from borrowing and capital receipts)					
Children and Young People's Services	8.4	7.7	9.2	5.0	12.6
Business and Environmental Services	29.3	29.2	31.5	21.0	0.0
Adult & Community Services	2.2	9.7	6.7	8.5	1.2
Other County Services	10.2	4.4	1.8	1.4	0.0
ICT Revenue Financing adj	0.9	0.5	0.5	0.0	0.0
	51.0	**51.5**	**49.7**	**35.9**	**13.8**

SUMMARY OF CHANGES SINCE THE LAST UPDATE

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Later Years £m
Capital Plan approved by Executive on 21 August 2007	**114.9**	**98.2**	**85.3**	**0.0**	**30.5**
Schemes Funded from Supported Borrowing	**0.0**	**4.3**	**1.8**	**24.2**	**0.0**
Schemes Funded from Prudential Borrowing	**2.0** CR	**5.4** CR	**3.3** CR	**0.8**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**4.6**	**8.1**	**16.7**	**51.5**	**6.9**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	1.4 CR	2.1 CR	6.1 CR	4.5 CR	14.1
- Net Expenditure	3.9 CR	1.4	0.8 CR	6.8	3.5 CR
Other Variations	**0.3**	**1.0**	**0.0**	**4.1**	**0.0**
Updated Gross Capital Spend	**112.5**	**105.5**	**93.6**	**82.9**	**48.0**
Grants & Contributions	**61.5 CR**	**54.0 CR**	**43.9 CR**	**47.0 CR**	**34.3 CR**
Updated Net Capital Spend	**51.0**	**51.5**	**49.7**	**35.9**	**13.7**
Net Capital Spend Approved August 2007	56.5	50.3	52.1	0.0	17.3
Change in Net Capital Spend	5.5 CR	1.2	2.4 CR	35.9	3.6 CR

SUMMARY OF CHANGES TO CAPITAL PLAN AT DIRECTORATE LEVEL

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Later Years £m
Children and Young People's Services					
Capital Plan approved by Executive on 21 August 2007	**38.4**	**33.4**	**33.9**	**0.0**	**21.6**
Schemes Funded from Supported Borrowing	**0.0**	**4.3**	**1.7**	**5.0**	**0.0**
Schemes Funded from Prudential Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**4.7**	**9.7**	**16.0**	**42.7**	**6.9**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	0.4 CR	3.0 CR	6.0 CR	5.6 CR	15.0
- Net Expenditure	3.2 CR	0.6	0.7 CR	0.1 CR	3.4
Other Variations	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**
Updated Gross Capital Spend - Children & Young People's Services	**39.5**	**45.0**	**44.9**	**42.1**	**46.9**
Grants & Contributions - Children & Young People's Services	**31.1 CR**	**37.4 CR**	**35.7 CR**	**37.1 CR**	**34.3 CR**
Updated Net Capital Spend - Children & Young People's Services	**8.4**	**7.6**	**9.2**	**5.0**	**12.6**

Business and Environmental Services					
Capital Plan approved by Executive on 21 August 2007	**62.6**	**47.9**	**42.9**	**0.0**	**0.9**
Schemes Funded from Supported Borrowing	**0.0**	**0.0**	**0.1**	**19.2**	**0.0**
Schemes Funded from Prudential Borrowing	**1.9** CR	**2.4** CR	**3.3** CR	**0.0**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**0.2** CR	**1.6** CR	**0.7**	**8.8**	**0.0**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	1.0 CR	0.9	0.1 CR	1.1	0.9 CR
- Net Expenditure	0.3 CR	0.3	0.0	0.0	0.0
Other Variations	**0.0**	**1.0**	**0.0**	**1.8**	**0.0**
Updated Gross Capital Spend - Business & Environmental Services	**59.2**	**46.1**	**40.3**	**30.9**	**0.0**
Grants & Contributions - Business & Environmental Services	**29.8 CR**	**16.9 CR**	**8.7 CR**	**9.9 CR**	**0.0**
Updated Net Capital Spend - Business & Environmental Services	**29.4**	**29.2**	**31.6**	**21.0**	**0.0**

Adult and Community Services					
Capital Plan approved by Executive on 21 August 2007	**3.7**	**9.3**	**6.7**	**0.0**	**8.1**
Schemes Funded from Supported Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Schemes Funded from Prudential Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	0.0	0.0	0.0	0.0	0.0
- Net Expenditure	0.4 CR	0.4	0.0	6.9	6.9 CR
Other Variations	**0.0**	**0.0**	**0.0**	**1.6**	**0.0**
Updated Gross Capital Spend - Adult & Community Services	**3.3**	**9.7**	**6.7**	**8.5**	**1.2**
Grants & Contributions - Adult & Community Services	**1.1 CR**	**0.0**	**0.0**	**0.0**	**0.0**
Updated Net Capital Spend -Adult & Community Services	**2.2**	**9.7**	**6.7**	**8.5**	**1.2**

SUMMARY OF CHANGES TO CAPITAL PLAN AT DIRECTORATE LEVEL

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	Later Years £m
Other County Services					
Capital Plan approved by Executive on 21 August 2007	**10.3**	**7.6**	**1.8**	**0.0**	**0.0**
Schemes Funded from Supported Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Schemes Funded from Prudential Borrowing	**0.1** CR	**3.0** CR	**0.0**	**0.8**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	**0.0**	**0.0**	**0.0**	**0.0**	0.0
- Net Expenditure	**0.0**	0.100	0.1 CR	**0.0**	0.0
Other Variations	**0.3**	**0.0**	**0.0**	**0.6**	**0.0**
Updated Gross Capital Spend - Other County Services	**10.6**	**4.7**	**1.7**	**1.4**	**0.0**
Grants & Contributions - Other County Services	**0.4 CR**	**0.2 CR**	**0.0**	**0.0**	**0.0**
Updated Net Capital Spend - Other County Services	**10.2**	**4.5**	**1.7**	**1.4**	**0.0**

ICT Revenue Financing Adjustment					
Capital Plan approved by Executive on 21 August 2007	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Schemes Funded from Supported Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Schemes Funded from Prudential Borrowing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Variations in Schemes Self Funded from Grants, Contributions and Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Rephasing of Expenditure Between Years					
Q1 2007/08 Variations					
- Self Funded	0.0	0.0	0.0	0.0	0.0
- Net Expenditure	0.0	0.0	0.0	0.0	0.0
Other Variations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Updated Gross Capital Spend - ICT Revenue Financing Adjustment	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Grants & Contributions - ICT Revenue Financing Adjustment	**0.9**	**0.5**	**0.5**	**0.0**	**0.0**
Updated Net Capital Spend - ICT Revenue Financing Adjustment	**0.9**	**0.5**	**0.5**	**0.0**	**0.0**

Addition of 2010/11 to Detailed Capital Plan

Schemes

Forecast supported borrowing Approvals for
Highways LTP (BES)	19,220.0	
Children and Young People's Modernisation (CYP)	852.2	
New Pupil Places (CYP)	2,992.4	
Schools Access Initiative (CYP)	1,194.2	
		24,258.8

Forecast prudential borrowing Requirement for
Provision for the purchase of plant, vehicles and equipment (OCS)	**800.0**

Schemes and provisions self funded by capital grants and contributions
Business and Environmental Services - Highway LTP (BES)	8,832.5	
Devolved Capital Grant and Contributions (CYP)	11,980.7	
Capitalised maintenance - devolved capital (CYP)		
Self-help schemes - Private Contributions (CYP)	500.0	
Modernisation (CYP)	8,185.6	
Primary Capital Programme Grant (CYP)	7,172.4	
Targeted Capital Fund (CYP)	6,000.0	
Extended Schools (CYP)	552.9	
ICT Harnessing Technology (CYP)	3,894.7	
Children's Centre Capital - Phase 3 (CYP)	1,511.5	
		48,630.3

Schemes and provisions self funded by Directorate Revenue contributions
Children and Young People's Capitalised maintenance (CYP)	850.0	
Children and Young People's self-help schemes (CYP)	2,000.0	
		2,850.0

Schemes and provisions for 2009/10 approved by Executive in February 2004 as part of extended 10 year capital forecast
New and replacement road lighting columns (BES)	1,800.0	
Maintaining Fabric/facilities of properties (CYP)	80.0	
Adult and Community Services - Maintaining Fabric/facilities of properties (ACS)	390.0	
Our Future Lives Older Peoples Resource Centres (ACS)	1,200.0	
Other County Services - Material Damage Provision (OCS)	500.0	
Public Access to Buildings for Disabled People (OCS)	125.0	
		4,095.0

> * Funded from PSS borrowing approvals estimated at
> £394k, County Farm Capital receipts at £2,500k and the
> balance of £1,201k from Prudential borrowing

Rephasing of expenditure
NDS Modernisation (CYP)	(2)	-127.9	
Primary Capital Programme Grant (CYP)	(2)	-3,878.0	
Targeted Capital Fund (CYP)	(2)	-2,000.0	
Extended Schools (CYP)	(1)	250.0	
Valuing People (ACS)	(1)	1,103.0	
Our Future Lives Extra Care Scheme (ACS)	(2)	-1,200.0	
Our Future Lives Older Peoples Resource Centres (ACS)	(1)	5,680.0	
WAN (OCS)	(1)	2,439.0	
			2,266.1

= 2009/10 Forecast Capital Spend	**82,900.2**

Notes
(1) - Phasing of expenditure previously slipped from earlier years
(2) - Phasing of expenditure moved from 2010/11

FINANCING OF CAPITAL PLAN (Updated to November 2007)

	2007/08 £000s	2008/09 £000s	2009/10 £000s	2010/11 £000s	Later Yrs £000s
A FORECAST FUNDING AVAILABLE					
1 Borrowing					
DCLG Supported Borrowing approvals					
Highways LTP block allocation	21,635	18,214	18,718	19,220	
Education approvals	7,889	11,979	9,388	5,039	
Personal Social Services block allocations	394	394	394	394	
Social Services Mental Health specific project approval	182	178			
Prudential (Unsupported) Borrowing Approved	*(06/07)*	*(07/08)*			
Invest to save schemes	3,134	3,000	2,000		
Purchase of vehicles, plant and equipment (formerly leased)	800	800	800	800	
Balancing figure of bids approved Feb 04 as part of 10 yr Plan	2,396	1,385	1,989	1,201	
Subsequent refinements to above figure	360	1,274	720		
Loans to Companies (net of expected repayments)	3,360	1,660	-1,540	-1,540	-3,940
Waste management project		400	10,887		
Depots Rationalisation Programme	670	2,401			
Rephased borrowing (capital expenditure & receipts slippage)	6,499	-3,685	2,449	6,791	13,794
	47,319	38,000	45,805	31,905	9,854
2 Capital Grants and Contributions					
Children & Young People's Service					
Devolved funding to schools	9,210	7,400	6,881	11,981	18,831
Building Schools for the future	6,000	12,220	12,220		
Modernisation Programme	2,132	0	3,653	8,186	
Childrens Centres	3,920	5,257	2,621	1,512	
Primary Capital Programme Grant			500	3,294	8,172
Targeted Capital Fund			250	4,000	3,750
ICT Harnessing Technology Grant		1,719	4,374	3,895	3,000
Education Self help schemes	3,500	2,692	500	500	
Various other grants and contributions	2,711	1,241	1,819	803	500
Business & Environmental Services					
Scarborough Integrated Transport	18,291	6,857	50	1,103	
LTP	5,856	8,412	8,173	8,404	
A165 Reighton bypass	2,278	55			
Development Grants	1,793	855			
Various other grants and contributions	986	724	435	429	
Adult & Community Services	1,144				
Other County Services	143	122			
	57,963	47,553	41,475	44,105	34,253
3 Schemes financed from Revenue					
Education capitalisation of structural maintenance	1,100	1,100	850	850	
Education school self help schemes	1500	2250	2000	2000	
Education Pupil Referal Units		2000			
Education Learning Support Uniys		500			
Education Other	975	1,016	5		
BES Other	631				
Other County Services	215	47			
ICT revenue financing adjustment	-898	-528	-530		
	3,523	6,386	2,326	2,850	0
4 Capital Receipts available to finance Capital Spending					
County Farms receipts	7,111	2,995	2,500	2,500	
Earmarked for Depots rationalisation programme receipts	2,989	8,416			
Other capital receipts from sale of properties	2,559	2,349			
Company Loan repayments (treated as capital receipts)	340	340	1,540	1,540	3,940
	12,999	14,100	4,040	4,040	3,940
= Total Forecast Funding Available	**121,804**	**106,039**	**93,646**	**82,900**	**48,047**
B CAPITAL PLAN Updated gross spend November 2007	**-112,534**	**-105,460**	**-93,646**	**-82,900**	**-48,047**
C SITS GRANT received 06/07 & held against scheme risks	**-657**				
D FUNDING REMAINING November 2007	**8,613**	**579**	**0**	**0**	**0**
E TOTAL FUNDING REMAINING OVER 4 YEAR PERIOD TO 10/11					**9,192**

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NORTH YORKSHIRE COUNTY COUNCIL

**CORPORATE RISK MANAGEMENT
POLICY AND STRATEGY**

"Striving for excellence in risk management"

September 2007

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PART A - CORPORATE RISK MANAGEMENT POLICY STATEMENT

1.1 **Introduction**

As a key community leader, the County Council strives to ***provide opportunity, independence and security for all*** and to be open and transparent with the community it serves and work with integrity alongside its partners and citizens. To this end, our seven corporate objectives are:

➔ **Security for all** - by promoting safe, healthy and sustainable communities

➔ **Growing up prepared for the future** - through good education and care and protection when it is needed

➔ **Independence** - through employment, opportunity and appropriate support

➔ **Keeping us on the move** - with good roads and a safe and reliable transport system

➔ **Strengthening our economy** - by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills

➔ **Looking after our heritage and our environment** - in our countryside and our towns and villages

➔ **Keeping in touch** - by listening to your views, and planning to meet your needs and by telling you what we are doing

Risk, uncertainty and change create a challenging dynamic as we strive to meet these objectives. Risks, whether recognised or unforeseen, create a threat to achieving performance targets; this may result, for example, in delays to service delivery or reductions in service quality. Uncertainty and change, when considered thoroughly however, can also give us the opportunity to introduce new, more innovative and effective ways of delivering services and act as the catalyst for developing services with better outcomes and fewer risks for our staff and our local communities.

Risk Management is integral to all aspects of our service delivery as well as the management of all our staff, physical assets and financial resources. As such it is reflected in all Council policies and Service Plans where appropriate.

This Risk Management Policy has been developed jointly by the Management Board, the Leader of the Council and the Executive.

Implementation of this Risk Management Policy and associated management systems contributes to improving our corporate and best value performance.

1.2 **Guiding Principles**

To achieve continuous improvement in our risk management arrangements we have adopted four guiding principles:

Control – Management are responsible for the clear allocation of risk management responsibilities and for monitoring that these responsibilities are implemented

Co-operation – there is a collective responsibility to co-operate as individuals and as groups to make risk management work for the benefit of the organisation

Communication – communication of risk management information is essential and can always be improved

Competence – developing the risk management competence of Members, all categories of staff, volunteers and contractors is at the heart of successful risk management

These guiding principles are interrelated and interdependent so that consistent activity in each area is needed to promote a climate in which a proactive risk management culture can develop.

1.3   **Corporate Risk Management Policy**

Definition of Risk and Risk Management

Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

Risk Management is the adoption of a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of the County Council.

Policy Aims

To be an organisation that recognises it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its vision.

To also be aware that some risks can never be eliminated fully but to have in place a Risk Management Strategy that provides a structured, systematic and focused approach to managing risk.

To ensure Risk Management is an integral part of the County Council's corporate governance arrangements and has been built into the management processes as part of the organisation's overall framework to deliver continuous improvement in service delivery.

Policy Objectives

The objectives of this Risk Management Policy are to:

➔   implant risk management into the culture of the County Council

➔   manage risk in accordance with best practice

➔   anticipate and respond to changing social, environmental and legislative requirements

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➔ minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources

➔ inform policy and operational decisions by identifying risks and their likely impact

➔ raise awareness of the need for risk management by all those involved with the delivery of County Council services

These objectives will be achieved by:

➔ establishing clear roles, responsibilities and reporting lines for risk management throughout the County Council

➔ providing opportunities for shared learning on risk management across the County Council

➔ providing risk management training and awareness sessions

➔ incorporating risk management considerations into the County Council's management processes (eg business planning, project management, service reviews) and decision making (eg Committee reports)

➔ effective communication with, and the active involvement of, staff

➔ monitoring arrangements on an on-going basis

➔ operating a Corporate Risk Management Group, led by a Corporate Director, that will be proactive in implementing and developing all the above.

Responsibility for Risk Management

The County Council recognises that it is the responsibility of all Members and staff to have regard for risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision, and to the meeting of the County Council objectives and community needs.

The Chief Executive, Corporate Directors, Service Heads and all line managers have the responsibility and accountability for managing the risks within their own work areas. All staff have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own area of activities. The co-operation and commitment of all staff is required to ensure that County Council resources are not squandered as a result of uncontrolled risk.

This Policy has the full support of the Council which recognises that any reduction in injury, illness, loss or damage ultimately benefits the whole community of North Yorkshire.

PART B - CORPORATE RISK MANAGEMENT STRATEGY

1.0   INTRODUCTION

What is Risk Management?

1.1   **Risk** is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event.

1.2   **Risk management** is the adoption of a planned and systematic approach to the identification, evaluation and economic control of those risks which can threaten the assets or financial and organisational well-being of the County Council. It is a means of minimising the costs and disruption to the County Council caused by undesired events. The aim therefore is to reduce the frequency of risk events occurring, wherever possible, and minimise the severity of their consequences if they do occur.

1.3   Risk management covers the whole spectrum of risks and not just those associated with finance, health and safety and insurance. It also includes risks associated with public image (reputation), the environment, technology, breach of confidentiality, data protection etc.

1.4   Risk Management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk-taking is inevitable if the County Council is to achieve its objectives. Risk Management is about making the most of opportunities and about achieving objectives once those decisions are made. By being 'risk aware' the County Council is in a better position to avoid threats and take advantage of opportunities.

1.5   Risk management is an essential component of the governance arrangements in any large organisation. The County Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2003:-

> *"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."*

The Benefits of Risk Management

1.6   Effective risk management will deliver a number of tangible and intangible benefits to individual services and to the County Council as a whole, for example:-

➔   **improved strategic management**

- greater ability to deliver against objectives and targets
- more informed policy making

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➔ **improved operational management**

- reduction in interruptions to service delivery
- reduction in management time spent dealing with the consequences of a risk event having occurred
- improved health and safety of those employed, and those affected, by the County Council's undertakings.

➔ **improved financial management**

- better informed financial decision-making
- enhanced financial control
- reduction in the financial costs associated with losses due to service interruptions, litigation, etc
- reduce, or maintain constant levels of, insurance premiums

➔ **improved customer service**

- minimal service disruption to customers and a positive external image as a result of all of the above.

2.0 AIMS AND OBJECTIVES

2.1 The aims of risk management are to:-

➔ contribute to attainment of the County Council's vision for the communities it serves

➔ protect service delivery and its quality

➔ protect the reputation and image of the County Council

➔ secure the County Council's assets

➔ secure the funding of the County Council

➔ secure the well-being of staff and users of services

➔ ensure the integrity and resilience of information systems

➔ ensure probity and sound ethical conduct

➔ avoid criminal prosecution or civil litigation

➔ avoid financial loss through fraud or corruption

2.2   The objectives of the County Council's Risk Management Strategy are to:-

➔   implant risk management into the culture of the County Council

➔   manage risk in accordance with best practice

➔   anticipate and respond to changing social, environmental and legislative requirements

➔   minimise loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources

➔   inform policy and operational decisions by identifying risks and their likely impact

➔   raise awareness of the need for risk management by all those involved with the delivery of County Council services.

2.3   These objectives will be achieved by:-

➔   establishing clear roles, responsibilities and reporting lines for risk management throughout the County Council

➔   providing opportunities for shared learning on risk management across the County Council

➔   reinforcing the importance of effective risk management as part of the every day work of staff through training and briefings

➔   incorporating risk management into key corporate activities

➔   monitoring progress in delivering the Strategy and reviewing the risk management arrangements on an on-going basis.

3.0   **ROLES AND RESPONSIBILITIES**

3.1   In determining roles and responsibilities, consideration has been given to the need to ensure that risk management is embedded into both policy approval (Strategic) and service delivery (Operational) procedures.

3.2   The table below outlines the key roles within the County Council's risk management framework:-

Category	Role
Elected Members	To oversee the effective management of risk by County Council officers – approve Corporate Risk Management Policy and Strategy
Chief Executive and Corporate Directors (= Management Board)	To ensure that the County Council manages risk effectively through the development and implementation of a comprehensive Corporate Risk Management Strategy.
Corporate Risk Management Group	To share experience on risk, risk management and implement the Strategy across the County Council

Category	Role
Risk Management Service	To support the County Council and its services in the effective development, implementation and review of the Risk Management Strategy
Service Heads	To ensure that risk is managed effectively in each Service within the agreed corporate Strategy
Managers	To manage risks effectively in their particular service areas
Staff	To manage risk effectively in their job

3.3   The detailed responsibilities associated with the roles in the table above are given at **Appendix 1**.

3.4   The same hazards and risks may face one or more services within the County Council eg asbestos, service continuity. Formal cross-service working will help to identify and manage these overlapping risks and this process will be facilitated through the Corporate Risk Management Group.

3.5   A **Corporate Risk Management Group** has been established to co-ordinate activities between services and comprises:-

➔   Corporate Director – Finance and Central Services (Chair)

➔   Risk and Insurance Manager (Co-ordinator / Advisor)

➔   Head of Health and Safety Risk Management

➔   Directorate representatives

➔   Lead Officers (at the time) of all ad hoc Working Groups

3.6   The Corporate Risk Management Group will be responsible for:-

➔   advising and supporting the Management Board on risk strategies

➔   identifying new areas of overlapping risk

➔   driving forward new risk management initiatives

➔   communicating risk management principles and developing good practice

➔   providing and reviewing risk management training

➔   regularly reviewing risk register(s) and overseeing the ongoing Risk Prioritisation System (RPS)

➔   co-ordinating the information requirements for comprehensive risk reporting and monitoring

3.7   The pivotal role of the Corporate Risk Management Group in co-ordinating the day to day activities within the Risk Management process is demonstrated by the Organisational Pathways diagram attached as **Appendix 2**.

4.0 **ARRANGEMENTS FOR MANAGING RISKS**

4.1 To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored. The 4 stages in the risk management cycle are illustrated in the diagram below:-
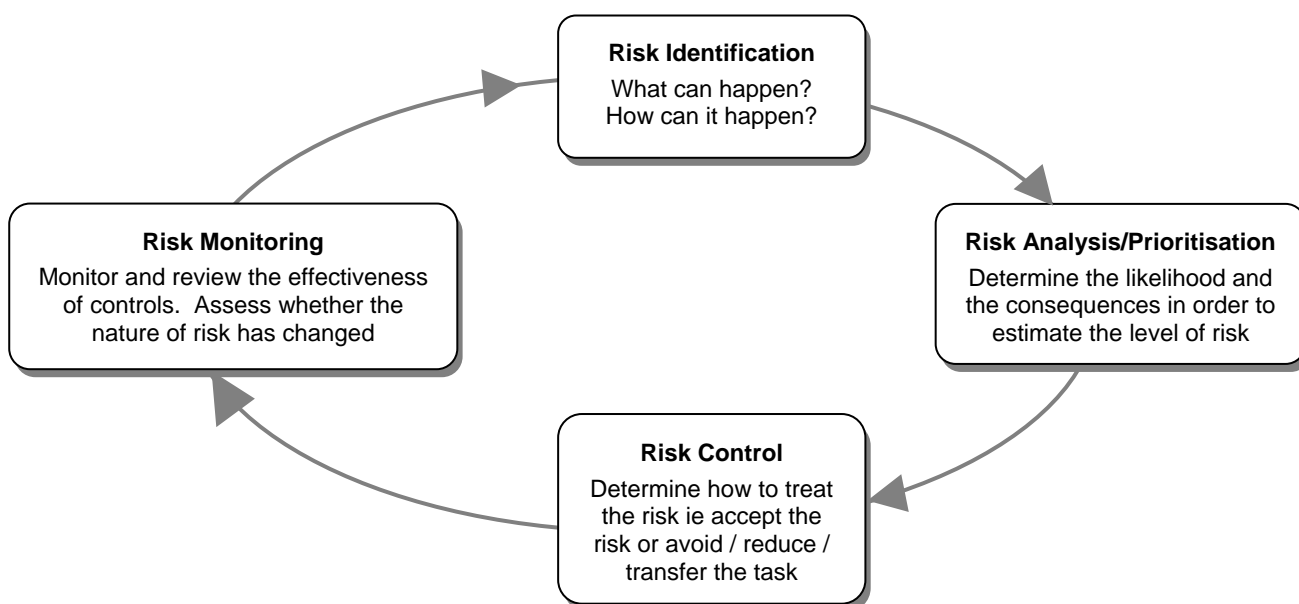
4.2 The risk management methodology to be employed in the County Council is detailed in **Appendix 3**.

4.3 The County Council is aware that within the overall risk management framework detailed in this Strategy (and its accompanying Policy statement) there are specific and well-defined areas of risk (eg Health and Safety, Service Continuity) that merit their own Policy statements and Strategies. These associated Policies/Strategies, whilst addressing the particular issues involved, will adopt the same principles, and be compatible with, the over arching Corporate Risk Management Policy and Strategy.

5. **MONITORING ARRANGEMENTS**

5.1 Monitoring performance within the Risk Management framework is carried out at two levels:

➔ on the process itself

➔ in relation to the risks themselves

Overall Risk Management Process

5.2 Within its Corporate Governance framework, it is the formal policy of the County Council to actively monitor the risk management process. Under the auspices of the Audit Committee, the Corporate Governance Officer Group is actively involved in this process. *(See the Local Code of Corporate Governance for further details).*

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5.3   The Internal Audit Service formally assesses and monitors the effectiveness of the County Council's risk management arrangements and compares the documented approach with actual practice. This work forms part of the annual internal audit of risk management, as required by the Code of Internal Audit Practice 2003 and is reported via the annual Statement on Internal Control.

5.4   Risk Management arrangements are occasionally subject to inspection or review by various external bodies including:

➔   CPA Inspectors

➔   External Auditors, Ofsted or CSCI

➔   Other local authorities, public bodies and private sector organisations via benchmarking forums

5.5   The Audit Committee monitors the implementation of the Risk Management Strategy via six-monthly reports submitted by the Corporate Director – Finance and Central Services.

5.6   The Corporate Director - Finance and Central Services reviews progress on risk management activities during monthly progress meetings with the Risk and Insurance Manager. He also liaises with Internal and External Audit on any risk related matters.   The Insurance & Risk Management Section use various mechanisms to ensure the approach to managing risk is relevant and up-to-date, including benchmarking with peer authorities, attending seminars and conferences and review of best practice documentation.

5.7   Six monthly reviews are held with the County Council's insurance and risk management adviser, Marsh UK Ltd.

Corporate Risk Management Group

5.8   The Corporate Risk Management Group (CRMG) also performs an important corporate monitoring role for risk issues, through a planned schedule of progress reports from Directorate Risk Management representatives and Working Group leaders.

5.9   The organisational pathways diagram at **Appendix 2** shows the various linkages that operate to support the CRMG in undertaking this role.

Monitoring of Risk Registers

5.10   Risk Registers (produced by the RPS process described in **Appendix 3)** are monitored and assessed by the following groups in order to ensure all relevant risks are included, risk reductions are being implemented and risks are reducing as anticipated:

➔   for the Corporate Risk Register, the Corporate Risk Management Group, Management Board and Executive

➔   for Directorate and Service Unit Risk Registers the relevant Management Team and Directorate Risk Management Group; the Audit Committee also receives progress reports on each Directorate's Risk Register

➔ the Insurance & Risk Management Section

➔ Internal Audit Service

➔ Service Continuity Planning Team

➔ Health and Safety Risk Management Unit

➔ Head of Scrutiny and Corporate Performance

Review of Risk Registers

5.11 Within the process for reviewing and updating risk registers (see **paragraphs 3.8 – 3.11 of Appendix 3**):

➔ the Executive Portfolio Holder will review the relevant Directorate Risk Register with the appropriate Corporate Director.

➔ the Executive and the Audit Committee will review the Corporate Risk Register.

The timetable for the review process is shown in the Risk Management Schematic Plan – see **Appendix 7**.

Monitoring the effectiveness of risk controls implemented

5.12 Various methods are used within Directorates and across the County Council to monitor the effectiveness of risk controls in place, including:

- programme of Internal Audit reports
- various external audit work
- performance indicators
- Management Team review at RPS Workshops
- overspend on budgets and projects
- service user and staff feedback
- attendance management records
- insurance claims statistics
- number and nature of complaints
- reduction in significance of risks in Risk Registers
- satisfaction surveys
- incident and accident statistics

Risk audits

5.13 Risk audits are occasionally carried out to monitor compliance with best practice on specific risk issues at either Corporate or Directorate level. These audits may be carried out by internal risk specialists or external parties such as specialist risk consultants or insurers. Results of these audits are normally co-ordinated by the relevant Management Team, Directorate Risk Management Representative and Directorate Risk Management Group. Remedial action necessary is then incorporated as required into the Directorate Risk Register. An equivalent process applies if a corporate level risk is involved with the Corporate Risk Management Group taking the lead.

Statements of Assurance and Statement on Internal Control

5.14 The various processes defined in this Strategy assist the Corporate Director - Finance and Central Services in producing the necessary Assurance Statement and the Statement on Internal Control for the annual Statement of Final Accounts, as required under the Audit & Accounts Regulations 2003.

Improvement Activities (to be reflected in Risk Management Action Plan)

5.15 From time to time external and internal parties may wish to see evidence of the County Council's Risk Management arrangements. These may include the County Council's current insurers, the Health and Safety Executive or Government inspectors as well as Directorates, Schools and partners. For this reason, a website is being developed to detail the risk management structures and processes in place. The Insurance & Risk Management Section plans to make the site available, for reference purposes, by 31 March 2008.

5.16 By the beginning of 2009, the present upgrades and support will no longer be available for the RPS software being used to develop and maintain risk registers. The software supplier has offered an alternative product with enhancements which will potentially provide better outcomes. It will be necessary to decide whether the present data is transferred to the proposed software being offered or whether it will be necessary to procure a new product.

5.17 At the present time risk registers are developed for new initiatives such as the Local Transport Plan and Contact Point (information sharing service for CYPS). This ensures that risk is considered when making decisions and also contributes to partnership governance. It is intended to build on the work being done in this area to improve the support provided for strategic policy decisions.

5.18 Service Continuity Plans are almost developed for all Service Units throughout the County Council. In order to fully comply with the Service Continuity Management Standard BS 25999, all plans will be tested, reviewed and updated accordingly.

6.0 **REPORTING ARRANGEMENTS**

6.1 The formal reporting pathways are shown diagrammatically in **Appendix 8**. The by whom to whom, and content involved, is summarised in the table below:

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By Individual/Group	To	Content	Frequency
Leader Chair of Standards Committee Chair of Audit Committee Chief Executive Monitoring Officer Section 151 Officer	Local Community and other interested parties	▪ Corporate Governance Statement of Assurance & Statement on Internal Control	Annually
Management Board	Executive/Audit Committee	▪ Corporate Risk Register	Half-yearly or as required
Corporate Director - Finance and Central Services	Management Board	▪ Corporate Risk Register	Half-yearly
	Audit Committee	▪ Risk Management Action Plan	Half-yearly
Corporate Directors	Management Board	▪ Directorate Risk Registers	At least annually
Risk Management Groups & Representatives	Corporate Director/ Directorate Management Team	▪ Directorate Risk Register ▪ Business Unit Risk Registers	Determined by Directorates but at least half-yearly
	Corporate Risk Management Group	▪ Directorate Risk Registers ▪ Directorate Risk Management activities	Quarterly
Ad Hoc Risk Working Groups	Corporate Risk Management Group	▪ Risk Project Action Plans	Quarterly

7.0 **TRAINING AND COMMUNICATION ARRANGEMENTS TO SUPPORT IMPLEMENTATION OF THE STRATEGY**

Core Activities

7.1 Training in risk management methodology and techniques will be provided to those officers with direct responsibility for / involvement in driving the risk management process by representatives from:-

➔ Insurance and Risk Management Section

➔ Internal Audit Service

➔ Corporate Risk Management Group

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7.2   Training in the risk management methodology will also be provided to the Executive, Audit Committee, Corporate Directors, Service Heads and Managers.

7.3   Risk awareness sessions will be provided for staff.

Annual Risk Management Conference

7.4   Since 1998, the County Council has held an Annual Risk Management Conference in November each year. This will continue as part of this Strategy.

7.5   The Conference provides the opportunity to invite guest speakers on topical risk issues to speak directly to staff at various levels within the County Council.

7.6   The County's insurers, risk advisers and solicitors generously sponsor the event each year and provide guest speakers, refreshments, paperwork and risk checklists etc.

Annual Risk Management Awards

7.7   As part of the Conference preparations each year, Directorates are invited to submit entries to the County Risk Management Award Competition. This scheme allows the County Council to recognise the efforts made by individuals in helping to achieve risk management goals and any resulting improvements in service delivery.

7.8   The Awards provide those involved in risk management processes, with the opportunity of promoting the work they have been doing and demonstrate the improvements that have resulted.

7.9   Entries are judged by the Corporate Director - Finance and Central Services, the Risk and Insurance Manager and representatives of the County Council's insurers and advisers.

7.10   Winners are presented with their awards by the Chairman or the Leader of the Council at the November Conference, and have the opportunity to attend the annual ALARM conference or a work related conference of their choice.

7.11   **Other promotional techniques**

- internal seminars on specific risk projects

- promotion of external seminars, eg Better Governance Forum seminars

- articles on topical risk issues are included within County Council Staff newsletters

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Intranet Site

7.12 The Insurance and Risk Management Section will create an intranet site dedicated to risk, insurance and claims issues which will include and have links to other relevant intranet sites, for example Health and Safety Risk. This will be accessible to all staff by March 2008.

8.0 **RISK FINANCING**

Use of Directorate Budgets

8.1 The costs of risk reduction measures will usually fall against Directorate / Service budgets although in exceptional cases (based on an approved business case) funds may be made available from corporate revenue and/or capital resources.

8.2 The costs of claims are dealt with under insurance arrangements (see below).

Insurance Arrangements

8.3 The current policy of the County Council is to maintain a Self Insurance Fund for certain classes of insurance to pay for claims within the excess/deductible negotiated with the external insurer. At the present time, the following risks are funded on this basis:

- ➔ Public and Employers Liability
- ➔ Motor
- ➔ Fire and Related Perils

8.4 The self-funds are replenished via the insurance premium recharge arrangements which recover from Directorate budgets the combined cost of external premiums and the required self-fund contributions. These arrangements are managed by the Insurance and Risk Management Section (which is part of the Risk Management Service within Finance and Central Services).

8.5 As well as administering the Self Funds on a daily basis, the Insurance & Risk Management Section will continue to monitor and assess:

- ➔ how losses can be cost effectively funded

- ➔ the ongoing adequacy of the Self Funds in relation to expected claims

- ➔ possible risk pooling arrangements

- ➔ the possible transfer of risk through contract conditions (by working with Legal Services)

8.6 During the annual insurance renewal process, the Insurance & Risk Management Section works alongside the County Council's insurance adviser, Marsh UK Ltd, to assess the most cost effective balance between self insurance and external insurance cover.

8.7 An actuarial review of the Self Fund is carried out every 3 years by the County Council's Insurance and Risk Management consultants.

8.8   All of the current external insurers take a great interest in the County Council's risk management activities and contribute to the process via consultancy days and Directorate specific advice, reviews and training sessions.

9.0   **REVIEW OF RISK MANAGEMENT STRATEGY**

9.1   In recognition of the dynamic nature of risk management, this Strategy will be reviewed biennially to ensure its continuing relevance to prevailing County Council structures and services.

10.0 **CONCLUSION**

10.1 Risk management is critical to the effective overall management of the County Council.

10.2 In addition to offering cost savings, risk management can reduce service disruption and enhance the experience of stakeholders dealing with the County Council. It will also help minimise the exposure of the County Council to negative publicity and costly litigation. Risk Management can also be used to help encourage innovation, on the basis that potential risks are reduced to acceptable levels.

10.3 Many of the skills and resources needed to manage risk effectively already exist in the County Council. This Strategy offers a structured approach to risk management that can harness these skills and resources to the overall benefit of the County Council and the community it serves.

ROLES AND RESPONSIBILITIES

Role	Group / Individual	Responsibilities
To oversee the effective management of risk throughout the County Council by ➔ gaining an understanding of Risk Management and its benefits ➔ requiring officers to develop and implement an all encompassing approach to Risk Management	County Council	▪ to formally approve the Corporate Risk Management Policy and Strategy (CRMS)
	Executive	▪ to ensure on behalf of the County Council that the CRMS is implemented and its aims/objectives achieved
	Audit Committee	▪ to review the overall arrangements for risk management as part of the overall Corporate Governance framework ▪ to monitor the delivery of the CRMS and associated Action Plan ▪ to hold the Corporate Directors (and Directorate Management Teams) accountable for the effective management of risk within their Directorates.
To ensure that the County Council manages risks effectively through the development of an all encompassing Corporate Policy / Strategy with attendant risk registers and Action Plans.	Chief Executive	▪ to set out and review the corporate risk priorities of the County Council. ▪ to sign the Corporate Governance Statement on Internal Control
	Management Board	▪ to ensure that the County Council manages risk effectively through the promotion, development and implementation of a comprehensive CRMS and to monitor delivery by considering regular reports from Corporate Directors. ▪ to determine the risk priorities facing the County Council as a whole and ensure each priority risk area is adequately addressed and monitored.

Role	Group / Individual	Responsibilities
	Corporate Director – Finance and Central Services (Section 151 Officer)	■ to co-ordinate and manage the risk management process within the County Council on behalf of the Management Board ■ to prepare the annual statements related to Corporate Governance matters as required by the regulations at the time ■ to chair the Corporate RMG
	Corporate Directors	■ to ensure that risk is managed effectively in their Directorate / service area in accordance with the agreed Risk Register(s) ■ to report to the Management Board on risk issues on a regular basis ■ to ensure that emerging risks identified by existing management processes, inspectors or by Internal / External Audit are fed into the appropriate Risk Register for action.
To ensure that risk is managed effectively in each service area within the agreed Corporate Policy / Strategy and with regard to associated risk registers and Action Plans.	Head of Scrutiny & Corporate Performance	■ to provide Service Performance Planning guidance on the inclusion of appropriate Risk Register information ■ to ensure that risk issues are considered by Scrutiny Committees in accordance with the requirements of the CRMS
	Risk Management Service (ie Insurance and Risk Management, Health & Safety Risk, Emergency Planning)	■ to support all Directorates in the effective development, implementation and review of the CRMS and to share experiences on RM across the County Council. ■ to facilitate and support the RPS process ■ to plan and oversee the County's risk financing and insurance arrangements, including claims handling ■ to implement the requirements of the Civil Contingencies Act

Role	Group / Individual	Responsibilities
		■ to actively promote RM best practice across the County Council
	Corporate Risk Management Group	■ as per paragraph 3.6 of RMS
	Directorate Risk Management Groups	■ to act as the channel for risk management information within their Directorate ■ to monitor progress on actions defined in Directorate and Business Unit risk registers ■ to update the Corporate RMG as required on Directorate risk priorities ■ to ensure that identified weaknesses from Internal and External Audit reports are fed into the RPS process
	Service Heads	■ to feed into the development of the RMS from a service specific perspective ■ to promote risk management and ensure that the RMS is implemented effectively within their service(s) ■ to liaise as appropriate with external agencies in identifying and managing risk ■ to disseminate the detail of the RMS and allocate responsibilities for implementation to line managers and staff ■ to establish the training requirements of line managers and staff with regard to RMS implementation ■ to ensure that an operational risk register is maintained up-to-date for their service areas ■ to work with the Insurance and Risk Officer in assessing insurance requirements for services.

Role	Group / Individual	Responsibilities
		■ to manage risk effectively and proactively in their particular service areas and to report on significant risks to the Directorate Management Team ■ to ensure that Service Performance Plans include information from relevant Risk Registers.
	Managers	■ to implement the detail of the RMS ■ to recommend the necessary training for staff on risk management ■ to share relevant information with colleagues in other service areas
To manage risk effectively in their job.	All Staff	■ to liaise with their line manager to assess areas of risk in their job ■ to identify new or changing risks in their job and feed these back to their line manager ■ to undertake their job within the risk management guidelines set down for them by their manager ■ to ensure that the skills and knowledge passed to them are used effectively
To provide assurance that the Corporate Risk Management Policy / Strategy is being implemented effectively in all areas of the County Council	Internal Audit Service	■ to annually review the effectiveness of the County Council's RM arrangements ■ to review the effectiveness of agreed risk controls within Directorates ■ to ensure that identified weaknesses from internal audits are fed into Risk Registers ■ to ensure risk priorities influence the Council's Audit Plan as necessary.

Role	Group / Individual	Responsibilities
	External Audit	■ to review the effectiveness of the County Council's RM arrangements
		■ to inform the County Council of future developments relating to risk management
		■ to confirm that identified weaknesses from External Audit work are fed into the RPS process

RISK MANAGEMENT GROUP STRUCTURE

Revised at 24 September 2007

MANAGEMENT BOARD

corporate policy

reporting progress etc

Directorates

- Children and Young People's Service
- Adult and Community Services
- Business and Environmental Services
- Corporate
  - Chief Exec
  - CD-F&CS

appoint representatives

identify priority issues

issues for action

CORPORATE RISK MANAGEMENT GROUP

continuous review in light of findings/issues etc

Insurance Arrangements

Finance and Central Services
Insurance/Risk Management Section

- External Premiums
- Self Funds
  - Liability
  - Motor
  - Fire
  - Other

Directorate Risk Teams

set priorities & monitor progress

report progress

advise

appoint members

External Consultants/ Advisers/Insurers

advise

advise

Ad Hoc Working Groups *

- Motor
- Bichard
- Safety Risk
- Challenging Behaviour
- Construction (CHAS) incl Asbestos and Legionella
- Service Continuity
- Volunteers
- Security and Fire Safety
- Partnerships
- Back Care
- Personal Safety
- Information Governance

- Health and Safety Risk Team
- Emergency Planning
- Insurance and Risk Management Unit

County Emergency Plans

*   these Groups change over time and operate on a "task and finish" basis

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RISK MANAGEMENT METHODOLOGY

1.0   **INTRODUCTION**

1.1   There are 4 key stages in the risk management cycle, as illustrated in the diagram below:

Risk Identification
What can happen?
How can it happen?
(see paragraph 2)

Risk Analysis/Prioritisation
Determine the likelihood and the consequences in order to estimate the level of risk
(see paragraph 3)

Risk Control
Determine how to treat the risk ie accept the risk or avoid / reduce / transfer the task
(see paragraph 4)

Risk Monitoring
Monitor and review the effectiveness of controls. Assess whether the nature of risk has changed
(see paragraph 5)

It is important to recognise that the 4 stages of risk management are part of a cycle. Risk management is dynamic and so the identification phase needs to be carried out continuously.

1.2   Across the County Council, use is made of a **Risk Prioritisation System (RPS)**, which is a web enabled risk management information system designed to manage the information produced during the Risk Management process. This software produces reports on the assessed risks at various managerial levels within the County Council.

1.3   As this software is web enabled, it is possible for other functions within the County Council, as well as Directorates to use the system. In particular the Internal Audit, Health and Safety and the Service Continuity teams can scan risk registers in order to highlight risks for further investigation and support from their particular perspectives.

Access is however controlled by the Insurance and Risk Management Service to ensure it is for appropriate purposes.

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1.4   The RPS process that produces **Risk Registers** contains the above ingredients
       applied as follows:
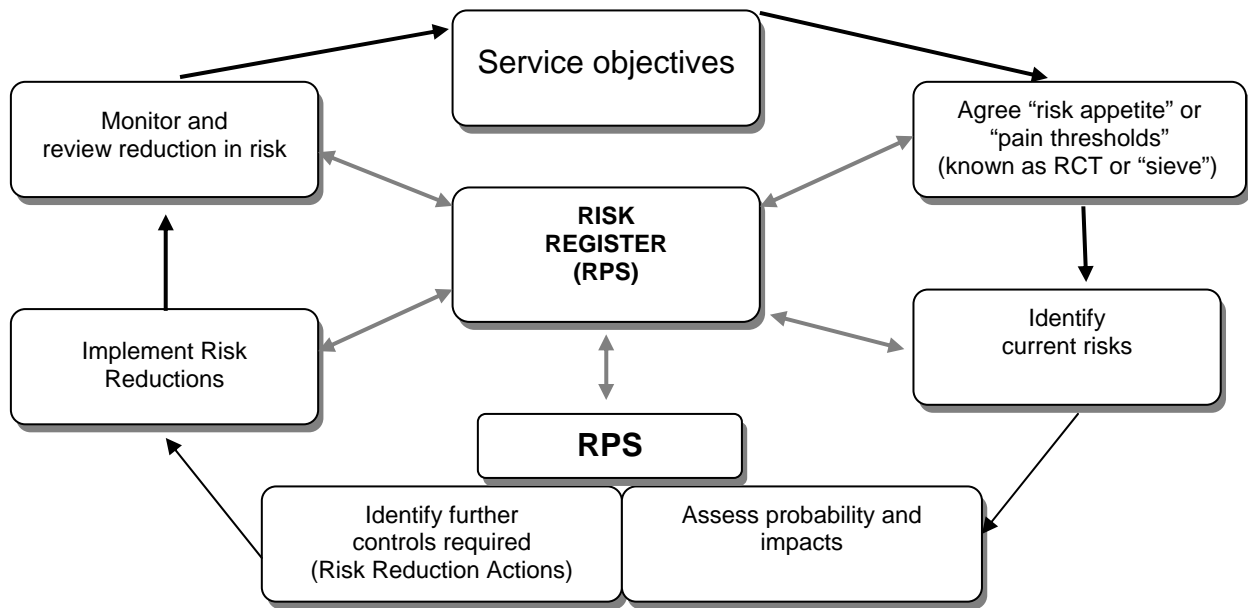
*1.5   Risk registers are produced at predefined levels within the County Council
       viz:*

   → Corporate
   → Directorate
   → Service Unit / Service level

   In addition the RPS methodology can be applied to individual projects, eg a major
   procurement or change management project.

1.6   A diagrammatic representation of the key pathways for the above process and their
       links with related activities such as Risk Management Groups and Service
       Continuity Management is shown in **Appendix 4**.

1.7   The production of Risk Registers via the RPS process involves:

   → clarification of Corporate/Directorate/Service Unit objectives

   → formal identification of risks which could threaten the identified service
     objectives, including input from Internal Audit

   → identification of the "risk appetite" for the Service Unit, essential for evaluating
     how risks might impact on the declared objectives

   → workshops to prioritise risks and agree the remedial actions required to reduce
     risks ranked as significant (i.e. risk reduction actions)

   → provision of Risk Register reports to Management Teams, summarising key
     risks and how they are to be addressed

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➔ incorporation of key risks into Service Performance Plan

➔ risk registers are also fed into Internal Audit process to influence the preparation of the Annual Audit Plan.

1.8 The County Council's annual Service Performance Planning cycle establishes the timescale for the major revision of Risk Registers across all Directorates (i.e. from October to August). During this period, RPS workshops will be held with all Directorate Management Teams.

1.9 As risk reduction actions are implemented throughout the year Service Unit based "RPS Administrators", using the web enabled RPS software, update each Risk Register. Such updates are made at least half yearly in order that changes to the overall risk profile can be tracked and assessed.

2.0 RISK IDENTIFICATION

2.1 The first step in the process is to analyse the various elements of the business / service and identify the risks that can affect the achievement of the objectives for that service.

Categories of Risk

2.2 **Appendix 5** contains details of possible risks categorised for convenience into Strategic and Operational.

2.3 The categories of risk in **Appendix 5** are neither prescriptive nor exhaustive. However, they should be used to provide a framework for identifying the risks facing the County Council and each of its services.

2.4 Managing **Strategic Risk** is a core responsibility for senior managers – strategic risk assessments should be undertaken as part of the corporate planning processes (eg annual Budget process). **Operational risk** assessments will be a key element of the service planning process.

Techniques

2.5 It is recognised that many risks are identified within Directorates through the well established use of ongoing risk identification techniques including:

➔ *Risk Management Group discussions*
➔ *Internal Audit work*
➔ *SWOT analyses*
➔ *brainstorming/workshops*
➔ *formal risk self assessment sheets*
➔ *checklists*
➔ *regular review of previous incidents, claims and other non-conformances*
➔ *hazard reporting*

2.6   Preparation of Risk Lists by Management Teams for prioritisation within RPS
       Workshops includes input from Internal Audit and encourages participating officers
       to broaden their common understanding of risk to include less "traditional" risks
       such as:

       ➔ risks affecting the achievement of key objectives and targets
       ➔ key dependencies within service delivery processes
       ➔ pressure points within budgetary and financial management processes
       ➔ risks from new ways of working (eg arising from the transformation agenda)
       ➔ changing internal and external work environment

2.7   Networking outside the County Council through groups such as ALARM[1] and, more
       locally, CARM[2] assists in identifying potential risks to each Directorate by raising
       awareness of risks affecting other local authorities.

2.8   Risks prioritised as key "Service Continuity" risks within the RPS process or with
       service continuity implications are directed to the Service Continuity Team for
       further consideration and inclusion within the wider statutory context of the Civil
       Contingencies Act.

3.0   **RISK ANALYSIS / PRIORITISATION**

3.1   Once risks have been identified they need to be assessed systematically and
       accurately.

3.2   The RPS process allows risk analysis/prioritisation to consider:

       ➔ probability of the risk occurring
       ➔ impact of the risk occurring
       ➔ existing risk controls
       ➔ cost effectiveness of proposed controls

3.3   The RPS process uses specific **Risk Classification Tables** (RCTs) to determine
       the relevant "risk appetite" or "pain threshold" at each organisational level. These
       RCTs act like a "sieve" within the RPS system to help prioritise those risks which
       may exceed the defined risk appetite or pain threshold.

3.4   The **'impact of risk'** criteria used in the RCTs reflect Directorate/Service Unit
       objectives and use existing performance measurements where possible. Impact of
       risk is currently assessed in terms of:

       ➔ financial impact – *reflecting current budgets*
       ➔ delays in service delivery – *reflecting current service plans*
       ➔ loss of image or reputation – *reflecting key image issues*
       ➔ failure to meet key objectives and standards – *reflecting current service plans*

3.5   Further detail on the preparation of RCTs is provided in **Appendix 6.**

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[1] ALARM – the national forum for Public Sector Risk Management
[2] CARM – Cleveland Association of [Local Government] Risk Managers

This multi-dimensional approach of using four impact areas within the RCT provides an objective and robust overview of the true potential impact of a risk, which can then be evaluated against the probability of the risk occurring to automatically generate a list of significant risks for each Directorate/Business Unit.

3.6 The RPS process operates on an annual cycle, as shown in the RPS section of the RMS Schematic Plan (**Appendix 7),** to ensure that Directorates and Service Units include their own key risks and agreed risk reduction actions within Service Performance Plans.

3.7 Corporate risks are identified by Management Board and prioritised by the Chief Executive, to produce the Corporate Risk Register. This identifies the principal risks across the County Council as a whole essentially top slicing any Directorate risks considered significant enough to impact on the corporate objectives, as well as other "corporate" risks highlighted by the Executive, Chief Executive, and/or Management Board.

Ongoing Risk Identification and Prioritisation – Updating Risk Registers

3.8 Risk Registers will continue to be reviewed and updated throughout the year by each Director/Service Unit Head in consultation, as necessary, with their

➔ Directorate/Service Unit Management Team
➔ Directorate Risk Management Group

3.9 The locally based RPS administrators have been trained to record the completion of risk reduction actions on at least a *quarterly* basis.

3.10 The Insurance & Risk Management Section record the effect of completed risk reduction actions on the risk priorities at least *every 6 months*.

3.11 The key update of Risk Registers will continue to occur *annually* within the service planning timetable, as shown in the RMS Schematic Plan. The half day RPS workshop with a Management Team acts as service planning tool and ensures that risk reduction actions are included as appropriate within the relevant Service Performance Plans.

Improvement Issues (to be reflected in Risk Management Action Plan)

3.12 In order to build on the work that has already taken place relating to **partnership working**, the recently developed Governance guidelines will be rolled out across the County Council. These guidelines have been developed to assist those officers involved in such multi-organisation arrangements, particularly in relation to defining and then managing the risks involved for the County Council. This work is co-ordinated by the Partnerships Working Group.

3.13 The risks involved in key policy decisions and new and/or **emerging service delivery** are evaluated on an ad hoc basis at the present time. It is intended that this will be addressed by defining a pro forma risk assessment template that will be a mandatory component of any report submitted to Members for approval of the policy etc.

3.14 The **Service Continuity** Planning Team will continue to liaise with Directorates to explore key dependencies and service continuity issues, building the appropriate Service Continuity Plans in conjunction with relevant Management Teams. This will assist the County Council in complying with the Civil Contingencies Act and BS25999.

3.15 The establishment of the Corporate Property Landlord Unit provides an opportunity to bring together all the risk issues relating to use, repair and improvement of properties used by the County Council. Issues such as Asbestos and Legionella readily attract media attention but there are many other areas of risks (with high probability) that need to be addressed in a systematic way.

3.16 Finally, the Insurance & Risk Management Section aims to develop closer working relationships with the Health and Safety and Emergency Planning Teams to ensure all methods of assessing risk are aligned and that generic issues are addressed on a "joined up" basis.

4.0 **RISK CONTROL**

4.1 Having identified and analysed / prioritised the risks, it is necessary to decide what to do and who will do it. Priority will be given to the highest risks, ie those:-

➔ that most threaten key areas of service provision; and/or
➔ where the existing controls are weakest

4.2 In some instances (ie for low-scoring risks) it may be acceptable to do nothing and "accept" the risk. However, the situation will need to be monitored to ensure that such risks do not run out of control.

4.3 Where it is not deemed appropriate to accept the risk, the risk will need to be controlled. Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. There are 3 main options for controlling risk, avoidance, reduction and risk transfer.

Risk avoidance involves the County Council opting not to undertake a current or proposed activity because it is considered to be too risky

Risk reduction is dependant on implementing projects or procedures which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur

Risk transfer involves transferring liability for the consequences of an event to another body. This may be done in two ways:-

➔ legal liability may be transferred to an alternative provider under contractual arrangements for service delivery; or

➔ the costs associated with a damaging event may be reduced by transferring some or all of the financial risk to external insurance companies.

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4.4 Most risks can be managed – either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks have to be avoided or transferred.

4.5 Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice from the Risk Management Service and other central support services (eg Legal) where appropriate.

4.6 The cost / benefit of each risk control action must be assessed. The benefits will not always be solely financial. Managers need to use their own professional knowledge and experience to judge whether the financial cost of risk control is justified in terms of non-financial benefit to the County Council. On occasions, managers may conclude that the cost of the control action may outweigh the benefits which will accrue as a result of the action being taken. In such instances, all or an element of the risk is retained. However, no statute should be breached when making this decision.

4.7 An "action plan" must be produced for each risk which identifies the control actions, officer responsible and timescales.

Deciding on Risk Controls

4.8 Risks are usually investigated, evaluated and managed internally by Directorate and/or Service Unit Management Teams. This work is recorded within the Directorate's Risk Register(s) and may be co-ordinated via the Directorate Risk Management Group (DRMG).

4.9 In comparing alternative options to reduce risk, Directorates and Working Groups are encouraged to consider the following issues:

➔ statutory and external guidance
➔ staffing implications
➔ policy and procedural implications
➔ ease of implementation
➔ extent of risk reduction/elimination possible
➔ equipment implications
➔ financial implications
➔ timescales for implementation
➔ processes for reviewing the effectiveness of any risk controls

4.10 Agreed risk reduction actions (RRAs) are included within the service planning framework as necessary to ensure that all resource implications are identified and scheduled.

4.11 Progress in addressing significant risks is recorded on the RPS system and monitored via Directorate Risk Registers, in consultation with the appropriate Directorate and Service Unit Management teams.

Risks affecting more than one Directorate

4.12 To ensure a risk affecting more than one Directorate is addressed in a co-ordinated way and organised into manageable portions, such risks will continue to be highlighted by:

➔ the work of the Insurance & Risk Management Section in overseeing all Risk Registers and other risk management activities

➔ the Corporate Risk Management Group

➔ discussions at Management Board and Executive

4.14 The Corporate Risk Management Group will continue to create task and finish Working Groups to consider universal and corporate risks, as follows:

➔ representatives from the affected Directorates work together to investigate how the particular risk presents itself within each Directorate and explore possible methods of eliminating or reducing the risk exposure

➔ appropriate joint procedures and actions are prepared and implemented in consultation with relevant individuals and specialists within the County Council

➔ progress in addressing significant risk areas will be recorded on the RPS system and monitored via Directorate and Service Unit Risk Registers, in consultation with the appropriate Corporate Director / Service Head

4.14 Experience has demonstrated that the exchange of ideas, knowledge and documentation between Directorates and Service Units, via the Working Group arrangements, has stimulated significant progress in certain risk areas. A diagram showing the organisational pathways for this process is included at **Appendix 2**.

Controls review by Internal Audit Service

4.15 The Internal Audit Plan focuses the work of the Internal Audit Service in reviewing the key controls in place across the County Council, including those to manage key risks. It is prepared annually following consultation with Service Directorates. To assist in its preparation, an Audit Needs Assessment is undertaken by the Chief Internal Auditor on an annual basis and a 5 year coverage survey of all the audit areas to be covered is maintained.

4.16 To fulfil the County Council's responsibilities in relation to the Audit & Accounts Regulations 2003, Internal Audit are involved in monitoring the effectiveness of controls relating to the significant risks facing the County Council. In the main, these significant risks are held on the Corporate Risk Register but may also be recorded in Risk Registers at Directorate and Service Unit level.

5.0 **RISK MONITORING**

5.1 To complete the risk management cycle at individual risk level, there must be monitoring and review of:

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→   the implementation of the agreed risk control action plan

→   the effectiveness of the action in controlling the risk; and

→   how the risk has changed over time

5.2   Managers must monitor the implementation of the risk control action plan to ensure that responsibilities, deadlines and costs do not slip.

5.3   Risks will also be monitored corporately and the arrangements for this are detailed in **Section 5** of the Risk Management Strategy.

KEY PATHWAYS FOR THE RISK PRIORITISATION SYSTEM

OBJECTIVES

Identifying Future Risks

Discussions with other authorities

Brainstorms

Identifying Current Risks

Health and Safety Risk Assessments

Internal Audit

External reports and inspections

Performance Indicators

Service continuity plans

Identifying Past Risks

Non-Conformances:
- Claims
- Accidents
- Incidents
- Complaints

RISKS

Risk Register

Key Risks Prioritised

Key dependencies identified

Directorate / SU Service Plans

Risk Improvement Projects & Working Groups

Revised Working Procedures

Service Continuity Plans

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APPENDIX 4

CATEGORIES OF RISK TO ASSIST RISK IDENTIFICATION

The risk categories given below are examples and are neither prescriptive nor exhaustive. They provide a framework for identifying and categorising a broad range of risks. The categories may overlap and cannot be considered in isolation.

STRATEGIC RISKS
Those risks that may be potentially damaging to the achievement of the County Council's objectives.

Political
Associated with failure to deliver either local or central government policy, or to meet the Executive's commitments. Examples:-

- wrong strategic priorities
- not meeting Government agenda
- decisions based on incomplete or faulty information

- too slow to innovate / modernise
- unfulfilled promises to electorate
- community planning oversights / errors

Economic
Affecting the ability of the County Council to meet its financial commitments. These include internal budgetary pressures, inadequate insurance cover, external macro level economic changes (eg interest rates, inflation etc) or the consequences of proposed investment decisions. Examples:-

- national / regional economic problems
- high cost of capital

- treasury management risk
- missed business and service opportunities

Social
Relating to the effects of changes in demographic, residential or socio-economic trends on the County Council's ability to delivery its objectives. Examples:-

- failing to meet the needs of disadvantaged communities
- impact of demographic change

- failures in partnership working
- problems in delivering life-long learning
- crime and disorder

Technological
Associated with the capacity of the County Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the County Council's ability to deliver its objectives. Examples:-

- obsolescence of technology
- hacking or corruption of data

- breach of confidentiality
- failure of communications network

Legislative
Associated with current or potential changes in National or European law. Examples:-

- inadequate response to new legislation
- intervention by regulatory bodies and inspectorates
- Judicial review
- Human Rights Act breaches

Environmental
Relating to the environmental consequences of progressing the County Council's strategic objectives (eg in terms of energy, efficiency, pollution, recycling, landfill requirements, emissions etc). Examples:-

- impact of Local Agenda 21 policies
- noise, contamination and pollution
- impact of planning and transportation policies

Competitive
Affecting the competitiveness of a service (in terms of cost or quality) and / or its ability to deliver efficiency savings. Examples:-

- takeover of services by government / agencies
- failure to show efficiency savings
- failure of bids for government funds

Customer / Citizen
Associated with failure to meet the current and changing needs and expectations of customers and citizens. Examples:-

- lack of appropriate consultation
- bad public and media relations

Ethical
Associated with failure to achieve the ethical standards laid out in the Local Code of Corporate Governance, Constitution et al. Examples:-

- inappropriate behaviour by Members
- inappropriate behaviour by Officers
- inappropriate behaviour by contractor employed by the County Council
- inappropriate behaviour by a partner

OPERATIONAL RISKS
Those risks that managers and employees may encounter in the day-to-day provision of services.

Professional

Associated with the particular nature of each profession

- inefficient / ineffective management processes
- inability to implement change
- lack of control over changes to service provision
- inadequate consultation with service users
- failure to communicate effectively with employees

- lack of business continuity plan
- non-achievement of efficiency savings
- bad management of partnership working
- failure to manage and retain service contracts
- poor management of externally funded projects

Financial

Associated with financial planning and control and the adequacy of insurance arrangements

- failure of major project(s)
- inefficient / ineffective processing of documents
- missed opportunities for income / funding / grants
- inadequate insurance cover

- failure to prioritise, allocate appropriate budgets and monitor
- inadequate control over expenditure
- inadequate control over income

Legal

Related to possible breaches of legislation

- not meeting statutory duties / deadlines
- failure to comply with European directives on procurement of works, supplies and services
- breach of confidentiality / Data Protection Act / FOI

- failure to implement legislative change
- misinterpretation of legislation
- exposure to liability claims eg motor accidents, wrongful advice

Physical

Related to fire, security, accident prevention and health and safety (associated with buildings, vehicles etc).

- violence and aggression
- non compliance with health and safety legislation
- injury caused by eg slips, trips, stress
- loss of intangible assets

- loss of physical assets from theft, fire, terrorism etc
- damage to assets from vandalism, water damage etc
- failure to maintain and upkeep land and property

Contractual	
Associated with the failure of contractors to deliver services or products to the agreed cost and specification	
■ non-compliance with procurement policies	■ poor selection of contractor
■ overreliance on key suppliers / contractors	■ poor contract specification, deficiencies, errors
■ failure of outsourced provider to deliver	■ inadequate contract terms and conditions
■ failure to monitor contractor	■ quality issues

Technological	
Relating to reliance on operational equipment	
■ failure of significant technology-related project	■ breach of security of networks and data
■ crash of IT systems affecting service delivery	■ failure to comply with IT Security Policy
■ lack of disaster recovery plans	■ bad management of intranets and websites

Environmental	
Relating to pollution, noise or energy efficiency of ongoing service operation.	
■ impact of Local Agenda 21 policies	■ noise, contamination and pollution
■ Crime and Disorder Act implications	■ inefficient use of energy and water
■ incorrect storage / disposal of waste	■ damage caused by trees, tree roots, etc

Human Resources	
Associated with staffing issues (eg recruitment / retention, sickness management, change management, stress related risk analysis)	
■ capacity issues	■ failure to comply with employment law
■ over-reliance on key officers	■ poor recruitment and selection processes
■ failure to recruit / retain qualified staff	■ lack of succession planning
■ lack of employee motivation / efficiency	■ lack of training

RISK CLASSIFICATION TABLES

1   The impact areas referred to in **paragraph 3.4** of **Appendix 3** form the basic RCT framework and are tailored, in consultation with each Directorate or Service Unit, to identify realistic *High, Medium, Low and Nil* thresholds which reflect the material impact of a risk on the objectives, service delivery, image and financing of its activities.

2   For the **reputational and key objective impact areas**, the High, Medium, Low and Nil categories are more common across the range of Service Units and Directorates, with tailoring required only to reflect the most appropriate local performance measures or early warning systems e.g. customer satisfaction surveys, loss of external service rating.

3   As the table below illustrates, the process can measure the impact of a risk on existing key objectives whilst providing the flexibility for these key objectives to change annually without affecting the operation of the process.   The list of key objectives to be used during RPS workshops is agreed in advance with the Directorate/ Service Unit management.

	Adverse Impact on Key objectives (KOs)	**Impact on Image and reputation**
High	More than 10 of 20 Key Objectives affected	External inquiry, national press,
Medium	Between 5-10 of 20 Key Objectives affected	Internal inquiry, regional press, continuing complaints
Low	Less than 5 out of 20 Key Objectives affected	Sporadic complaints, local press
Nil	No adverse impact on Key Objectives	No adverse impact on image or reputation

4.   For the **financial and service delivery delay impact areas**, careful tailoring of the RCT is required. As the table below illustrates, any risk causing a financial impact of over £20K may be considered a High impact within a Service Unit budget whereas, at a Directorate level, such a loss is more likely to be considered Low within the much larger Directorate budget. In a Directorate RCT, therefore, a greater High threshold would need to be applied to identify those risks which would seriously impact on Directorate finances. A similar logic applies to the assessment of financial impact at Corporate Risk level.

Financial impact	Business Unit	Directorate
High	Over £20K loss	Over £500K loss
Medium	£10-20K loss	£200-£500K loss
Low	Below £10K loss	£50-£200 loss
Nil	Negligible/ no financial hit	Below £50K loss

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NORTH YORKSHIRE COUNTY COUNCIL

RISK MANAGEMENT SCHEMATIC PLAN 2007 - 2010

ACTIVITIES	2007/08				2008/09				2009/10			
	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M
Annual Risk Register Update (for SPPs)												
Half Yearly Risk Register updates												
Service Plans finalised												
Directorate Risk Registers update (following SU updates)												
Corporate Risk Register update (Mgt Board) (following Directorate updates)												
Mgt Board review Corporate Risk Register												
Executive review Corporate Risk Register												
Audit Committee review Corporate Risk Register												
'Project' risk registers update (as required)												
Other risks to Scrutiny Committees (as required)												
Corporate Governance links												
Liaison with CGOG												
Audit Commission Annual Audit Letter												
Annual Audit Plan preparation												
Production of CG Statement of Assurance & Internal Control												

APPENDIX 7

Insure/work/rmarrangements/rmstrategy/rmstrategy2007/0927riskman_draft2007

ACTIVITIES	2007/08				2008/09				2009/10			
	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M
RM Strategy Review												
RMS Progress Reports to Audit Committee												
RMS Progress Reports to Corporate Affairs O&SC												
Healthcheck (annual update)												
Internal audit of RM (annual)												
Benchmarking (annual)												
Update and produce RMS (every 2 years)												
Communicating Risk												
Corporate RMG meetings												
Directorate RMG meetings												
Corporate RM Conference												
Corporate RM Awards												
Risk Financing												
Insurance Fund Review												
Insurance Renewal Process												
Tender for Insurances (2011)												
Appointment of Risk & Insurance Advisers (2011)												
External linkages												
Attend ALARM Conference												

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ACTIVITIES	2007/08				2008/09				2009/10			
	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M	Q1 A M J	Q2 J A S	Q3 O N D	Q4 J F M
Better Governance Forum seminars (as and when)												
Improvement Issues	J	J A S	O N D	J F M	A M J	J A S	O N D	J F M	A M J	J A S	O N D	J F M
See Risk Management Action Plan												

RISK MANAGEMENT REPORTING PATHWAYS

Corporate Risk Management Group

Corporate Governance Officers Group

risk management criteria

Service Heads

Business Unit Management Teams

GOVERNANCE ZONE

Directorate Risk Management Groups

(RPS) ← Service Plans

SERVICE ZONE

Statements of Assurance

Statement on Internal Control

(RPS)

Management Board

Service Plans

Directorate Management Teams

Service Plans (RPS)

Audit Committee

Scrutiny Committees

Standards Committee

MEMBER ZONE

Executive

County Council

Note : R P S = Risk Prioritisation System

APPENDIX 8

NORTH YORKSHIRE COUNTY COUNCIL

CORPORATE PROCUREMENT STRATEGY

"Striving for excellence in procurement"

VERSION 3
DECEMBER 2007

North
Yorkshire County Council

Partners in Procurement

NPG
LIMITED

CONTENTS

EXECUTIVE SUMMARY

1. This Corporate Procurement Strategy provides a top level view of how the County Council approaches the procurement process, and how it intends to implement procurement initiatives in the future to enhance its ability to achieve Best Practice and gain Best Value for the people of North Yorkshire. This Strategy does not address the detail of how procurement is carried out; instead it highlights the key areas where procurement plays a part in helping to achieve the County Council's overarching objectives, namely:

   - **Security for all** - by promoting safe, healthy and sustainable communities

   - **Growing up prepared for the future** - through good education and care and protection when it is needed

   - **Independence** - through employment, opportunity and appropriate support for those that need it

   - **Ensuring good access for all** - with good roads and a safe and reliable transport system as well as providing new ways to interact with, and contact, the services they need

   - **Strengthening our economy** - by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills

   - **Looking after our heritage and our environment** - in our countryside and our towns and villages for all to enjoy

   - **Keeping in touch** - by listening to your views, engaging with you to meet your needs and by letting you know what we are doing.

2. The aim of the Strategy is to signpost the way forward for the development of a high quality procurement and contract management culture that underpins and supports the achievement of the corporate objectives detailed above. In short, this Strategy is a roadmap towards continuous improvement, and to this end the following **Strategic Vision** has been developed:

   To develop procurement as a management discipline to ensure that procurement activities, on a continuously improving basis, meet statutory and regulatory requirements, address the need for sustainability, encourage the local business community to bid for work, contribute to the achievement of the County Council's objectives, and obtain Best Value.

3. In drafting this Strategy the County Council has taken the core values of the *National Procurement Strategy for Local Government* to heart, and clearly demonstrate the desire of the County Council to take ownership and responsibility for its procurement activities. The County Council uses seven key procurement principles as the foundation stones upon which to build the high quality procurement and contract management culture it aspires to achieve. These key procurement principles are as follows:

- Best Value and Value for Money

- Sustainability

- Diversity and Equality

- High Professional Standards and Probity

- Management of Contracts

- Doing Business Electronically

- Procurement Training and Development

4. The Strategy then examines the procurement process in the public sector, focussing on the robust controls the County Council has put in place through its Strategic Procurement Framework and Reporting Pathways. It draws attention to the rules and regulations that apply when undertaking procurement, and the need for competition to achieve Best Value and drive up the quality of goods acquired and the standards of services contracted while recognising, within the boundaries of legislation, the need to support the local community and Small Medium Enterprises in the geographical area of North Yorkshire.

5. The Strategy concludes by recognising that the County Council cannot achieve its Procurement Vision by itself, and that collaboration (eg participating in the Centre of Excellence for the Yorkshire and Humber Region and working with partners such as the Yorkshire Purchasing Organisation and the Northern Procurement Group) are vital elements of its strategic approach to procurement.

FOREWORD

The Byatt report on local authority procurement, *Delivering Better Services to Citizens* (June 2001), established a comprehensive modernisation agenda for council procurement.

This was followed by the Government's *National Procurement Strategy for Local Government,* launched in October 2003 which emphasised the part that better procurement practices could play in improving the quality, delivery and cost effectiveness of local services. The Government supported ways to find more effective, prudent and innovative ways to procure services through such developments as e-procurement, sharing services and collaboration on a local, regional and national basis.

In his *Independent Review of Public Sector Efficiency* (July 2004), Sir Peter Gershon reported that local government would be expected to achieve significant efficiency gains and that better procurement practice had a major part to play in realising savings for councils.

In June 2006, the report of the Government's Sustainable Procurement Task Force, entitled *Procuring the Future*, set out an agenda for the public sector that achieved value for money but also took into account whole life costing in terms of generating benefits not only to the organisation but also to society and the economy while minimising damage to the environment.

North Yorkshire County Council has embraced all of this guidance and good practice and taken it into account when developing its current approach to procurement. The purpose of this Procurement Strategy is to clearly state how the County Council will approach the procurement of its works, goods and services to support key objectives. In particular the County Council regards effective procurement as

- crucial to providing high quality and cost effective services

- a vital element in the delivery of continuous improvement in its services.

Whilst much has been achieved over the last few years, both Members and officers are still committed to implementing further improvements in procurement practice that will bring continuing benefits to citizens and suppliers.

Carl Les
Executive Member for Corporate Affairs   December 2007

INTRODUCTION

"Procurement increasingly involves complex decisions...Having a well developed professional procurement capability with the expertise and commercial acumen to deal with these and other issues is, therefore, a key requirement..."

National Audit Office Report: Improving Procurement (2004)

What is Procurement?

1. Traditionally procurement is defined as being the whole-life cycle process of acquisition of goods, services and works from third parties, beginning when a potential requirement is identified and ending with the conclusion of a service contract or ultimate disposal of an asset. For a local authority this meaning needs to be expanded slightly and the definition given by Sir Peter Gershon is perhaps nearer the mark when he stated Procurement is:

    "*the whole process of acquisition from third parties (including logistical aspects) and covers goods, services and construction projects. This process spans the whole life cycle from initial concept and definition of business needs through to the end of the useful life of an asset or the end of a services contract*".

    Review of Civil Procurement in Central Government, Sir Peter Gershon, 1999

What is a Procurement Strategy?

2. A Procurement Strategy should determine the best buying arrangements depending on the scale and value of the local authority's procurement expenditure. The Strategy should consider, for example, the balance between the use of collaborative purchasing arrangements, enhanced purchasing power, electronic procurement, longer term partnerships and relationships with Small to Medium Enterprises (SMEs); the reasonableness of terms secured for larger procurements; and a commitment to developing professional skills. A local authority also needs to benchmark and keep under review the cost of its procurement function to ensure that it represents value for money.

3. The starting point for better procurement is the development of a Procurement Strategy and mapping of the County Council's procurement spend by factors such as service area, type of goods and services, supplier and contracts in place. From this basis the County Council can make sure that procurement makes the maximum contribution to achieving its strategic objectives and decisions on how best to approach the market. The Strategy must therefore be aligned with the objectives of the County Council, and should reflect how procurement can contribute towards achieving those objectives.

4. This Procurement Strategy therefore takes a high level view of procurement across the whole of the organisation, and does not go into the detail of how procurement should be carried out. Further guidance is provided separately on how to implement the Strategy at a working level. Instead, this Strategy addresses how the County Council, working together with partners and other relevant bodies, will improve its procurement practices to ensure full compliance with European and UK procurement regulations and the need for

transparency, while delivering quality 'products' and achieving Best Value. It explains how good procurement can underpin and support the objectives of the County Council and helps deliver the required outputs across the county area. It considers the extent to which staff are involved in the procurement processes and the need to further develop purchasing expertise, and the role the County Council has in enabling local business and SMEs, as well as larger enterprises, to do business with the County Council.

Why have a Procurement Strategy?

5. There are numerous good reasons for having a Procurement Strategy. For the County Council the key ones are:

- because procurement processes make a critical contribution to the quality of services delivered across the county

- the potential gains in value are significant.   The County Council's expenditure on bought-in goods, works, and services is in excess of £330m pa

- procurement is a key management discipline and driver, which underpins control and the delivery of required outputs.   This is fundamental to the Comprehensive Performance Assessment (CPA)

- taking a corporate view of procurement helps the County Council meet its corporate objectives, particularly in relation to working with other bodies

- to ensure that information continues to be available regarding the nature of the County Council's purchasing activities so as to enable expert resources to be engaged where they can have the most impact

- to establish a financial and audit regime which supports best practices, and encourages movement away from the short-term approach that places lowest initial cost ahead of whole-life performance.

Responsibility and Accountability

6. The Executive holds overall responsibility and accountability for procurement within the County Council. Day to day responsibility for procurement policy, guidance and implementation of this Strategy is vested in the Corporate Director - Finance and Central Services within his role as the Management Board Procurement Champion.

7. However all County Council officers involved in procurement are accountable for their actions, and responsible for ensuring they have received adequate training to meet the procurement requirements of their role, including seeking specialist advice when required.

AIM AND OBJECTIVES OF THE STRATEGY

Aim

8. The aim of this Strategy is to lay the foundation stones on which to develop a high quality procurement and contract management culture, intrinsically linked to the achievement of corporate policies and objectives and the delivery of the Council Plan. It also plays a key role as part of the County Council's on-going response to the *National Procurement Strategy for Local Government*.

Objectives

9. The County Council's strategic objectives are defined in the Council Plan, which sets out the actions that the County Council will take to improve the quality of life for the citizens of North Yorkshire. This Procurement Strategy will seek to support the achievement of those objectives.

Overall County Council Vision

A County which provides opportunity, independence and security for all.

10. To deliver its vision for North Yorkshire the County Council has decided on seven key objectives:

- **Security for all** - by promoting safe, healthy and sustainable communities.

- **Growing up prepared for the future** - through good education and care and protection when it is needed.

- **Independence** - through employment, opportunity and appropriate support for those that need it.

- **Ensuring good access for all** - with good roads and a safe and reliable transport system as well as providing new ways to interact with, and contact, the services they need.

- **Strengthening our economy** - by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills.

- **Looking after our heritage and our environment** - in our countryside and our towns and villages for all to enjoy.

- **Keeping in touch** - by listening to your views, engaging with you to meet your needs and by letting you know what we are doing.

Purpose

11. The purpose of this Strategy is to help the County Council achieve and maintain a position where it is:

- meeting the objectives laid down within the *National Procurement Strategy for Local Government*

- achieving continuous improvement from all categories of procurement expenditure, by putting in place an appropriate Procurement Strategy and the necessary resources for implementation

- obtaining greater value for money by collaborating with partners at local, county, national and European levels

- successfully utilising e-commerce as part of the Council's e-government strategy

- realising economic and social benefits for the county area through its procurement activities whilst minimising damage to the environment

- demonstrating improvement in equality and opportunity for businesses, service users and County Council staff

STRATEGIC VISION FOR PROCUREMENT

12. The County Council will not be able to realise the full potential of procurement to improve its services without commitment from the top. This means that the Executive and the Management Board must support procurement as a strategic, corporate priority and provide political and managerial leadership. One of the key leadership tasks is to build the capacity and capability of the County Council to facilitate a modern, strategic approach to procurement. That means ensuring that a Corporate Procurement Strategy and the necessary people, processes and technology are in place and are making a difference. To this end the County Council has entered into a partnership arrangement with the Northern Procurement Group (NPG) to enhance the procurement expertise that is available within the County Council. NPG are the consultancy arm of the Dukefield Group and provide specialist public sector procurement consultancy support to the County Council covering all aspects of procurement from strategic advice to hands-on negotiation of corporate contracts.

13. It is the County Council's aim to ensure that a co-ordinated and focussed approach is adopted in all procurement activity throughout the organisation. The procurement goals of the County Council are to demonstrably meet statutory and regulatory requirements and contribute to the delivery of the Council Plan, all subject to - but not subordinate to - obtaining best value for money at all times. All the County Council's procurement activity will take cognizance of the need to consider sustainability wherever possible, and support the local community, including SMEs in accordance with the Small Business Friendly Concordat, within the boundaries of procurement legislation.

14. In support of continuous improvement the following **Strategic Vision** for procurement has been developed:

> **To develop procurement as a management discipline to ensure that procurement activities, on a continuously improving basis, meet statutory and regulatory requirements, address the need for sustainability, encourage the local business community to bid for work, contribute to the achievement of the County Council's objectives, and obtain Best Value.**

PROCUREMENT PRINCIPLES

15. A number of key procurement principles have been established that are intended to support the County Council's core values and strategic objectives, and the Strategic Vision for procurement. These are set out below.

Best Value and Value for Money

16. The Local Government Act 1999 introduced the concept of Best Value and made it a statutory requirement for Local Authorities, including Local Education Authorities. The objective of Best Value is to ensure that management and business practices within the public sector deliver better and more responsive public services, programmes and projects. Best Value is a key element of the Government's programme to modernise local government and other organisations within the public sector. The aim of Best Value is to ensure that publicly-funded organisations continually improve the ways that they function, having regard to economy, efficiency and effectiveness.

17. Best Value offers guidelines to all public sector bodies looking for auditable value for money when making procurement decisions. The County Council, as a responsible public sector body, embraces the principles of Best Value and encourages and supports the use of the guidelines wherever they can be suitably applied.

18. There are five key Best Value guidelines when considering options in procurement:

- balancing quality service provision against costs

- achieving sustainable development

- being accountable and transparent

- ensuring equal opportunities

- continuously improving the outcomes of the service provision

19. The County Council is committed to ensuring value for money across all services by meeting the needs of the county area in cost effective and efficient ways. To achieve best value through procurement the County Council will acquire goods, works and services through competitive tendering, encourage participation in procurement exercises by the local business community, and where appropriate, facilitate the opportunity for them to compete with the wider market. The County Council will assess contracts on the value for money they offer and award contracts as stated above on the basis of the optimum combination of whole life costs (where appropriate) and benefits to meet the County Council requirement. Whole life costs comprise all the costs to the local authority of acquiring, owning, maintaining and disposing of goods, services or works.

Sustainability

20. All procurement shall have regard to the County Council's Sustainability Policy and its commitment to integrated, sustainable development. Sustainability should be considered and adequately addressed when writing specifications, evaluating tenders and throughout the delivery of the contract. Purchasing decisions should have regard to the County Council's Sustainability Policy, and the relevant specialists should be consulted for advice and guidance as necessary.

Diversity and Equality

21. The County Council has a strong commitment to equality and diversity in both its service delivery and employment arrangements. An important part of the Council's commitment to equality and diversity is encouraging, and where possible requiring, companies and other bodies who carry out Council contracts to practice and promote equality and diversity through their working arrangements. The Council must make sure that equality and diversity considerations are integrated into the contracting process so we more effectively meet the needs of all groups within the community. To ensure that the County Council fulfils its statutory duties contractors are required to comply with all current legislation, in particular the Equal Pay Act 1970, Sex Discrimination Act 1975, Race Relations Act 1976, Disability Discrimination Act 1995, Sex Discrimination (Gender Reassignment) Regulations 1999, Employment Act 2002, Race Relations Act (Amendment) Regulations 2003, Employment Equality (Religion or Belief) Regulations 2003, Employment Equality (Sexual Orientation) Regulations 2003, Employment Equality (Age) Regulations 2006, Equality Act 2006.

High Professional Standards and Probity

22. The County Council requires that all procurement procedures should be operated in a professional manner to ensure the highest standards of probity, openness and accountability. This includes compliance with the Contract and Financial Procedure Rules, Codes of Practice and Member and Employee Codes of Conduct. All major procurement should be administered to ensure adherence to relevant UK and EU legislation. Wherever possible, terms and conditions of contract prepared by the Legal Services Unit should apply to procurements. Exceptions to this rule must be supported by robust reasons and prior approval of the Legal Services Unit must be gained before deviation from the standard form is allowed. All procurement procedures should be well documented to provide a clear audit trail.

Management of Contracts

23. All major procurement contracts should be managed as structured projects, scaled to fit the level of procurement, and incorporating the appropriate levels of control and monitoring. It is the aim of the County Council to move towards the application of a structured approach to project management to ensure the necessary controls and disciplines are in place to achieve this. The County Council recognises that effective project management of contracts is essential to achieve the completion of service delivery on time, within budget and in accordance with the specification.

24.   The implementation of effective and efficient contract management through detailed administration, accurate and competent contract monitoring and full reporting are an essential part of the role of the Project/Contract Manager, fully supported by a defined Procurement Team.

Doing Business Electronically

25.   The County Council recognises that appropriate e-procurement solutions can produce long term efficiencies in the procurement process and reduce transaction costs to the benefit of the County Council and suppliers themselves. In collaboration with other Councils in the Yorkshire & Humber region, the County Council has implemented a fully functional e-tendering and contract management system. In support of this and in recognition of the need to encourage SME involvement to fully realise the lower costs, innovation and improved services they may bring, the County Council will pay particular attention to assisting with the removal of any barriers to SMEs participating in e-business.

Procurement Training and Development

26.   The County Council understands that effective delivery of procurement requires that staff engaged in the process are suitably qualified and trained for the purpose. As required, training will be made available which ranges from knowledge of basic procurement processes to formal procurement qualifications. Access to e-learning courses will be provided where appropriate.

SUPPORTING THE CORPORATE OBJECTIVES

27. The County Council needs to purchase goods, services and works of the right quality, at the most cost effective price, in the most economic quantities, and ensure that they are available when needed. These goods and services can either be generic, in support of the day to day activities of the organisation, or more often they will take the form of specific projects, major assets, or services required to contribute towards the attainment of one or more of the County Council's policy goals. Failure to meet any of these requirements can seriously affect the County Council's ability to meet its own overarching objectives and outputs and ultimately to deliver on its promises to citizens across the County, and to Central Government. Procurement is, therefore, strategically important to the County Council.

28. Meeting the Corporate Objectives is crucial to achieving the delivery of the overall County Council Vision (see **paragraph 10**). Wherever possible procurement should play a role in helping to deliver these objectives. This section of the Procurement Strategy identifies how each objective is supported by procurement, and outlines how that role will be achieved. The objectives have been defined as:

- **Security for all** - by promoting safe, healthy and sustainable communities

- **Growing up prepared for the future** - through good education and care and protection when it is needed

- **Independence** - through employment, opportunity and appropriate support for those that need it

- **Ensuring good access for all** - with good roads and a safe and reliable transport system as well as providing new ways to interact with, and contact, the services they need

- **Strengthening our economy** - by supporting business, developing our infrastructure, investing in powerful telecommunications and helping people improve their skills

- **Looking after our heritage and our environment** - in our countryside and our towns and villages for all to enjoy

- **Keeping in touch** - by listening to your views, and engaging with you to meet your needs and by letting you know what we are doing.

Security for all

29. The County Council is committed to inclusive consultation with all stakeholders in order to promote a strong and sustainable local economy without damaging the environment.

30. By providing high quality information and advice (including information on its website), the County Council will ensure local businesses, small and medium-

sized enterprises, social enterprises and voluntary and community organisations have an equal opportunity to win and retain public contracts. The County Council will seek to remove obstacles to conducting business, and particularly in the case of local business, will encourage participation in tendering.

31. During the procurement process direct reference will be made to the County Council's Sustainability Policy. Furthermore, the County Council will seek to minimise the environmental impact of purchases of goods, services and works where appropriate, and will work with suppliers and contractors to minimise the environmental and social impacts of its supply chain. Where applicable, the County Council's application of Best Value criteria for procurement will take health and safety and sustainability factors into account when assessing tenders.

Growing up prepared for the future

32. The County Council and its schools achieve high levels of performance and are striving to make improvements from limited resources. Consequently, effective procurement is essential and improvements in procurement are a priority. Improvements in procurement will assist in the achievement of Efficiency Review gains for both the County Council (as LEA) and schools. The development of the Children and Young People's Service will rely heavily upon effective commissioning and procurement of services.

33. The County Council's policies are aimed at both improving its own direct procurement and commissioning and promoting similar improvements in County Council services used by schools including transport, energy and construction.

34. Whilst schools are autonomous in relation to procurement the County Council will continue to develop its support for schools on procurement including achieving the 'right mix' of contracts arranged for schools, provision of advice, monitoring and promoting the use of consortia. These activities are designed not only to encourage schools to be discerning purchasers but also, when advantageous, to take advantage of collective procurements now being arranged nationally and (sub) regionally.

Independence

35. The County Council represents a major source of spending power for the local economy and is a major employer across the county. The County Council offers significant opportunities through a vast number of procurement contracts ranging from partnerships and joint ventures to simple supplier relationships. Our robust procurement procedures, including competitive tendering processes will drive up the overall competitiveness and efficiency of firms seeking to do business with the County Council, making them more competitive in the market at large. By introducing rigour and discipline into our procurement processes we will set the standards and lead the way for our partners, contractors and suppliers to adopt similar procedures thus strengthening their own market positions and independence.

Ensuring good access for all

36. Good roads and transport systems rely on professional operators to run them and skilled engineers and contractors to maintain them. The procurement process is used to select and contract the teams with the right combination of skills at the most competitive rates to ensure the County Council receives the best level of service, enabling it to deliver a quality product to the people it serves.

37. The conduct of business through electronic means, including e-tendering, on-line ordering and e-invoicing will be encouraged by the County Council. It is recognised that this approach may present difficulties for some procurement exercises and therefore alternative means of doing business will always be considered.

Strengthening our economy

38. Wherever permissible the County Council will encourage local enterprises to compete for its contracts, offering the opportunity for revenue to be recycled within the county area. However, it is incumbent upon the County Council to comply with EU legislation when undertaking procurement exercises that exceed EU set contractual value limits. This means that high value tenders must be advertised in the Official Journal of the European Union (OJEU) to ensure equality of opportunity throughout the EU. It is emphasised that this does not preclude local contractors from bidding.

Looking after our heritage and our environment

39. The County Council will minimise the environmental impact of its purchases of goods and services where appropriate. The County Council will work with suppliers and contractors to minimise the environmental and social impacts of its supply chain.

Keeping in touch

40. Throughout the whole of the procurement process the County Council will operate in as transparent a manner as commercially possible. After a competitive tender process feedback will be given in writing to the unsuccessful bidders whenever requested to do so. Two way communication is an essential element of procurement, from communicating opportunities to potential bidders, through negotiation of contracts, to the management of the successful delivery of requirements.

THE PROCUREMENT PROCESS

Procurement in the Public Sector

41. In June 2001 *Delivering Better Services for Citizens – a review of local government procurement in England* (also known as the *Byatt Report*) was published by the Government. This report denoted a step change in how procurement should be undertaken in the public sector. The recommendations included:

- the need for a high profile and strongly staffed procurement function

- procurement experts should guide any delegation of individual procurement to officers in service areas

- robust and clear procedures should be set out for appraising and implementing large and complex contracts

- training in procurement and project management skills is required at all levels

42. In July 2002, the Government and Local Government Association issued a response to the *Byatt Report* fully endorsing its recommendations and urged public sector bodies to adopt them. This was followed up in 2003 when the Government published its *National Procurement Strategy for Local Government*.

43. This Strategy encapsulates how the County Council goes about its procurement business, and this Section addresses the overarching approach that is to be adopted in all procurement activities.

Strategic Procurement Framework and Reporting Pathways

44. In order to establish strategic oversight and the appropriate controls of the procurement process, the County Council has established a **Strategic Procurement Framework** that extends from individual Procurement Champions up to the Management Board and Executive. It illustrates how responsibility is cascaded down from the Executive and Management Board, and how communication is cascaded back up to them through a series of predefined and networked reporting pathways that allow procurement and procurement related issues to be addressed at the appropriate level. The Framework shows how Procurement Champions have been established within Directorates to act as focal points to capture procurement issues as and when they arise, and how those issues can be elevated through a number of specific procurement Working Groups to ensure they are actively dealt with. The Framework also illustrates the relationship between the various responsible sectors within the County Council, and how issues can be captured at grass roots working level and be raised to the appropriate level for them to be successfully resolved. The Strategic Procurement Framework is illustrated below in diagrammatic form.

Strategic Procurement Framework
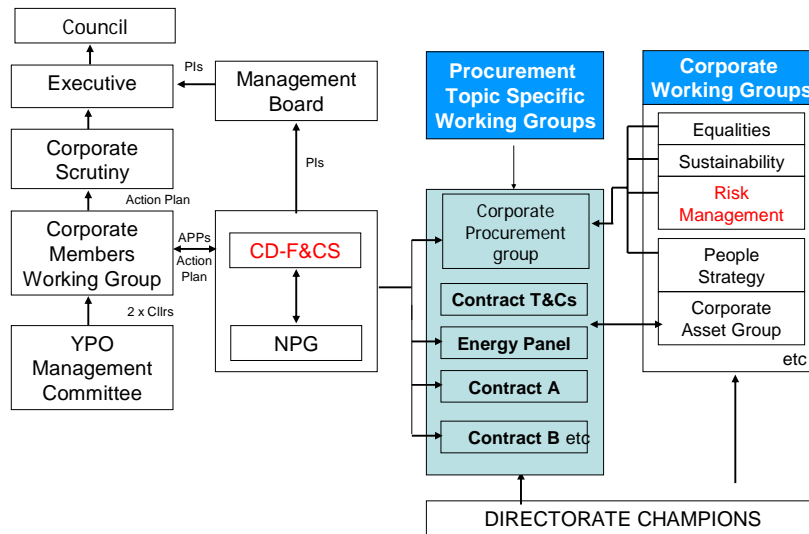
Rules and Regulations

45. The County Council is subject to EU and UK law regarding procurement. Clear guidance is provided in the Procurement Manual, the Contract and Financial Procedure Rules, the Members' Code of Conduct and the Employees Code of Conduct. Any procurement activity must comply with both the Contract and Financial Procedure Rules in force, and guidance must be sought from an appropriate source whenever uncertainty exists. It is incumbent upon all County Council officers involved in procurement to ensure they meet all compliance requirements in order to ensure probity.

Competitive Procurement

46. It is expected that all goods, works and services which are to be sourced externally, will be acquired as the result of competition unless there are compelling reasons to the contrary. The framework of rules for procurement are those determined by EU and UK law and those set out within Contract Procedure Rules, in that order of precedence. The application and effect of the latter will be reviewed regularly as will the advice contained in the County Council's Procurement Manual. Key to the achievement of Best Value is the use of competition to drive down prices and drive up quality and levels of service. Contracts will usually be awarded to the provider offering the most economically advantageous balance of quality and cost. The following are considered essential elements of competition:

- performance standards and monitoring strategies

- cost information properly identified and collected

- encouragement of innovation

- protection of the County Council's policy objectives with due regard to sustainability, equality etc

- probity, accountability and competitive neutrality

- the responsibilities and accountabilities of all parties must be explicit

- maintenance of good practice guidance in tendering, contract formulation and compliance with Financial Procedure Rules

47. A balance must be struck between being over prescriptive and too flexible. The Contract Procedure Rules dictate the levels at which different tendering procedures must be utilised. However the selection of *any* purchasing source must be justifiable in the interests of probity and value for money, even though formal tendering may not be required. In these instances tangible evidence such as comparable quotes from different suppliers must be provided to confirm best value has been achieved.

Small Business Friendly Concordat

48. The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice, the purpose of which is to set out what small firms and others supplying Local Government can expect when tendering for Local Authority contracts. Its aim is to help ensure that all contacting authorities take the necessary steps to make certain that suppliers of all kinds are treated equally. The County Council has signed up to the Concordat and will actively support its objectives.

Working with Partners

49. The County Council acknowledges the importance of partnerships in delivering Best Value – partnership with the private and voluntary sectors, partnership with other public bodies acting locally, and partnership with central government itself. The process of carrying out fundamental performance and/or best value reviews should foster an open and constructive dialogue with all those involved or who may have something to offer – be it from within the local authority itself, or through partnership arrangements with the private and/or voluntary sectors.

50. One demonstration of the County Council's partnership working is the Compact we have entered into with the Third Sector. The Compact is a written agreement between the Voluntary and Community Sector and the public authorities in North Yorkshire detailing how they will work together for mutual advantage and for the benefit of communities. There are a number of Codes of Practice including one addressing funding and procurement. The County Council works to this which sets out five key principles of transparency, accountability, targeting, consistency and proportionality and the undertakings of both the voluntary and community sector and the County Council to best meet the needs of the community.

51. The County Council will encourage the development of new methods or approaches to procurement that will deliver services more efficiently, effectively, economically and take into account whole-life costs to meet the needs of the County Council.

Northern Procurement Group

52. The Northern Procurement Group (NPG) is the consultancy arm of a group of specialist procurement companies currently operating with a wealth of knowledge and hands-on experience in the Public, Educational and Commercial Sectors. The County Council has entered into a long term partnering relationship with NPG for the provision of strategic consultancy support to their procurement function. The range of services provided by NPG is further enhanced by their ability to call upon a wide range of expertise currently operating in the public sector market.

Yorkshire Purchasing Organisation

53. The County Council is a founder member of the Yorkshire Purchasing Organisation (YPO) consortium. As such the County Council contributes to the management of the consortium which is made up of Members from each participating local authority. The two Members who represent the County Council report back to the Corporate Procurement Members' Working Group and the Corporate Director – Financial Services about strategic issues which affect the County Council's membership of YPO.

Collaboration

54. The County Council recognises the benefits, economies of scale and wealth of advice and experience that suitable collaboration can bring, and will actively explore and encourage collaborative procurement and collaborative procurement arrangements where it is in the best interests of the organisation to do so. To this end the County Council is actively collaborating with the Centre of Excellence for the Yorkshire and Humber Region on Best Practice issues within procurement.

NORTH YORKSHIRE COUNTY COUNCIL

CORPORATE PROCUREMENT STRATEGY
-   IMPLEMENTATION PLAN

Partners in Procurement

CONTENTS

North Yorkshire County Council

Partners in Procurement

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Introduction

1. This Implementation Plan addresses how the Corporate Procurement Strategy will be pragmatically achieved. In order to do this the Plan details the mechanisms put in place internally across the County Council, the external procurement organisations and bodies the County Council interfaces with, and the national initiatives and targets the County Council is aspiring to meet. It then specifies the functional manner in which procurement will help the County Council achieve each of the strategic objectives outlined in the Council Plan.

2. The successful implementation of the Corporate Procurement Strategy will be measured through how well we adhere to the seven procurement principles outlined within the Strategy itself, and how well the procurement process assists ultimately in the achievement of the County Council's objectives. This Implementation Plan presents the detailed manner in which procurement will contribute towards this overall achievement.

Implementation Mechanisms

Strategic Procurement Framework

3. While it remains the responsibility of all County Council staff to ensure that the objectives outlined in the Corporate Procurement Strategy are being implemented, the main mechanism for overseeing the implementation process will be the **Strategic Procurement Framework**. Initially established in order to provide strategic oversight and appropriate controls of the procurement process, it now provides a rigorous structure through which to drive the implementation of the Corporate Procurement Strategy.

4. The Strategic Procurement Framework provides a two-way communication and responsibility infrastructure, extending from individual Procurement Champions up to the Management Board and Executive, and back down again. It demonstrates how responsibility is cascaded down from the Executive and Management Board, and how information is fed back up to them through a series of pre-defined and networked reporting pathways that allow procurement and procurement related issues to be addressed at the appropriate level. The Framework shows how Procurement Champions have been established within each Directorate to act as focal points to capture procurement issues as and when they arise, and how those issues can be elevated through a number of specific procurement Working Groups to ensure they are actively and effectively dealt with. The Framework also illustrates the relationship between the various responsible sectors within the County

Council, and how issues can be captured at grass roots working level and be raised to the appropriate level for them to be successfully resolved. Most importantly of all, the Strategic Procurement Framework provides a means by which ownership of issues can be allocated and progress monitored to ensure they are actively pursued and resolved.

5.   The two key enabling tools that underpin the Framework are the **Corporate Contracts Register** (CCR) and the **Annual Procurement Plans** (APPs) that are maintained by all Directorates. The CCR provides an essential nucleus and definitive source of current contract information, and will ultimately play a proactive role in assisting contract managers with automatic update and review notices. APPs enable Directorates to forward plan their procurement activities and allocate staff resources to prioritised procurement areas. They also provide the means for a strategic overview that can be analysed for efficiency and targeted procurement expertise.

6.   The Strategic Procurement Framework is illustrated below in diagrammatic form, and individual elements are thereafter explained in detail:

Strategic Procurement Framework
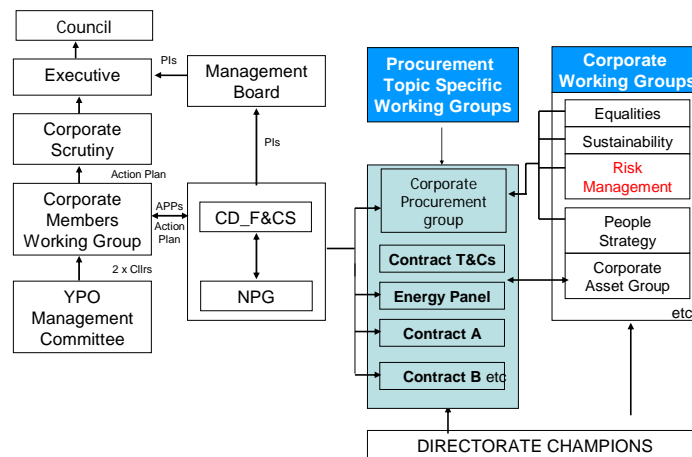
The Executive

7.   The Executive has overall responsibility at Member level for procurement. Procurement falls within the remit of the Executive Member for Corporate Affairs.

Corporate Scrutiny

8. Members will assess and review the effectiveness of the procurement processes through the Corporate Affairs Overview and Scrutiny Committee.

Corporate Procurement Members' Working Group

9. Chaired by the Executive Member for Corporate Affairs and involving Members from a number of Overview and Scrutiny Committees, as well as key officers, this Working Group maintains a close watch on progress with the implementation of the Procurement Strategy and its associated policies and planned activities.

Management Board

10. Management Board is responsible, at the highest level, for the management of procurement and the Corporate Director - Finance and Central Services has the lead role on Management Board for all procurement activities.

Corporate Directors

11. The Corporate Director - Finance and Central Services has overall responsibility for ensuring the implementation of the Procurement Strategy.

12. However all Corporate Directors have responsibility for procurement within the remit of their functions as described in the Council's Scheme of Delegation to Officers, namely

- the procurement of all goods, services and works will lie with each Corporate Director, dependent upon the Scheme of Delegation and associated Contract and Financial Procedure Rules

- Directorates should act corporately in planning and carrying out procurements, drawing on existing experience and expertise

- the Corporate Director - Finance and Central Services shall, given his overall responsibility for the Procurement Strategy, seek to establish corporate contracts for all commonly used goods, services and works

- all other Corporate Directors shall, in the first instance, endeavour to utilise corporate contracts for the procurement of goods, services and works wherever possible

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- every procurement action which results in a legally binding agreement will be managed and led by an appropriately skilled officer throughout the procurement process and during the life of the subsequent arrangement

Northern Procurement Group

13. The Council has externalised its central and strategic procurement functions to the Dukefield Group who meet this commitment through the provision of the services by the Northern Procurement Group (NPG). NPG are a team of expert procurement consultants who act as purchasing agents and procurement partners to the County Council. Their role is wide ranging and covers all aspects of procurement and contract management with the aim of assisting the County Council in complying with relevant EU and UK procurement legislation while utilising procurement best practice to ensure delivery of Best Value. As well as helping the County Council to stay in line with the National Procurement Strategy requirements, their role is also :-

- to provide strategic procurement advice to the County Council

- to provide specific procurement advice to procurement officers within Directorates

- to provide specific contract advice in relation to corporate contracts

- to provide guidance and direct assistance to ensure compliance with EU procurement rules

- to carry out tendering exercises on behalf of the County Council or its Directorates as directed

- to undertake contract negotiations on behalf of the County Council

- to provide contract management of corporate contracts where appropriate

- to provide advice and guidance on conducting corporate contract management

- to provide training in procurement if required

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Corporate Procurement Group

14. The Corporate Procurement Group (CPG) is made up of officers with specific procurement, contract and audit expertise and the Procurement Champions from each Directorate. The tasks of this group include:-

- to facilitate the delivery of the Corporate Procurement Strategy

- to provide guidance on legal, financial, commercial and policy issues affecting procurement

- to consider procurement issues and projects, including but not limited to:-

  ➔ the review and implementation of Contract and Financial Procedure Rules

  ➔ the review of the Procurement Manual

  ➔ consideration of specific procurement issues, including but not limited to, EU regulations, Government procurement initiatives, best practice and efficiency schemes

  ➔ the conduct of regular training events for procurement officers

Corporate Working Groups

15. The County Council has a number of corporate working groups whose work has implications for procurement. These groups provide expertise to the CPG which, in turn, communicates relevant information back to the groups. Examples of the areas covered are:

- equalities

- sustainability and environmental issues

- Corporate Asset Group which deals with property and energy management

- People Strategy Group which deals with human resource issues

- Risk Management Group

These areas may change or be added to as circumstances dictate.

Procurement Champions

16. Each Directorate has nominated a Procurement Champion who is responsible for:-

- representing their Directorate in procurement matters

- communicating procurement policies and initiatives to senior staff within their Directorate

- preparation and presentation of the Annual Procurement Plans

- overall Directorate contribution to the accuracy and maintenance of the relevant entries in the Corporate Contracts Register

- assisting with the identification of training needs and the implementation of training plans

Yorkshire Purchasing Organisation

17. As a founder member of the Yorkshire Purchasing Organisation (YPO) consortium the County Council contributes to the management of the consortium which is made up of Members from each participating local authority. The two Members who represent the County Council report back to the Corporate Procurement Members' Working Group and the Corporate Director – Finance and Central Services about strategic issues which affect the County Council's membership of YPO. The trading relationship with YPO is covered later in this document (**see paragraph 31**).

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External Procurement Organisations and Bodies

Regional Centre of Excellence

18. The Office of the Deputy Prime Minister's (ODPM) *National Procurement Strategy for Local Government* contained proposals for the establishment of regional Centres of Procurement Excellence (CoPE); these were successfully established in 2004. Subsequently the CoPEs had their role broadened to encompass the wider efficiency agenda, and were re-named Regional Centres of Excellence (RCOE).

19. Crucial to the effectiveness of an RCOE is the active support of a majority of councils in a region and the ability of the Centre to draw on the experience of successful and innovative procurement and partnership working in a number of leading councils.

20. The County Council actively participates in the RCOE for the Yorkshire and Humber Region based in Leeds and participates in meetings of the northern sub region. The sub-region covers the County Council, the seven District Councils, and the City of York Council. North Yorkshire Police, the Fire and Rescue Authority and both of the National Park Authorities have also been invited to participate.The Office of Government Commerce

The Office of Government Commerce

21. The Office of Government Commerce (OGC) is an independent Office of the Treasury reporting to the Chief Secretary to the Treasury. It is responsible for a wide-ranging programme which focuses on improving the efficiency and effectiveness of central civil government procurement and the wider public sector.

22. In addition, OGC has an important role in developing and promoting private sector involvement across the public sector. OGC also has a key role in assisting departments with project and programme management. Departmental Centres of Excellence will become central points for embedding project and programme management best practice across Government.

23. The County Council will refer to the advice and guidance of OGC as appropriate to ensure our efforts are harmonised with those of the Government and that we are realising procurement best practice at every opportunity. The County Council will also utilise OGC recognised standards and benchmarks where applicable in order to cross reference, measure and capture efficiency savings wherever possible.

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OGC Buying Solutions

24. OGC's Agency, OGCbuying.solutions operates as an executive agency and a trading fund and reports to the OGC's Chief Executive. The Agency's role is to assist OGC to deliver value for money gains for UK central civil government and also for the rest of the UK public sector. It has a strategy to work more closely with customers to maximise the buying power of government where this provides improved value for money.

25. The Agency helps customers achieve major savings through the provision of a comprehensive range of products and services that have been through a rigorous competitive tendering process and quality evaluation. It aims to make the procurement process as efficient and effective as possible by offering value for money, fitness for purpose and compliance. It delivers its services in the fastest most appropriate way possible by making optimum use of technology. It provides a platform for suppliers, which allows customers to order products and services online through several catalogues.

26. Through utilising the services and benchmarks of OGCbuying solutions the County Council can reference nationally agreed standards as a minimum, and endeavour to better them through focused procurement effort.

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National Procurement Strategy Requirements

27. The ODPM identified a number of key milestones in the *National Procurement Strategy for Local Government*. These are grouped under the following headings:

Providing Leadership and Building Capacity

The strategic objective is that there should be a commitment from the top of each council (leader, chief executive, procurement champion) to procurement excellence by managing it strategically and resourcing it adequately

Partnering and Collaboration

The strategic objective of partnering is the delivery of better services to citizens through the creation of sustainable partnerships between councils and suppliers in the public, private, social enterprise and voluntary sectors for the delivery of services and the carrying out of major projects, including construction.

The strategic objective of collaboration is to obtain better value by bringing councils and other public bodies together at local, regional and national levels to combine their buying power and create shared services.

Doing Business Electronically

The strategic objectives are:

- to achieve efficiencies in the procure-to-pay cycle including reduction in cycle time and reduction in transaction costs. This will free resources that can be directed into front line public services

- to use e-Marketplaces to assist councils to access framework agreements and contracts

Stimulating Markets and Achieving Community Benefits

The strategic objectives are that councils should:

- engage actively with suppliers

- use procurement to help deliver corporate objectives including the economic, social and environmental objectives set out in the community plan.

Using Procurement to target National Procurement Strategy Requirements and help achieve Our Objectives

Providing Leadership and Building Capacity

28. The County Council operates devolved management arrangements with each Directorate retaining budgetary responsibilities and traditionally undertaking their own procurement. In line with the National Procurement Strategy requirements we have introduced targeted corporate procurement in areas where a collaborative approach will generate Best Value and improved efficiency. All Corporate Directors participate and adhere to the use of corporate contracts wherever possible.

29. The County Council is also actively pursuing improvements in their procurement processes and have contracted with Northern Procurement Group (NPG) who are public sector procurement specialist consultants, in order to enhance their procurement capacity and expertise to ensure Best Practice is at the forefront of all procurement activities.

30. As an example of innovation, the County Council has recently established a company (NYnet) as a procurement and delivery vehicle for next Generation Broadband across the North Yorkshire sub region. This 100% County Council owned SPV can, because of its constitution, sell to both the public and private sector and has EC state aid approval to do so.

Partnering and Collaboration

31. In addition to our partnership with NPG we are also a founder member of the Yorkshire Purchasing Organisation (YPO), and continue to be an active member. The YPO is a Joint Committee trading as a buying consortium, formed initially by, and acting on behalf of nine local authorities. The YPO provides a catalogue based delivery service for a wide range of standardised goods as well as call-off contracts. The County Council, including its schools, continues to be one of the principal customers, by value, of the YPO.

32. In a bid to encourage and support collaboration we work closely with the Yorkshire and Humber Regional Centre of Excellence (RCOE) based in Leeds and participate in their Northern sub-regional meetings. We also actively encourage other public sector bodies to participate in collaborative procurement exercises and utilise existing corporate procurement arrangements where the contracts allow them to do so. To enhance these opportunities it is now the County Council's contracting

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policy to ensure wherever possible procurement contracts are written to facilitate their use by other public sector bodies should they wish to do so.

33. We therefore have a number of corporate contracts which are currently available for use by other public sector bodies, and through NPG we are actively highlighting these contracts and the advantages their use can bring. This policy is proving to be successful and a number of public sector bodies have already taken advantage of this approach.

34. We have successfully sought the participation of surrounding District Councils in procurement exercises where increased volume enhances our joint tendering and negotiation position, and will continue to do so. We will participate in collaborative opportunities led by the District Councils where the procurement exercise covers the County Council's requirements.

35. The RCOE for Yorkshire and the Humber acts as a 'clearing house' to communicate details of new procurement exercises and existing contracts managed by councils that are open to other public bodies. This covers not just our region but collaborative opportunities throughout England via the network of nine RCOEs. The County Council monitors such opportunities and will explore and exploit them where appropriate.

Doing Business Electronically

36. The County Council has been successfully utilising procurement cards for low value purchases for a number of years, and will continue to do so wherever appropriate.

37. We use the services of companies such as Open Business Exchange for electronic invoicing and this is now mandated in our contracting conditions as the preferred method of invoicing.

38. The County Council has and will continue to seek to introduce e-billing with suppliers where this consolidates multiple invoices and/or provides supporting information (eg BT One Bill and consumption data from utility suppliers).

39. We are also utilising an electronic tendering system – the Supplier and Contract Management System (SCMS) – and all Directorates are expected to take advantage of this tendering methodology wherever suitable.

40. We already conduct e-business through the use of on-line ordering with a number of our suppliers including the collaborative corporate contract for Office Supplies and Computer Consumables which utilises e-ordering and invoicing. Training and support is provided to officers with

responsibility for purchasing with the aim of increasing the numbers of orders issued electronically.

41. As part of our Procurement Strategy we have utilised electronic tendering and e-auctions and will continue to assess their usage in future tendering situations. We will continue to explore methods of improving how we conduct business electronically, and where we find an electronic process offers us the most suitable way ahead, we will adopt it. We do, however, recognise that doing business electronically may not always be the best solution, particularly when encouraging SME participation in a procurement exercise, but it will always be an option that is considered.

Stimulating Markets and achieving Community benefits

42. The County Council has been, and continues to be active in engaging with suppliers through a number of innovative vehicles and initiatives, as well as the utilisation of more traditional routes. A significant amount of time and resources has been invested in encouraging and stimulating local markets and suppliers to engage with the County Council, particularly through procurement activities.

43. As part of this, the County Council is playing a key role supporting the development and promotion of local produce in the county area. The website www.northyorkshirelocalfood.co.uk, which was developed as part of the "support for local produce" project, has been revamped to provide more information and additional search options. A hard copy directory listing local producers has been printed and is available from large libraries and tourist information centres, as well as by post from the Economic Development Unit. Discussions are underway with Yorkshire Forward and the Yorkshire and Humber Regional Food Group to explore opportunities for the continuing promotion of local produce.

44. The Trading Standards Service has developed an initiative offering recognition to restaurants and hotels who use local produce. Certificates are issued to those businesses who can prove they are utilising produce from within the region.

45. The County Council has developed a **How to Do Business with the Councils in North Yorkshire** guide in collaboration with City of York Council and the district and borough councils in the county. This guide is accessible via the procurement web page on the corporate website, along with links to the on-line tendering service provided.

46. Sustainability is treated as a key criterion whenever possible when creating tender specifications and subsequently evaluating bids, and a copy of the **Corporate Sustainability Policy** is issued with every tender pack sent by the County Council to prospective bidders.

47. The County Council has signed up to the **National Concordat for SMEs,** and its requirements have been integrated into both the Procurement Strategy and this Implementation Plan. We will continue to seek ways of ensuring the removal of barriers to SMEs doing business with the County Council.

48. The County Council will continue to work in line with the Compact with the Voluntary and Community Sector and will seek ways to maximise the benefits of working with the sector including the use of social clauses and taking cognisance of good practise arising from government initiatives from the Office of the Third Sector.

49. Finally, the County Council also subscribes to and actively supports the principles of the Fairtrade scheme, offering Fairtrade products within its own facilities wherever suitable to do so. The County Council will also consider these principles and take them into account – if applicable and appropriate to do so – when assessing tender submissions for supply of appropriate products.

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Enabling Tools

50. The County Council has initiated, and will continue to develop, a number of key processes and analytical tools to guide its work on procurement.

Corporate Contracts Register

51. The Corporate Contracts Register (CCR) forms the nucleus and definitive source of current contract information. As a contract is raised the responsible officer will complete and submit on-line the necessary details to ensure the CCR remains current. This information is stored on the SCMS (see **paragraph 39** above) from which a number of tailored reports can be generated.

52. The SCMS has functionality to issue email reminders to staff well in advance of the expiry date of a contract to ensure that there is adequate lead-in time for planning the new procurement. As the system is web based, NPG can monitor procurement activity and plan the deployment of their staff to assist staff in Directorates.

Annual Procurement Plans

53. Annual Procurement Plans (APPs) are a key element of the mechanism that enables the forward planning of spend to be captured at the start of each financial year. APPs enable Directorates to forward plan their procurement activities and allocate staff resources to prioritised procurement areas. They also provide the means for a strategic overview that can be analysed for efficiency and targeted procurement expertise. They enable the County Council to:

- establish a consistent, formalised and proactive approach to procurement across the County Council

- identify the opportunities to co-ordinate and maximise the purchasing power of the County Council

- monitor performance of procurement across the County Council

- help ensure compliance with EU and OJEU requirements

54. The APPs are maintained by each Directorate Procurement Champion in conjunction with NPG and record all the planned spend of each Directorate. The process of completing the APPs ensures that each Directorate has to examine the contracts they have in place, plan their forward spend and, most importantly, indicate how they intend to procure new or renewed contracts and what savings they envisage making through innovative approaches.

55. On a quarterly basis, Directorate Management Teams review and update their APPs to ensure progress on the planned procurements is monitored. These meetings ensure that procurement actions identified within the APPs are being put into practice.

Spend Analysis – Methodology and Implications

Methodology

56. A Spend Analysis is the examination of the volume and value of purchasing transactions that an organisation makes. It is essential for the following reasons:

- to understand what goods and services are bought, who purchases them, and how they are bought

- to understand how many suppliers the County Council purchases from, how much is spent with individual suppliers and which suppliers the County Council spends the most with

- to define how many transactions the County Council processes with suppliers (such as the number of orders and invoices) and identify opportunities to consolidate expenditure or numbers of invoices

- to understand what system controls and management information flows are in place to encourage and to enforce the use of corporate contracts

- to identify expenditure that is critical to the delivery of the County Council's services and expenditure that supports the smooth running of the County Council. This information can then be used to identify opportunities to minimise risk and ensure continuity of service for these business-critical services by establishing longer-term contracts and developing contingency arrangements

- to calculate the potential spend savings from procurement and to identify opportunities for process efficiencies

57. The County Council utilises the services of Spikes Cavell and Company, who provide spend intelligence to hundreds of councils, NHS trusts and other public bodies. Spikes Cavell append data to the County Council's accounts payable records and facilitate analysis of our spending to highlight use of SMEs, for example. Comparisons can be made with the spending of other councils which highlights opportunities for collaborative procurement.

Categories

58.   Procurement spend is defined into four main categories for the purposes of targeting procurement activity:

- Catalogue
- Corporate Generic
- Service Specific
- Strategic

Catalogue

Catalogue spend refers primarily to the procurement of day to day `consumption' goods, often through the use of e-procurement. Recognised procurement consortia such as YPO have established a number of sources offering competitively priced goods and have made them available through a catalogue / directory service. Typically this sort of spend taken individually is of relatively low value. These catalogues are available to all schools.

Corporate Generic

Based on the Spend Analysis, a range of Corporate Generic contracts have been developed to address areas of spend that apply to all services across the whole of the organisation – energy, photocopiers and mobile telephones are examples of three such contracts. By consolidating the total demand within the County Council it has been possible to establish very competitive rates, and to enjoin with major suppliers in a partnering approach to ensure Best Value and effective contract management. These contracts are made available to all schools.

These contracts are also drawn up in such a way as to facilitate their use by other Public Sector Bodies, enabling collaboration to take place in line with the National Procurement Strategy and increasing the volume of each contract, thus strengthening the County Council's position as a key client for the supplier.

Service Specific

Service Specific spend relates to procurement within a Directorate(s) that offers little or no opportunity to be combined with any other type of demand within the County Council. An example of this is the 'Meals on Wheels' contract for Adult & Community Services which is designed to satisfy a very specific demand in that Directorate through the provision of a tailored service.

Partners in Procurement

NPG LIMITED

The spend on these service specific contracts is the largest amongst these four categories and in many ways is the most challenging area in which to seek to apply generic procurement principles because of the close relationship between the goods/services required and the service policy and/or delivery mechanisms to the customer (eg social care).

Strategic

Strategic contracts represent substantial, significant areas of spend and are typified by the current contracts for Engineering and Property Services, road maintenance, Wide Area Network, Standard Desk Top and VOIP (telephony). In addition a major waste PFI Contract is now underway. Contracts are normally the result of a major procurement project, often utilising external expertise and contracted through a competitive tendering exercise in its own right. The project itself could last for some time, potentially in excess of twelve months, due to the complexity of developing an accurate specification, and the need for a major competition to be run to achieve Best Value. The contracts will often result in outsourcing or managed service delivery and as such are usually executed as part of a policy review or change management exercise.

Implications

59. Based on evidence from recent strategic and generic contracts that have been established, it is clear that savings can be achieved by ensuring that expenditure on particular goods and services is consolidated across the County Council. The County Council is likely to achieve better prices by letting one council-wide contract for say £80,000 rather than four individual, Directorate contracts for £20,000 each. By reducing the number of suppliers the County Council deals with, more business can be offered to fewer suppliers who can therefore offer more competitive prices due to increased volumes of business.

60. The Spend Analysis therefore offers an opportunity to understand and explore the relationships the County Council has with its suppliers. For example:

- Spend Analysis will identify suppliers with whom the County Council spends significant amounts; this may identify opportunities to negotiate corporate contracts with the inherent possibilities for spend savings

- Spend Analysis will identify where there are many suppliers providing similar goods or services, offering the potential to consolidate demand. This in turn can reduce the overall number of suppliers dealt with, in particular suppliers of low value goods and services, to achieve spend savings. It can also lead to process

efficiencies by reducing the number of purchase transactions, such as orders and invoices

- Spend Analysis will help the County Council map out a route to a more efficient, cost effective and user friendly purchasing process. For example, the spend analysis may identify a significant number of low value purchases which could be more effectively dealt with through purchase cards, which significantly speed up the purchasing process and replace many invoices with a single card statement

The County Council will continue to undertake its Spend Analysis based on year-end figures. The results can then be linked to APPs and the Contracts Register to ensure opportunities for spend reduction are optimised on a regular and continual basis.

Annual review of Contract Procedure Rules by Audit Committee – 27th September 2007

Rule	Current Wording	Proposed Amendment	Reason
Contents page	See Contents Index.	Add in: *17. Contract Monitoring* *18. Notification of Section 151 Officer and Monitoring Officer* And re-number "17. Declarations of Interests" as: *19. Declarations of Interests*	To keep Contents Index up to date
2.4	The CDFCS (in consultation with the HLS) shall, as a minimum annually, review the application and effect of these Rules and shall propose such updated Rules to the Council as the CDFCS may consider appropriate.	To amend Rule 2.4 as follows: *The CDFCS (in consultation with the HLS) shall review the application and effect of these Rules and make an annual report to the Audit Committee recommending such amendments to the Rules as are considered appropriate.*	To reflect the Audit Committee's role in annually reviewing all the Contract Procedure Rules.
7.6	Before quotations are opened it must be recorded in writing whether the lowest price or the MEA quotation should be accepted. Where both price and quality are to be factors (ie where MEA applies) the quality criteria must be identified and the weighting between price and quality established and recorded before quotations are opened.	Add the following sentence at the end of Rule 7.6: *Advice should be sought from the CDFCS on the design and operation of any evaluation model to be used as part of the selection process.*	To further good practice and effective corporate governance.
After Rule 7.10.2		Insert new sub-heading: **Risk Assessment**	To contextualise new Rule 7.11 – see below.

Rule	Current Wording	Proposed Amendment	Reason
New 7.11	None – new rule.	A new Rule 7.11 as follows: *Before a Contract is awarded after a quotation exercise such steps shall be taken, in conjunction with the CDFCS, as are reasonably necessary (having regard to the subject matter, value, duration of the contract and other relevant factors) to complete a risk assessment of the potential contractor's financial stability.*	Whilst it is not necessary or practical to undertake a financial assessment of every contractor at the invitation to tender stage or prior to contract award, this should be good practice in defined circumstances.
8.2	Before Directors invite tenders it must be recorded in writing whether the lowest price or the MEA tender is to be accepted. Where both price and quality are to be factors (i.e. where MEA applies) the quality criteria must be identified and the weighting between price and quality established and recorded before tenders are invited.	Add the following sentence at the end of Rule 8.2: *Advice should be sought from the CDFCS on the design and operation of any evaluation model to be used as part of the selection process.*	To further good practice and effective corporate governance.
After Rule 9.5		Insert new sub-heading: ***Risk Assessment***	To contextualise new Rule 9.6 – see below.
New 9.6	None – new rule.	A new Rule 9.6 as follows: *Before a Contract is awarded after a tender exercise such steps shall be taken, in conjunction with the CDFCS, as are reasonably necessary (having regard to the subject matter, value, duration of the contract and other relevant factors) to complete a risk assessment of the potential contractor's financial stability.*	Whilst it is not necessary or practical to undertake a financial assessment of every contractor at the invitation to tender stage or prior to contract award, this should be good practice in defined circumstances.
New 17.0 & 17.1	None – new rule.	Insert the following: **17.0 CONTRACT MONITORING** *17.1 The Responsible Officer shall take all such steps as are necessary to monitor and review the*	To further good practice and also to take account of CIPFA's Best Practice Contract Procedure Rule 22 (contract monitoring, evaluation and review).

Rule	Current Wording	Proposed Amendment	Reason
		performance of the Contract, having regard to its value, nature, duration and subject matter. As part of the monitoring and review process the Responsible Officer shall maintain adequate records of contract performance and details of review meetings with the Contractor. Such records and details shall be made available to Internal Audit whenever required.	
New 18.0, 18.1, 18.2, 18.3	None – new rule.	Insert the following: **18.0 NOTIFICATION TO STATUTORY OFFICERS** *18.1 When a procurement is to be undertaken which exceeds the financial value thresholds specified in Rule 18.2 then the Responsible Officer leading the procurement shall notify by email the Council's S151 Officer (ie the CDFCS) and its Monitoring Officer (ie the Head of Legal Services) before an advertisement inviting tenders or expressions of interest (as the case may be) is published; such notifications shall include the estimated "whole life" financial value of the contract, the procurement methodology and any other relevant factors including, but without limitation, any TUPE implications.* *18.2 The financial value thresholds for the purposes of Rule 18.1 are:* *(a) works contracts - £1m* *(b) services contracts (except in respect of social care, consultancy contracts and the appointment of Counsel) - £150,000* *(c) social care contracts - £500,000*	To further good practice and effective corporate governance, particularly in the light of recent well publicised procurement difficulties experienced by other local authorities. The arguments for its inclusion are strong. However, careful consideration will have to be given as to how this is operated so as to ensure that there are no un-avoidable delays between "notification" and "approval" – Rule 18.3 provides for a five working day period, but both Legal Services and FCS will need to ensure that notifications are processed quickly.

Rule	Current Wording	Proposed Amendment	Reason
		(d) consultancy contracts - £50,000	
		(e) supply contracts (except in respect of equipment and other assets including vehicles and hardware) - £1m	
		(f) equipment and other assets including vehicles and hardware - £100,000.	
		18.3 No advertisement shall be published for the procurement until five whole working days have elapsed since the email notification referred to in Rule 18.1 was sent.	
Existing 17.0 & 17.1	**Declaration of Interests** (heading and text)	*Re-number as 19.0 (heading) and 19.1 (text)*	To correct the numbering sequence following the inclusion of new Rules 17 and 18 (see above).

Annual review of Financial Procedure Rules by Audit Committee – 27th September 2007

Rule	Current Wording	Proposed Amendment	Reason
New 11.8	**Debt Write-Off** None – new rule.	A new Rule 11.8 as follows: *Where an invoice has been raised in respect of a debt and it subsequently becomes apparent that the debt was not legally due to the Council (on the grounds that, for example, it was mistakenly believed that the Council had a valid legal claim against the debtor) then the invoice may be cancelled by the CDFCS in consultation with the HLS.*	To amend the Rules so that if an item should not have been classified as a debt in the first place, then it can be written off with the approval of the HLS or CDFCS without having to seek Members' approval.
New 11.9	**Debt Write-Off** None – new rule.	A new Rule 11.9 as follows: *If an overpayment has been made by the Council to a third party (including, but not limited to, employees and suppliers) then all necessary steps shall be taken to recover the amount of the overpayment. If it is considered inappropriate, however, to recover the overpayment (on grounds including, but not limited to, cost effectiveness or compassionate reasons) then approval not to pursue the overpayment must be obtained from:* *(a) the nominated Accountant (by the CDFCS) in the relevant Directorate in respect of debts up to £500;* *(b) the CDFCS in respect of debts above £500 and below £5,000;* *(c) the relevant Portfolio Holder in respect of amounts of £5,000 and above.*	Where there has been an inappropriate payment or overpayment to a third party then the officer involved needs to obtain the relevant approval not to recover the amount.

Rule	Current Wording	Proposed Amendment	Reason
19.1	**Revision of Financial Procedure Rules** The CDFCS (in consultation with the Head of Legal Services) shall, as a minimum, annually review the application and effect of these Rules and shall propose such updated Rules to the Council as the CDFCS may consider appropriate.	An amended Rule 19.1 as follows: *The CDFCS (in consultation with the Head of Legal Services) shall review the application and the effect of these Rules and make an annual report to the Audit Committee recommending such amendments to the Rules as are considered appropriate.*	To reflect the Audit Committee's role in annually reviewing the Financial Procedure Rules.

Annual review of Property Procedure Rules by Audit Committee – 27th September 2007

Rule	Current Wording	*Proposed Amendment*	Reason
1.1	Acquisition. The acquisition of Property by the Council, including the extension of an existing lease (other than by exercise of an option to renew) and the surrender or assignment of a lease to the Council, but excluding a mortgage of property owned by a third party in favour of the Council.	A revised definition as follows: *Acquisition.* *The acquisition of Property by the Council by whatever means, including* • *an option for a purchase or a lease* • *a new lease for a property previously leased in (a lease renewal), including an option to renew contained in an existing lease* • *a Co-habitation Arrangement with another organisation in a non-Council Property* • *the surrender or assignment of a lease to the Council, including the operation of a break clause* *but excluding:* • *a mortgage of property owned by a third party in favour of the Council* • *the informal hiring of property from a third party.*	To clarify the meaning of the term particularly to cover the issue of options and co-habitation.
1.1	None – new definition.	A new definition as follows: *Co-habitation Arrangement.* *An arrangement with a third party to use space in a Council property or for the Council to use space in a third party's property without a lease or licence or the payment of a rent or fee, but normally with payments for a share of running costs. This often relates to*	To provide clarification.

Rule	Current Wording	*Proposed Amendment*	Reason
		space shared by cross-organisation teams.	
1.1	None – new definition.	A new definition as follows: *Informal Hiring from a third party.* *An arrangement for use of part or all of a Property for specific hours on specific days on the hirer's standard terms, whether or not a payment is made and whether or not there it is documented (eg 10:00 to 12:00 every Wednesday for a payment of £50 secured by signing a hiring form). An Informal Hiring must not be used to secure use of a whole building for each day each week - such arrangements must be secured by a lease or a licence.*	A new definition to clarify other definitions.
1.1	None – new definition.	A new definition as follows: *Informal Hiring to a third party.* *An arrangement for the use of part or all of a Council Property by a third party on a regular basis, whether or not a payment is made and for which a lease or a licence does not exist.*	A new definition to clarify other definitions.

Rule	Current Wording	*Proposed Amendment*	Reason
1.1	Disposal. The disposal of Property by the Council, including the surrender or assignment of a lease by the Council, but excluding the granting of a mortgage in respect of property owned by the Council.	A revised definition as follows: *Disposal.* *The disposal of Property by the Council by whatever means, including* • *the surrender or assignment of a lease by the Council including the operation of a break clause* • *a Co-habitation Arrangement with another organisation in a Council Property* • *the Informal Hiring of all or part of a Property to a third party.* *but excluding* • *the granting of a mortgage in respect of property owned by the Council.*	To clarify the meaning of the term.
1.1	Property Contract A contract relating to Property including (but not limited to) transfers, leases, easements, tenancy agreements and licences.	A revised definition as follows: *Property Contract* *A contract relating to Property including (but not limited to) transfers, leases, options, easements, tenancy agreements, licences, and variations and releases from restrictive covenants, user rights granted under local government reorganisation arrangements and wayleaves, but excluding those contracts entered into by school governing bodies under their delegated powers.*	To clarify the meaning of the term.

Rule	Current Wording	Proposed Amendment	Reason
1.1	Redeployment The use of Property by the Council for a purpose different to that for which it has hitherto been used.	A revised definition as follows: *Redeployment* *The re-allocation of a Property by the Council for a purpose different to that for which it has hitherto been used including to disposal.*	To clarify the meaning of the term and align it with the scope of the Redeployment Process which covers decisions to both re-use and dispose of an existing Property.
2.2	These Rules apply to all Property Contracts, other than those entered into by school governing bodies under their delegated powers.	To amend Rule 2.2 as follows: *These Rules apply to all Property Contracts.*	The definition of Property Contact in Rule 1.1 has been amended to include the exclusion stated in the revised text.
2.3	These Rules shall be applied in conjunction with the following documents: (a) Asset Management Planning Framework: Acquisition Process (b) Asset Management Planning Framework: Redeployment Process (c) Asset Management Planning Framework: Disposals	To amend Rule 2.3 as follows: *These Rules shall be applied in conjunction with the following documents:* *(a) Asset Management Planning Framework: Acquisition Process* *(b) Asset Management Planning Framework: Redeployment Process* *(c) Asset Management Planning Framework: Disposals* *(d) Asset Management Planning Framework: Rent and Rent Reviews*	To ensure the list of supporting documents is up to date.
2.5	The CDFCS (in consultation with the HLS) shall, as a minimum, annually review the application and effect of these Rules and shall propose such amended Rules to the Council as the CDFCS may consider appropriate.	To amend Rule 2.5 as follows: *The CDFCS (in consultation with the HLS) shall review the application and effect of these Rules and make an annual report to the Audit Committee recommending such amendments to the Rules as are considered appropriate.*	To reflect the Audit Committee's role in annually reviewing all the Property Procedure Rules.

Rule	Current Wording	*Proposed Amendment*	Reason
6.1.3	In respect of the Acquisition of Property **other than** by lease or licence for a rent or licence fee: … [other text covering powers to act]	To amend Rule 6.1.3 as follows: *In respect of the Acquisition of Property **other than** by lease or licence or other agreement for a rent or licence fee or other annual payment or by option: …* [the other text covering powers to act to remain unchanged] *For the purposes of this Rule, the value in relation to the surrender of a lease to the Council is the capitalised value of the rent or licence fee foregone as a result of the surrender.*	To clarify the Rule in relation to arrangements other than for acquiring new leases, for example, co-habitation agreements and in relation to the surrender of leases.
6.1.4	In respect of the Acquisition of Property by lease or licence for a rent or licence fee: (a) the CDFCS may approve any Acquisition where the annual rent or fee is £25,000 or less; (b) the Executive Member for Corporate Affairs may approve any Acquisition where the annual rent or fee is £100,000 or less; (c) the Executive may approve any Acquisition and must approve any Acquisition where the annual rent or fee is more than £100,000. For the purpose of this Rule, the annual rent or fee means the initial rent or fee payable by the Council (but ignoring any discount or rent-free period).	To amend Rule 6.1.4 as follows: *In respect of the Acquisition of Property by lease or licence or other agreement for a rent or licence fee or other annual payment:* *(a the CDFCS may approve any Acquisition where the annual rent or fee or other annual payment is £25,000 or less;* *(b) the Executive Member for Corporate Affairs may approve any Acquisition where the annual rent or fee or other payment is £100,000 or less;* *(c) the Executive may approve any Acquisition and must approve any Acquisition where the annual rent or fee or other annual payment is more than £100,000.* *For the purpose of this Rule, the annual rent or fee or other annual payment means the initial rent or fee or other annual payment payable by the Council (but ignoring any discount or rent-free period).*	To clarify the Rule in relation to arrangements other than for leases, for example, co-habitation agreements.

Rule	Current Wording	Proposed Amendment	Reason
6.1.X	None – new Rule	A new Rule as follows:	The new Rule to fill an omission in earlier versions about the approval of options.
		In respect of the Acquisition of Property by option:	[Existing Rules need renumbering so that this will appear after current Rule 6.1.4 and before current Rule 6.1.5]
		(a) the Corporate Director for the service acquiring the option may approve the securing of an option providing that the anticipated total cost payable to secure the option does not exceed the available budget provision.	
		(b) the Executive may approve the securing of an option and must approve the securing of any option for which the anticipated total cost payable to secure the option exceeds the available budget provision.	
		(c) the CDFCS may approve the exercise of any option within the limits set for leases in section Rule 6.1.4 (a) or the limits set for other Property Contacts set in Rule 6.1.3(a).	
		(d) the Executive Member for Corporate Affairs may approve the exercise of any option within the limits set for leases in Rule 6.1.4 (b) or the limits set for other Property Contacts set in Rule 6.1.3 (b).	
		(e) the Executive may approve the exercise of an option and must approve any triggering of an option within the limits set for leases within Rule 6.1.4 (c) or the limits set for other Property Contacts set in section in Rule 6.1.3 (c).	

Rule	Current Wording	*Proposed Amendment*	Reason
		For the purpose of this Rule, the relevant value for securing options is the cost of securing the option (as opposed to the value of any resulting transaction) and the relevant value for triggering options is the value of the transaction to be entered into (as opposed to the cost of securing the option).	
6.2.X	None – new Rule	A new Rule as follows: *The Surveyor is responsible for negotiating the terms for the Acquisition of Property and for any subsequent rent reviews, if relevant.*	A new Rule to make the role of the Surveyor explicit in relation to Acquisition.
6.2.1	The CDFCS is responsible for determining the terms for the Acquisition of Property, and shall report such terms to the HLS.	To amend Rule 6.2.1 as follows: *The CDFCS is responsible for approving the terms for the Acquisition of Property, and shall report such terms to the HLS.*	To reflect the terminology used in relation to the decision-making process.
7.0	**REDEPLOYMENT OF PROPERTY**	A revised title as follows: ***REDEPLOYMENT OF PROPERTY – OTHER THAN FOR DISPOSAL***	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose
7.2	**Approval for Redeployment**	A revised title as follows: ***Approval for Redeployment – other than for disposal***	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose
7.2.1	Whenever it is proposed that Property should be redeployed by the Council, the CDFCS is responsible for seeking the approval which is necessary in accordance with this Rule 7.2.	To amend Rule 7.2.1 as follows: *Whenever it is proposed that Property should be redeployed other than for disposal by the Council, the CDFCS is responsible for seeking the approval which is necessary in accordance with this Rule 7.2.*	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose

Rule	Current Wording	Proposed Amendment	Reason
7.2.2	In the case of any Redeployment of Property which is **not** held by the Council on a lease or licence: …	To amend Rule 7.2.2 as follows: *In the case of any Redeployment of Property other than for disposal which is **not** held by the Council on a lease or licence: …*	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose
7.2.3	In the case of any Redeployment of Property which is held by the Council on a lease or licence: …	To amend Rule 7.2.3 as follows: *In the case of any Redeployment of Property other than for disposal which is held by the Council on a lease or licence: …*	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose
7.3	**Terms of Redeployment**	A revised title as follows: ***7.3 Terms of Redeployment – other than for disposal***	To align the wording in the Rules with the scope of the Redeployment Process which covers decisions to both re-use and dispose
8.0	**DISPOSALS**	A revised title as follows: ***REDEPLOYMENT FOR DISPOSAL***	A redeployment is normally only for a single disposal.
8.1	**Approval for Disposals**	A revised title as follows: ***Approval for redeployment for Disposal***	A redeployment is normally only for a single disposal.

Rule	Current Wording	Proposed Amendment	Reason
8.1.2	Subject to Rule 8.1.4, in respect of the Disposal of Property other than by lease or licence for a rent or licence fee: (a) the CDFCS may approve any Disposal up to £500,000 in value; (b) the Executive Member for Corporate Affairs may approve any Disposal up to £1,000,000 in value; (c) the Executive may approve any Disposal and must approve any Disposal over £1,000,000 in value.	To amend Rule 8.1.2 as follows: *Subject to Rule 8.1.4, in respect of the Disposal of Property other than by lease or licence or other agreement for a rent or licence fee or other annual payment:* *(a) the CDFCS may approve any Disposal up to £500,000 in value;* *(b) the Executive Member for Corporate Affairs may approve any Disposal up to £1,000,000 in value;* *(c) the Executive may approve any Disposal and must approve any Disposal over £1,000,000 in value.* *For the purpose of this Rule, the value in relation to options means the value of the transaction resulting from the option and not the value of the option itself. For the purposes of this Rule, the value in relation to the surrender of a lease by the Council is the capitalised value of the rent or licence fee which would have been paid, but for the surrender.*	To clarify the Rule in relation to arrangements other than for granting new leases, for example, co-habitation agreements and in relation to the surrender of leases.

Rule	Current Wording	*Proposed Amendment*	Reason
8.1.3	Subject to Rule 8.1.4, in respect of the Disposal of Property by lease or licence for a rent or licence fee: (a) the CDFCS may approve any Disposal where the annual rent or is £25,000 or less; (b) the Executive Member for Corporate Affairs may approve any Disposal where the annual rent or fee is £75,000 or less; (c) the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee is more than £75,000. For the purpose of this Rule, the annual rent or fee means the initial rent or fee payable to the Council (but ignoring any discount or rent-free period).	To amend Rule 8.1.3 as follows: *Subject to Rule 8.1.4, in respect of the Disposal of Property by lease or licence or other agreement for a rent or licence fee or other annual payment:* *(a) the CDFCS may approve any Disposal where the annual rent or fee or other annual payment is £25,000 or less;* *(b) the Executive Member for Corporate Affairs may approve any Disposal where the annual rent or fee or other annual payment is £75,000 or less;* *(c) the Executive may approve any Disposal and must approve any Disposal where the annual rent or fee is or other annual payment more than £75,000.* *For the purpose of this Rule, the annual rent or fee or other payment means the initial rent or fee payable or other payment to the Council (but ignoring any discount or rent-free period). For the purposes of this Rule in relation to options, the annual rent or fee means the initial rent or fee payable to the Council under the lease or licence resulting from the option.*	This clarifies the rule in relation to arrangements other than for leases, for example, co-habitation agreements and for options.
	None – new Rule	A new title as follows: ***Approval for Rent Reviews***	New heading.
8.1.X	None – new Rule	A new Rule as follows: *The CDFCS may approve the completion of a rent review memorandum provided that the original lease included provisions for the rent review.*	This fills an omission in relation to rent reviews in leases to third parties. [Existing Rules need renumbering so that this and the next two sections appears after Rules 8.1.4 and before current Rule 8.1.5]

Rule	Current Wording	*Proposed Amendment*	Reason
	None – new Rule	A new title as follows: ***Variation of lease terms***	New heading.
8.1.Y	None – new Rule	A new Rule as follows: *The CDFCS may approve any variation to the terms of an existing lease or licence or other agreement (including the grant of a licence to assign or sublet).*	This fills an omission in relation to changes to the terms of leases to third parties.
	None – new Rule	A new title as follows: ***Release or variations of restrictive covenants***	New heading.
8.1.Z	None – new Rule	A new Rule as follows: *In respect of the release or variation of restrictive covenants:* *(a) the CDFCS may approve any release or variation up to £500,000 in value;* *(b) the Executive Member for Corporate Affairs may approve any release or variation up to £1,000,000 in value;* *(c) the Executive may approve any release or variation and must approve any release or variation over £1,000,000 in value.* *For the purposes of this Rule, the value is the value of the payment to effect the release or variation.*	This addresses an omission in relation of restrictive covenants.

Rule	Current Wording	*Proposed Amendment*	Reason
8.1.4	**Disposal at under value** Where any property is to be disposed of by sale or by long lease (ie 7 years or longer) at an undervalue the approval of the Executive is required, and where the amount of the undervalue is more than £2,000,000 the Disposal may only proceed with the prior consent of the Secretary of State.	To amend Rule 8.1.4 as follows: *If it is proposed to dispose of property at under value in accordance with the provisions of the Local Government Act 1972: General Disposal Consent (England) 2006 then the approval of the Executive is required if the Disposal is by sale or by long lease (i.e. 7 years or longer). If the amount of the undervalue is more than £2,000,000 then the Disposal may only proceed with the prior consent of the Secretary of State for Communities & Local Government. If the basis of Disposal is for a lease of less than 7 years then the disposal can proceed on the basis set out under Rule 8.1.3 using the market value (not the under value) as the basis for applying the Rule. The extent, nature and reason for the undervalue must be clearly stated in the report produced for approval in all cases.*	To clarify the arrangements in relation to disposals at under value.
8.2.X	None.	A new Rule as follows: *The Surveyor is responsible for negotiating the terms for the Disposal of Property and for any subsequent rent reviews, if relevant.*	A new rule to make the role of the Surveyor explicit in relation to this work. [Existing Rules need renumbering so that this appears before Rule 8.2.1]

Para	Current Working	Proposed Amendment	Reason
7	Following consultation with the relevant Director and with the approval of the CDFS, to authorise the disposal of any asset(s) for which the estimated disposal value is greater than £6,000 but less than £100,000 (NB this excludes land and buildings ie "property" – please see the specific delegations to the Executive Member for Corporate Affairs set out below).	*Following consultation with the relevant Corporate Director and with the approval of the CDFCS, to authorise the disposal of any asset(s) for which the estimated disposal value is greater than £10,000 but less than £100,000 (NB this excludes land and buildings ie "property" – please see the specific delegations to the Executive Member for Corporate Affairs set out below).*	To update the starting threshold figure (to bring it in line with previously agreed threshold and existing CPR) and to update references to <u>Corporate</u> Director and CDF<u>C</u>S.
New Para 12	None – new paragraph.	A new paragraph 12 as follows: *To authorise non-recovery of overpayments in respect of amounts of £5,000 and above.* *And renumber existing paragraphs 12 and 13 accordingly*	Consequential amendments following on from the proposed new FPR 11.9 considered
13	The Executive Member for Corporate Affairs (or in his/her temporary absence such other member of the Executive as he/she may nominate) has the following specific responsibilities and powers in relation to property, in accordance with the Council's Property Procedure Rules: a) To approve the acquisition of property other than by lease or licence for a purchase price of £1,000,000 or less in value. b) To approve the acquisition of property by lease or licence for a rent or licence fee where the annual rent or fee is £100,000 or less. c) To approve redeployments of property not held by the Council on a lease or licence of £1,000,000 or less in value; d) To approve redeployments of property held by the Council on a lease or licence where the annual rent or fee is £100,000 or less; e) Subject to Rule 8.1.4 of the Property Procedure Rules (disposals of	Amend the text to read as follows: *The Executive Member for Corporate Affairs (or in his/her temporary absence such other member of the Executive as he/she may nominate) has the following specific responsibilities and powers in relation to property, in accordance with the Council's Property Procedure Rules:* *a) To approve the acquisition of property (other than by lease or licence or other agreement for a rent or licence fee or other annual payment or by option) where the acquisition is £1,000,000 or less in value;* *b) To approve the acquisition of property by lease or licence or other agreement for a rent or licence fee or other annual payment where the annual rent or fee or other payment is £100,000 or less;* *c) To approve the exercise of any option within the limits set for leases in Property Procedure Rule 6.1.4(b) or the limits set for other Property Contracts in Property Procedure Rule 6.1.3(b);* *d) To approve redeployments of property (other than for disposal) not held by the Council on a lease or licence, of £1,000,000 or less in value;*	Consequential amendments following on from the proposed amendments to the PPR and FPR considered by Audit Committee on 27 September, Executive on 16 October and due to be considered by full Council on 19 December 2007. The above amendments include new clauses within the PPR which has necessitated proposed new sub-paragraphs within existing paragraph 13 of the Delegation Scheme. This has meant the re-numbering of certain sub-paragraphs within the Scheme: a) amended to reflect the proposed amendments to PPR 6.1.3. b) amended to reflect the proposed amendments to PPR 6.1.4. c) new sub-paragraph to reflect the proposed new PPR 6.1.X. d) re-numbered and amended to reflect the proposed amendments to PPR 7.2.2. e) re-numbered and amended to reflect the proposed amendments to PPR 7.2.3. f) re-numbered and amended to reflect the proposed amendments

	property at undervalue must be approved by full Executive), to approve the disposal of property other than by lease or licence for a rent or licence fee of £1,000,000 or less value. f) Subject to Rule 8.1.4 of the Property Procedure Rules (disposals of property at undervalue must be approved by full Executive), to approve the disposal of property by lease or licence for a rent or licence fee where the annual rent or fee is £75,000 or less.	e) *To approve redeployments of property (other than for disposal) held by the Council on a lease or licence where the annual rent or fee is £100,000 or less;* f) *Subject to Rule 8.1.4 of the Property Procedure Rules (disposals of property at undervalue must be approved by full Executive), to approve the disposal of property (other than by lease or licence or other agreement for a rent or licence fee or other annual payment) of £1,000,000 or less in value;* g) *Subject to Rule 8.1.4 of the Property Procedure Rules (disposals of property at undervalue must be approved by full Executive), to approve the disposal of property by lease or licence or other agreement for a rent or licence fee or other annual payment where the annual rent or fee or other annual payment is £75,000 or less;* *To approve any release or variation of restrictive covenants up to £1,000,000 in value.*	to PPR 8.1.2. g) re-numbered and amended to reflect the proposed amendments to PPR 8.1.3. h) new sub-paragraph to reflect the proposed new PPR 8.1.Z.