

Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: MONDAY, 23 JUNE 2025

TIME: 5:30 pm

PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ

Members of the Committee

Councillor Kaur Saini (Chair)

Councillors Russell (Vice-Chair)

Councillors Bajaj, Joel, Kitterick, Dr Moore, Rae Bhatia and Singh-Patel.

Independent member Mr Bipon Bhakri

Members of the Committee are invited to attend the above meeting to consider the items of business listed overleaf.

For Monitoring Officer

Officer contacts:

Sharif Chowdhury (Governance Services) and Jessica Skidmore (Governance Services),

*Tel: , e-mail: governance@leicester.gov.uk
City Hall, 115 Charles Street, Leicester, LE1 1FZ*

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Further information

If you have any queries about any of the above or the business to be discussed, please contact: **Sharif Chowdhury and Jessica Skidmore, Senior Governance Support Officer** by email governance@leicester.gov.uk, or call in at City Hall.

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PUBLIC SESSION

AGENDA

NOTE:

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1. WELCOME AND APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING

Item 3 (pages 1-8)

The minutes of the meeting held on 24 March 2025 are attached and Members will be asked to confirm them as a correct record.

4. MEMBERSHIP OF THE COMMISSION 2025/26

Members will be asked to note the membership of the committee for 2025/26 as follows:

Councillor Kaur Saini - Chair
Councillor Russell – Vice-Chair
Councillor Bajaj
Councillor Joel
Councillor Moore
Councillor Rae Bhatia
Councillor Kitterick
Councillor Singh Patel
Independent member – Bipon Bhakri

**5. DATES OF MEETINGS FOR THE COMMISSION
2025/26**

Members will be asked to note the meeting dates of the committee for 2025/26 as follows:

Monday 23 June 2025

Monday 7 July 2025
Wednesday 17 September 2025
Wednesday 26 November 2025
Monday 26 January 2026
Monday 16 March 2026

- 6. TERMS OF REFERENCE** **Item 6 (Pages 9-12)**

The Committee will be asked to note the Terms of Reference.
- 7. CONTRACT PROCEDURE RULES** **Item 7 (Pages 13-71)**

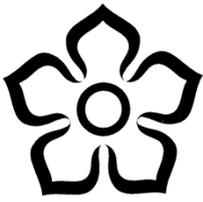
The Head of Procurement submits a report to the Governance and Audit Committee which presents the Contract Procedure Rules.

The Committee is recommended to note the report.
- 8. EXTERNAL AUDIT PLAN AND RISK ASSESSMENT** **Item 8 (Pages 72-124)**

The Director of Finance submits a report to the Governance and Audit Committee which presents the External Audit Plan Report 2024-25.

The Committee is recommended to note the report.
- 9. ACTION TRACKER** **Item 9 (125-126)**

The Committee is recommended to note progress on actions agreed at the previous meeting and not reported elsewhere on the agenda (if any).
- 10. ANY OTHER URGENT BUSINESS**



Leicester
City Council

Item 3

Minutes of the Meeting of the
GOVERNANCE AND AUDIT COMMITTEE

Held: MONDAY, 24 MARCH 2025 at 5:30 pm

P R E S E N T :

Councillor Kaur Saini (Chair)
Councillor Russell

Councillor Bonham
Councillor Cassidy

Councillor Kitterick
Councillor Chauhan

Bipon Bhakri – Independent Member

* * * * *

1. APOLOGIES FOR ABSENCE

Councillor Bonham substituted for Councillor Joel.
Councillor Russell substituted for Councillor Clarke.
Councillor Chauhan substituted for Councillor Rae Bhatia.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting of the Governance and Audit Committee held on 11 February 2025 be confirmed as a correct record.

4. RISK MANAGEMENT UPDATE

The Director of Corporate Services submitted and presented the Strategic and Operational Risk Registers to the Governance and Audit Committee.

Points highlighted included:

- The report considered updated the status around operational and strategic risk.
- The risk control action plans are not included in the report but exist and are maintained by the respective risk owners.
- No new strategic risks had been identified during this review. Of the 14 strategic risks identified, 13 had remained the same risk score as the previous cycle.
- It was noted that future iterations of the report would aim to explicitly demonstrate how risk controls relate to the strategic risk profile.
- The second part of the report that was presented was the operational risk register. Four risk scores had changed. Two of the risks were reduced, scoring below 15 so were removed from the operational risk register but retained within the respective divisional risk register. Two risks remained high after re-scoring and one new risk had been added.
- A risk that was removed was 'the inability to deliver savings' within Adult Social Care'. The risk score had now reduced to eight.
- Another risk removed was around Children's Social Care and Community Safety, in relation to a potential reduction of service due to savings.
- The risks still rated 'High' included the budgetary risks and the use of data. The budgetary risk for Public Health had now reduced to 16, attributed to increased certainty from the Public Health Grant.
- The risk around the use of data increased to 20, due to restructuring around services which had affected the access to critical information.
- The new risk related to Post-16 SEND home-to-school transport was rated high at 16.

Members sought further clarification and raised the below points:

- A query was raised regarding the presentation of strategic risks and risk controls. It was noted that in future reports, the impact of controls would be considered to demonstrate their effectiveness.
- In response to a query about the detail around strategic risks, it was clarified that in previous reporting, risk controls in place for Strategic Risks were presented to the committee. A consideration for future reporting is that some information could be sensitive and would be required to be considered in private session if it was brought to the Committee.
- With regard to a query on the Post-16 SEND home-to-school transport risk, it was proposed that a discussion around the proposal, options and timescale would be more appropriately considered by the Children, Young People and Education Scrutiny Commission.
- Members were informed that the Operational Risk Register process is covered in corporate risk training.
- A question was raised about what is captured in the 'cost of risk' which included the cost of current controls, the cost of the target controls, and the potential impact if the risk materialised. It was noted the financial risk can be difficult to accurately to predict.
- In response to a query about political risk, it was expected that the organisation would have wider conversations on local government

reorganisation, following the Council submitting it is initially proposal on Local Government Reform.

- In response to a point made about Covid-19 and pandemic-planning. It was clarified that this was about general pandemic-planning and not solely Covid-19 specific risks.

RESOLVED

“The Governance and Audit Committee:

Noted and make any comments on the latest versions of the SRR and ORR, as provided.

Noted and made any comments on the proposal of reporting Strategic Risks at Appendix 1c.”

5. RISK MANAGEMENT, BUSINESS CONTINUITY STRATEGY AND POLICIES 2025

The Director of Corporate Services submitted and presented the Corporate Risk and Business Continuity Policies and Strategies reports to the Governance and Audit Committee.

Points highlighted included:

- There was a focus on better alignment with the risk and governance structure and having ownership of risk.
- Divisional Risk Registers (DRR) exist, and periodic updates are made to the management team to ensure that are current and that the process is embedded and implemented
- There is an annual training schedule in place for staff who will be, or are, completing risk assessments.
- In terms of assurance, the risk policy statement and strategy were aligned with national risk management standards and Council practice compared well against the industry standard.
- In terms of business continuity, recent events indicate that Council processes are robust and effective in responding to internal incidents. However, it is crucial to maintain delivery of critical services and as such business continuity plans needed to be robust, tried and tested.
- It is important to have response plans in place to meet requirements under the Civil Contingencies Act as a Category 1 responder.
- A professional standard is implemented to meet best practice.
- A key focus for next year is to review the Business Continuity Plan (BCP) Template and for critical services to update their BCP's and their respective business impact analysis. In addition to this to test Critical Services BCPs with Risk, Emergency and Business Resilience facilitating these.
- Each Director self-certify annually that they have BCPs in place for all their services and they are reviewed periodically, updated and tested.
- It is necessary to embed good BCPs and risk management to meet governance requirements and obligations under the Civil Contingencies

Act of 2004. Implementation of these two disciplines looks favourable with insurers.

Members sought further clarification and raised the below points:

- In response to a queried how the operational risks associated within social work and case management were factored into the overall risk register and risk management processes. It was clarified that this was a specific for the divisional area to consider the day-to-day risk and was significant enough to be reflected in the divisional risk register. Additionally, the Committee were informed that council-wide corporate training is offered so staff understand what to consider process related in identifying and assessing risk.
- It was further noted that risk level is reduced when officers/staff have on the job professional training and safeguards are in place.

RESOLVED

That the updated Corporate Risk Management Policy Statement and Strategy (appendix 1) be noted.
That the Corporate Business Continuity Management Policy Statement and Strategy (appendix 2) be noted.

6. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE JULY-DECEMBER 2024

The City Barrister and Head of Standards submitted the Regulation of Investigatory Powers Act 2000 (RIPA) Bi-Annual Performance Report July 2024 – December 2024 to the Governance and Audit Committee. The Principal Lawyer presented the report.

Points highlighted included:

- There had been no use of RIPA since the last update and no access to communications data.
- The Council had been inspected by the Investigatory Powers Commissioners Office (IPCO) as was due every three years. This was a paper-based exercise, and questions had been responded to. The outcome had been positive. Recommendations were made for minor amendments to the Council's Surveillance Policy. But they were satisfied with the Council's compliance and the next inspection would be in 2028.
- The proposed amendments to the Surveillance Policy were noted in the report.
- In the final recommendations from the IPCO, it was recommended that the Council continues to train its staff on RIPA. This is primarily due to the risk factor that staff may engage in activity that may fall under RIPA without being aware.
- Other assurances were set out in the report.

Members sought further clarification and raised the below points:

- In response to a query around how RIPA was reported and what constituted covert surveillance, it was reiterated that the report stated that there were no authorisations for direct surveillance or communications data between July and December 2024. However, the need to awareness and training was recognised so as to ensure officers understand the legal boundaries on what is and is not permitted under RIPA. It was further clarified that if people were made aware that they were under surveillance, it did not fall under the scope of RIPA.
- It was confirmed that external trainer would be engaged to deliver training. This would include the use of case studies, both fictional and those from legal cases/case law to improve understanding
- Examples of situations where RIPA could be used included trading standards, whereby officers could go under-cover in workplaces. While test purchases could typically be done without RIPA authorisation, if the operation involved covert surveillance, it would fall under the remit of RIPA.
- In response to a query on surveillance of Council houses, the Principal Lawyer advised that they were not aware of any such cases, However, but it was acknowledged that it was necessary to be mindful that any covert or undercover activity relating to Council houses would be subject to RIPA requirements. Regarding Right to Buy applications, checks were carried out by the Council to confirm the source of funds and the identity of the purchaser, but these checks are not conducted covertly and are not considered surveillance and therefore do not fall under RIPA.
- In response to a query about potential uses of RIPA, it was suggested following the upcoming training, opportunities to use RIPA more effectively could be explored. An update on this could be included in the August update.

RESOLVED

The Governance and Audit Committee:

- Received the Report and note its contents.
- Approved the proposed amendments to the Council's Surveillance Policy.
- Made recommendations or comments it sees fit either to the Executive or to the City Barrister and Head of Standards.

7. INTERNAL AUDIT UPDATE AND INTERNAL UPDATE PLAN 2025/26

The Director of Finance submitted the Internal Audit Work Progress Report 2024/25 and the Internal Audit Work programme 2025/26 to the Governance and Audit Committee. The Head of Internal Audit presented the report.

Points highlighted included:

- In terms of the Progress Report, since the last report, four internal audits were at the draft report stage, and one was in the final report stage. All were underway and would be in draft or final report by the next meeting of the Committee.
- There had been a slight change to previous updates and a short summary was provided of findings that were critical or significant.
- It was noted one recommendation was implemented leaving four to be completed and two were revised to be complete by the end of March. The other two would not be due until June.
- In terms of the Programme Report for 2025/26, part of the process to build the plan was to identify risks and in consultation with officers.
- The internal audit service provided opinions each financial year, but was a continuous service that did not stop. A key outcome was the delivery of the annual opinion.

Members sought further clarification and raised the below points:

- In response to concern raised about properties being sold off and then sold again for a higher value (i.e. after planning permission for the land had been granted). It was agreed to include asset disposals to the 2025/26 programme.

RESOLVED

The Governance and Audit Committee:

- Noted the progress made in delivering the 2024/25 internal audit work programme, and current delivery intentions over the remainder of the year.
- Approved the 2025/26 internal audit work programme.

8. ANNUAL REVIEW OF THE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

The Director of Finance submitted the Annual Review of the Council's Local Code of Corporate Governance to the Governance and Audit Committee. The Director of Finance presented the report.

RESOLVED

The Governance and Audit Committee approved the Local Code of Corporate Governance 2025/26, at Appendix 1.

9. FINANCE UPDATE - FINAL ACCOUNTS PROCESSES

The Director of Finance submitted the Finance Update – Final Accounts Processes report to the Governance and Audit Committee. The Director of Finance presented the report.

Points highlighted included:

- The report followed up on the last meeting with the annual accounts at which external auditors had concerns on the valuation figures.
- The report therefore focussed on improving processes, including outsourcing the valuation process, as well as training and resourcing teams. The Chief Accountant had worked on getting the right resources in the corporate team.

RESOLVED

The Governance and Audit Committee noted the report.

10. COMMITTEE'S ANNUAL WORK PERFORMANCE REPORT 2024/25

The Director of Finance submitted the Governance and Audit Annual Report 2024/25. The Director of Finance presented the report.

It was noted that this was an annual report that would go to Full Council and confirmed activities and that the terms of reference were complied with.

RESOLVED

The Governance and Audit Committee approved this report for submission to the Council, subject to any amendments.
Council is recommended to receive this report.

11. ACTION TRACKER

The Committee noted the Action Tracker.

12. ANY OTHER URGENT BUSINESS

The meeting was declared closed at 18:37 as there was no other urgent business.

Item 6

Governance & Audit COMMITTEE

Terms of Reference

1. Constitution & Purpose

The Governance & Audit Committee is a key component of the Council's corporate governance framework. The Committee reports to the Council and its purpose is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment, the integrity of the financial reporting and governance processes, and the arrangements for internal and external audit.

It fulfils the role of 'the Board' for the purposes of the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).

The Terms of Reference of the Committee will comply with Part 4a of the Constitution unless explicitly detailed below.

1. Membership

The Committee shall comprise of eight non-executive elected Members, and up to two Independent Persons. A quorum of at least three Councillors will be required at all meetings. The Independent Person(s) shall be a non-voting co-optee of the Committee. The Committee must remain apolitical, displaying unbiased attitudes, treating auditors, officers, the executive, and management equally. The Committee shall decide whether to co-opt one or two Independent Persons, taking into account the recommendations of the Monitoring Officer.

2. Attendance by officers

The Director of Finance (S151) or their nominated officer(s) and the designated Head of Internal Audit Service shall normally attend meetings. There is a standing invitation to the Council's appointed External Auditor to attend all meetings. Other officers who will attend as required, including at the request of the Chair.

3. Frequency of meetings and agendas

Meetings shall be held not less than four times a year.

4. Duties

The duties of the Committee shall be as set out in the annexed schedule to these Terms of Reference.

To support and assist Committee members undertaking their duties and extending their knowledge, regular briefings or training will be provided by officers.

5. Authority

The Committee has the responsibilities detailed in Annex 1. The Committee is authorised by the Council to investigate any activity within its terms of reference.

It is authorised to seek any information it requires from any officer and all officers are directed to co-operate with any request made by the Committee. The Chair will advise the Chief Operating Officer as the Head of Paid Service if it has exercised this authority

to seek information (other than routine information) from any officer, setting out the information required and the circumstances underlying the request.

The Committee is authorised by the Council, if considered necessary, to secure the attendance of third parties with relevant experience and expertise provided that the Chair notify the Chief Operating Officer as the Head of Paid Service before any fees for such attendance is agreed.

6. Accountability

The Committee will undertake an annual review of its effectiveness (including where it has added value and supported improvement).

The outcome of this annual review and the Committee's activity will be reported to the Council each year.

Duties of the Governance & Audit Committee

1. Audit Framework

1.1 Internal Audit

- To fulfil the role of 'the Board' for the purposes of the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).
- To review and approve: -
 - The Internal Audit Charter which defines the mandate, purpose, scope, and organisational position of the internal audit function.
 - The risk-based internal audit plan.
 - The Head of Internal Audit's annual report, which contains an opinion on the overall adequacy and effectiveness of the Council's control environment, and an assessment of conformance to the GIAS UK Public Sector.
- To receive regular reports on progress against the internal audit plan, containing activity undertaken, summaries of key findings, issues of concern and action in hand.
- To review conformance to the principles of the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, and to support any improvements required.
- To contribute to and support an external quality assessment of the internal audit function which is a requirement of the GIAS UK Public Sector and must take place at least once every five years.
- To review any proposals made in relation to the delivery of internal audit services, including the appointment of external providers of internal audit services, making recommendations.

1.2 External Audit

- To consider, comment upon and note the arrangements chosen by the Council to select and appoint its statutory external auditor.
- To review the External Auditor's disclosure of independence and objectivity. To satisfy itself that no issues with compliance with ethical standards or problems with audit quality have been raised.
- To consider and note the annual audit fees letter and the assumptions supporting the fees.
- To consider the scope and depth of all external audit plans, reports and audit risk assessments.

- To consider the External Auditor's ISA 260 Report to 'Those Charged with Governance'. This contains:
 - key findings arising from the audit of the Council's financial statements.
 - the Auditor's assessment of the Council's arrangements to secure value for money (VFM) in its use of resources; and
 - the requirement for members of the Committee to authorise the Director of Finance to sign the letter of representation to the External Auditor from the Council in connection with the audit of the Council's financial statements.
- To ensure that non-audit work by the External Auditor is in accordance with the Council's *Policy for Engagement of External Auditors for Non-Audit Work* and report any such instances to the Council.

2. Counter Fraud and Investigations

- To review and approve, on a triennial basis (unless significant changes in legislation or circumstances dictate otherwise), the Council's policy and procedures for: -
 - Anti-Fraud (including Bribery and Corruption)
 - Disclosure (whistleblowing)
 - Money Laundering
- To note the outcomes of any review of the Council's conformance to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- To receive and note reports on the performance of the counter fraud function and outcomes from the Council's participation in the National Fraud Initiative (NFI).
- To consider regular reports on the Council's application of the Regulation of Investigatory Powers Act (RIPA) and the outcomes of any inspections and approve the adoption of any related policies.

3. Statutory Financial Reporting

- To review and approve the annual statutory statement of accounts and the annual Letter of Representation on behalf of the Council.
- To bring to the attention of the Council any concerns arising from the financial statements or from the audit.
- To receive periodic reports providing updates on accounting and financial developments.

4. Risk Management and Insurance

To review and challenge the adequacy and effectiveness of the Council's overall risk management framework, specifically to: -

- i. Consider and approve, on an annual basis, the Council's Corporate Risk Management Policy Statement & Strategy.
- ii. Consider and approve, on an annual basis, the Council's Corporate Business Continuity Management Policy Statement and Strategy, ensuring it is compliant with the statutory duties required by the Civil Contingencies Act 2004 and continues to align to international and national standards and good practice guidelines.
- iii. Review reports in respect of the status of key current and emerging risks and internal controls relating to those risks, including the Operational and Strategic Risk Registers and partnerships with other organisations.
- iv. Receive and note the annual report on the Council's insurance arrangements and its claims performance.

5. Governance and Assurance Frameworks

To satisfy itself that the Council's assurance statement including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it and demonstrate how governance supports the achievement of the Council's objectives. The Committee's responsibilities are to: -

- i. Review the adequacy of the Council's assurance framework through the annual review of its system of internal control.
- ii. Review and approve the Council's Local Code of Corporate Governance prepared in accordance with the CIPFA/SOLACE Good Governance Framework and the statutory requirement for producing an Annual Governance Statement.
- iii. Note any reports providing updates on assurance, risk or governance related developments

6. Complaints

- To consider an annual report on complaints, including the Local Government and Social Care Ombudsman's annual review letter and recommendation.
- To consider and decide on appropriate actions relating to the Council's compliance with its own and other published or regulatory policies, Acts, standards and controls.
- To consider ad-hoc LGSCO reports.
- To consider any findings or recommendations from the Housing Ombudsman

7. Procurement

- To receive and note the annual report setting out the Council's performance against the Procurement Plan and compliance with the Contract Procedure Rules (including data on waivers).
- To consider any proposals for changes to the Rules to be made to Full Council and to review any changes to the Rules or any changes to thresholds.
- To seek assurance that the Council has appropriate arrangements to identify and manage risks, ensure good governance, and obtain assurance on compliance in its procurement activity.

8. Other Matters

- To consider, approve or make recommendations in respect of any other matters referred to it by the City Mayor, Chief Operating Officer (as the Head of Paid Service) or a Director or any Council body.
- To consider any relevant matters reserved for Member-level decision as detailed in Rules of Procedure.

Contract Procedure Rules

Council: 3rd July 2025
Governance & Audit 23rd June 2025

Decision to be taken by: Council

Date of meeting: 3rd July 2025

Lead director: Amy Oliver & Kamal Adatia

Useful information

- Ward(s) affected: All
- Report author: Izabela Skowronek, Head of Procurement
- Author contact details: 0116 454 6188, izabela.skowronek@leicester.gov.uk
- Report version number: v1

1. Summary

- 1.1. The Council's Contract Procedure Rules ('the Rules', 'CPRs'), Part 4G of the Constitution, require a revision following the implementation of the new procurement legislation, namely the Procurement Act 2023 ('the Act'), which came into effect on the 24th of February 2025.
- 1.2. The revised version of the Council's Contract Procedure Rules is hereby presented to the Council and the approval is sought for the Council to adopt these rules.

2. Recommended actions/decision

- 2.1. The Council is asked to approve the revised Contract Procedure Rules.
- 2.2. Governance & Audit are asked to comment on the contract procedures rules and provide feedback to the Monitoring Officer and Director of Finance on potential amendments prior to being considered by Council.

3. Scrutiny / stakeholder engagement

- 3.1. Governance and Audit Committee 23rd June 2025.

4. Background and options with supporting evidence

Background: Changes introduced by the Procurement Act 2023

- 4.1. The Procurement Act 2023 took effect on the 24th of February 2025. The revised version of the Contract Procedures Rules presented with this report, reflects the changes imposed by the new Act.
- 4.2. The Act replaces and combines into one, the following
 - the Public Contracts Regulations 2015,
 - the Utilities Contracts Regulations 2016,
 - the Concession Contracts Regulations 2016,
 - the Defence and Security Public Contracts Regulations 2011.

- 4.3. The above listed will continue to apply to procurements started under the old rules.
- 4.4. The revised Rules also address the introduction of the Health Care Services (Provider Selection Regime) Regulations 2023, which apply to procurements of relevant health care services.
- 4.5. Key changes under the Act include
- Greater transparency.
 - Greater review of potential conflicts of interest
 - New procurement processes.
 - More focus on contract management.
 - Introduction of a Central Digital Platform.
 - Supplier Exclusion and Debarment List.
 - Greater oversight.
 - Change of terminology used.

Greater Transparency

- 4.6. The Act introduces additional requirements to ensure improved transparency. This is to make procurement information publicly available to support effective competition and provide the public with an insight on how their money is spent.
- 4.7. In particular, the Act introduces an increased number of procurement notices that must be published at different stages of the procurement process. These notices are published on the Central Digital Platform. Rule 13 of the CPRs has been drafted to reflect this.
- 4.8. A publicly visible Contract Award Notice must now be published before the contract can be issued to the awarded supplier. Publication of the notice triggers commencement of the standstill period observed prior to the award.
- 4.9. The Council is now required to publish an annual Pipeline Notice for each contract opportunity with an estimated value of £2m or above that is to be procured in the next 18 months. This is reflected under Rule 12 in the revised CPRs. The Council already publishes a procurement plan that would include contracts with an estimated value over £2m.
- 4.10. Further details on specific notices can be found at Appendix 3 to the presented CPRs.
- 4.11. There are a number of other transparency related requirements introduced by the Act, these are reflected throughout the revised CPRs.

Conflicts of Interest

- 4.12. In relation to each procurement covered by the Act, the Council has a responsibility to identify, keep under review and mitigate, any conflicts of interest, including potential or perceived conflicts of interest.

4.13. The Act requires that a Conflicts of Interest Assessment must be carried out and maintained at all stages of the procurement process, including contract management stage. More details on the conflict of interest assessment found on the link below: <https://www.gov.uk/government/publications/procurement-act-2023-guidance-documents-define-phase/guidance-conflicts-of-interest-html>

4.14. This is further described at Rule 9 of the revised CPRs.

New Procurement Processes

4.15. Some of the previously available multi-stage procedures, have now been replaced by a single Competitive Flexible Procedure (CFP). Additionally, a single-stage Open Tender procedure has been retained in the Act. This is further described at Rule 21 and 22.

Contract Management

4.16. The Act introduces significant changes in relation to the contract management stage, including associated reporting requirements. Rule 39 has been drafted accordingly.

4.17. The Council is required to publish a copy of the contract and an annual report on the top 3 key performance measures for all contracts over £5m. Where applicable, details of poor performance must also be disclosed.

4.18. An annual Payments Compliance Notice will be required for all contracts over £5m.

Supplier Exclusion and Debarment

4.19. Some changes have been made to the mandatory and discretionary exclusion grounds. Additionally, a centrally managed Debarment List has been introduced. Rule 33 in the presented CPRs relates to this aspect of the new Act.

Greater Oversight

4.20. A new national Procurement Review Unit (PRU) has been established with responsibility for oversight of public procurement. This replaces the Public Procurement Review Service (PPRS).

Change of terminology used

4.21. The Act introduces new language and definitions, which are reflected throughout the revised CPRs.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

There are no direct financial implications arising from the updating of the contract procedure rules. However, good procurement and contract management helps the Council to achieve value for money.

Signed: Amy Oliver

Dated: 2nd June 2025

5.2 Legal implications

The Council is required by section 135 of the Local Government Act 1972 to have in place contract procedure rules. In addition, Article 15.02 of the Council's Constitution requires every contract made by the Council to comply with the Contract Procedure Rules, which form Part 4G of the Constitution. Accordingly, approval of the Rules is a matter for Full Council.

Although these new Rules post-date both the implementation of both the Procurement Act 2023 and the Health Care Services (Provider Selection Regime) Regulations 2023, the Council has remained compliant with the law throughout this period as the scope of the current Rules ensures that in the event of any inconsistencies between the Rules and the law that the law will take precedence. The new Rules adopt the same approach.

It should also be noted that, again in line with the current Rules, there is a delegation to the City Barrister to amend the rules for minor amendments such as to correct an error or to reflect changes in the management structure, working practices and responsibilities of the Council.

Signed: Kevin Carter

Dated: 3rd June 2025

5.3 Equalities implications

The report seeks approval for the council's revised version of contract procedure rules. Under the Equality Act 2010, public authorities have a continuing Public Sector Equality Duty (PSED) which means that, in carrying out their activities (including decision making and procurement), they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

It also applies to organisations carrying out a public function. It therefore includes private companies or voluntary sector organisations that have been contracted to carry out public functions on behalf of a the council. The duty only applies in respect of the public function

being carried out and not the wider business of the contracted body. Relevance and proportionately are the key guiding principles.

Signed: Equalities Officer, Surinder Singh Ext 37 4148

Dated: 2 June 2025

5.4 Climate Emergency implications

Procurement is a significant source of carbon emissions due to the embodied and outsourced emissions of the wide range goods and services the Council procures.

The council's Sustainable Procurement Guidance (available on Interface and sent out to prospective suppliers) provides information on limiting negative environmental impacts from procurement activity. This guidance should continue to be applied to procurement activities, by including sustainability requirements in all specifications and through specific, sustainability-related questions within the quality/method statement evaluation process of procurement exercises where relevant.

The council's Social Value Charter also provides guidance on securing environmental sustainability-related benefits from procurements.

Signed: Phil Ball

Dated: 03/06/2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

6. Background information and other papers:

- Procurement Act 2023 [Procurement Act 2023](#)

7. Summary of appendices:

- Appendix 1 - Contract Procedure Rules document.

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

9. Is this a “key decision”? If so, why? No – as a decision by Council.

PART 4G
CONTRACT PROCEDURE RULES

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For capitalised words see [Appendix 1 Definitions](#) at the end of these Rules.

1. The Contract Procedure Rules

- 1.1. These Contract Procedure Rules (“Rules”) are a legal requirement under Section 135 of the Local Government Act 1972 and are part of the Council’s constitution. They set out the basic principles that must be followed by everyone proposing to enter into any Contract on behalf of the Council.
- 1.2. If there is any doubt or lack of clarity as to the meaning or application of these Rules, Officers must seek advice from the relevant Specialist Procurement Team and/or Legal Services.
- 1.3. Officers seeking to procure goods, services or works on behalf of the Council will need to familiarise themselves with and comply with these Rules and any other policies/guidance and legislation.
- 1.4. Failure to comply with these Rules may result in action being taken by the Council against the persons/organisations concerned; including, where appropriate, disciplinary action or referral to the police.

2. Applicable Law

- 2.1. Main applicable codes and regulations (‘the Regulations’), include:
 - 2.1.1. The Public Contracts Regulations 2015 (PCR2015)
 - 2.1.2. The Concessions Contract Regulations 2016 (CCR2016)
 - 2.1.3. The Utilities Regulations 2016 (UR2016)
 - 2.1.4. The Procurement Act 2023 (PA2023)
 - 2.1.5. The Procurement Regulations 2024 (PR2024)
 - 2.1.6. The Health Care Services (Provider Selection Regime) Regulations 2023 (PSR2023)
 - 2.1.7. Local Government Transparency Code 2015 (LGTC) as subsequently updated, including guidance issued by the Cabinet Office and where applicable implemented by the publishing of Procurement Policy Notes (PPNs).
- 2.2. Generally, where a procurement process commenced under PCR2015 (CCR2016 or UR2016) and prior to 24th February 2025, then those regulations will continue to apply to the resultant contract until its expiry. Any contracts procured from 24

February 2025 onwards, must comply with PA2023 with the exception of Contracts where the PSR applies (see Rule 2.4 below).

- 2.3. Where Transitional Regulations apply, these must be complied with.
- 2.4. The Provider Selection Regime (PSR) only applies to Contracts:
 - 2.4.1. Relevant health care services as detailed in Schedule 1 of the PSR2023.
 - 2.4.2. For mixed procurements the main subject matter of the procurement, the health care service element must be more than 50% of the lifetime value of the Contract. In the event of an equal split then the PA rules will apply.
- 2.5. Officers should seek advice from Specialist Procurement Team and/or Legal Services as to the applicable regulations and contract procedure rule that govern a particular contract.
- 2.6. Where there is any ambiguity or conflict between these Rules and the Law, the Law shall take precedence.

3. Procurement Principles and Objectives

- 3.1. Following the Rules ensures that the Council:
 - 3.1.1. Achieves value for money, meets the Best Value Duty and delivers savings from the market.
 - 3.1.2. Achieves accountability, fairness, and transparency and ensures an adequate audit trail is maintained.
 - 3.1.3. Ensures compliance with all legal requirements, following proper, fair, and proportionate procedures for and throughout all procurement processes.
 - 3.1.4. Ensures that all procurement processes reflect appropriate quality requirements, and all Submissions are judged by objective criteria which are clearly set out in the procurement documentation.
 - 3.1.5. Reduces the risk of fraud, bribery, and corruption.
- 3.2. When conducting PA2023 Covered Procurement, the Council must:
 - 3.2.1. Have regard to the importance of:
 - Delivering value for money.
 - Maximising public benefit.

- Sharing information for the purpose of allowing Suppliers and others to understand the Council's procurement policies and decisions.
 - Acting, and being seen to act, with integrity.
- 3.2.2. Treat Suppliers the same unless a difference between the Suppliers justifies different treatment.
- 3.2.3. Have regard to the fact that small and medium-sized enterprises may face particular barriers to participation and consider whether such barriers can be removed or reduced.
- 3.2.4. Have regard to National Procurement Policy Statement.
- 3.3. When procuring Relevant Health Care Services under the PSR, the Council must act:
- 3.3.1. with a view to:
- securing the needs of the people who use the services,
 - improving the quality of the services, and
 - improving efficiency in the provision of the services.
- 3.3.2. transparently, fairly, and proportionately.

4. Governance of Rules

- 4.1. The City Barrister may, from time to time, amend to these Rules:
- 4.1.1. To correct an error or clarify an ambiguity.
- 4.1.2. To reflect changes in the management structure, working practices and responsibilities, e.g., as set out elsewhere in the Constitution; and to reflect changes in the Law to ensure consistency.
- 4.1.3. To reflect changes in the Law, including cabinet issued guidance, the National Procurement Policy Statement and Procurement Policy Notices or equivalent.
- 4.1.4. To reflect the gradual roll-out of guidance and legislation relating to the Procurement Act 2023 and development of the Central Digital Platform.
- 4.2. The Chief Operating Officer, Chief Finance Officer, and the City Barrister, may from time to time amend the thresholds in Table 1 in Rule 11.

- 4.3. The Head of Procurement and/or Head of Law may from time to time publish guidance to support these Rules and/or to amplify and fine tune the steps to be taken as part of procurement and contract management processes.
- 4.4. To ensure effective operation of these Rules, the Head of Procurement, Head of Law, and City Barrister may delegate their responsibilities under these Rules to appropriately skilled Officers.
- 4.5. The Governance and Audit Committee will receive reports in relation to procurement activity in line with the Terms of Reference set out in Part 3 in the Constitution.

5. Scope

- 5.1. These Rules must be followed at all times and apply:
 - 5.1.1. to all members, Officers, and staff, (including agency staff and interims) and consultants of the Council.
 - 5.1.2. to all departments trading organisations and organisations for which the Council is the accountable body.
 - 5.1.3. where the Council is acting as agent for or working collaboratively with another body unless it is agreed between the parties otherwise and provided the Law is complied with at all times.
 - 5.1.4. to all Suppliers acting on behalf of the Council and empowered to form contracts on behalf of the Council and by any person who is not an Officer of the Council engaged to manage a Contract on behalf of the Council.
 - 5.1.5. to the award of a Contract where a Sub-Supplier/Supplier is to be nominated by the Council to a main Supplier.
- 5.2. These Rules apply to the following Contracts, including, but not restricted to:
 - 5.2.1. the supply of Goods and Services (including consultancy); and/or
 - 5.2.2. the carrying out of Works; and/or
 - 5.2.3. a relevant Capital Asset Disposal; and/or
 - 5.2.4. a Concession Contract.
 - 5.2.5. any matters as may arise in the process of managing contracts including those which change, vary, modify, or terminate.
- 5.3. These Rules do not apply to:

- 5.3.1. contracts solely for the acquisition or disposal of any interest in land.
 - 5.3.2. contracts of employment.
 - 5.3.3. loan agreements.
 - 5.3.4. the awarding of grants so long as they fall outside of the definition of procurement within the Regulations.
- 5.4. The following contracts are considered Exempted Contracts under PA2023 Schedule 2 Part 1:
- 5.4.1. Arrangements with other public bodies, including counterparty exempted arrangements covered by Schedule 2, Part 1 of the PA23 (which includes contracting arrangements with Teckal bodies);
 - 5.4.2. Functional arrangements with other public bodies, including delegations of functions to another local council under the Local Government Act 1972 and Local Government Act 2000.
- 5.5. These Rules do not apply to Exempted Contract as defined in PA2023 Schedule 2 Part 1 subject to the approval of the Head of Procurement and the Head of Law (other than for Small Contracts, where standing approval is given).
- 5.6. Subject-matter Exempted Contracts under PA2023 Schedule 2 Part 2 include:
- 5.6.1. Land and buildings (unless subject to Rule 5.2).
 - 5.6.2. Exempt legal services.
 - 5.6.3. Specified financial services.
 - 5.6.4. Public services obligations contracts.
- 5.7. Where the Council considers a contract a Subject-matter Exempted Contract, it must keep record of its decision, including justification.
- 5.8. In deciding whether a contract is an Exempted Contract, Officers should seek advice from Specialist Procurement Team and/or Legal Services.
- 5.9. The maintained schools must comply with the relevant Regulations and the additional guidance in *ANNEX C - Leicester City Council Scheme for Financing Schools* published from time to time. These Rules do not apply to the maintained schools.

6. Contracts Database and Electronic Tendering System

- 6.1. Procuring Officers must record all Medium, Large and Threshold Contracts in the Council's Contracts Database. Small Contracts should also be included where possible.
- 6.2. With the exception of Small Contracts, the Electronic Tendering System must be used for each procurement process, including but not limited to, for the publication and receipt of documents to/from Bidders unless otherwise agreed in advance with the Head of Procurement.
- 6.3. Electronic auctions may be used, so long as, where applicable, the Regulations are complied with.
- 6.4. Submissions received via the Electronic Tendering System after the Closing Date will not be accepted unless in exceptional circumstances and subject to the approval of the Head of Procurement.
- 6.5. The Head of Procurement may authorise the acceptance of Submissions received via the Electronic Tendering System after the Closing Date where both of the following apply:
 - 6.5.1. There is clear evidence of technical issues with the Electronic Tendering System or other exceptional circumstances preventing the Bidder sending their Submission ahead of the Closing Date (e.g. verified by the provider of the Electronic Tendering System); and
 - 6.5.2. The Bidder gains no unfair advantage through acceptance of their Submission.

7. Social Value

- 7.1. Under Public Services (Social Value) Act 2012 the Council is required to consider social value when awarding contracts for services.
- 7.2. Officers must comply with the requirements of Public Services (Social Value) Act 2012 when awarding Medium, Large and Threshold Contracts; except where the Providers Selection Regime applies, in which case Officers must consider social value for all contracts regardless of size.
- 7.3. This includes consideration how the economic, social, and environmental wellbeing of Leicester may be improved.
- 7.4. When procuring relevant Contracts, Officers must comply with the Council's Social Value Charter and associated guidance (as amended from time to time).

8. Other General Provisions

- 8.1. Applications for funding on behalf of the Council from any source should be made in a way that complies with these Rules and Regulations.
- 8.2. All ICT Contracts, regardless of value, must be procured by the DDaT Procurement Team unless the Head of DDaT Delivery agrees otherwise. Where a procurement is not for an ICT Contract but contains an element of ICT the DDaT Procurement Team must be consulted in relation to the procurement.
- 8.3. Any procurement relating to the appointment of external legal advisors must have the prior approval of the Head of Law.
- 8.4. Officers must, in the first instance, check with the relevant Specialist Procurement Team whether their procurement needs can be met by any of Council's existing contracts or frameworks.
- 8.5. In case of joint/collaborative procurements, Rule 5.1 applies. In practice, if the Council is leading the procurement activity, these Rules will be complied with. Where the Council is part of a collaboration in which the procurement is led by another Contracting Authority, then the lead authority's contract procedure rules may be applied, except for the authorisation to award the resultant contract which must be obtained in accordance with these Rules.
- 8.6. Officers must consult a Specialist Procurement Team manager before commencing any multi-partner procurements and where required, a collaboration/partnering agreement must be entered into with all other participants.

9. Conflicts of Interest

- 9.1. The Council must take all reasonable steps to prevent, identify, manage, and keep under review any conflicts or potential conflicts of interest relating to all of its procurement activities.
- 9.2. The Council's Employee Code of Conduct (or where applicable Members' Code of Conduct) must be followed at all times. This includes Register of Interest and Gifts, Hospitality and Sponsorship provisions.
- 9.3. Where involved in in any part of commissioning, procurement or contract management activity, external consultants and other advisors must complete appropriate declarations of interest prior to their involvement. This applies to all Contracts, regardless of value.
- 9.4. Where conflicts of interest exist, whether actual or potential, the Officer involved in any part of commissioning, procurement or management activity, must declare it and decision must be made whether the risk can be sufficiently mitigated before the Officer is permitted to continue their involvement.

- 9.5. Should an Officer become aware of a conflict part way through any such activity, it must be reported immediately, and following the necessary assessment, their involvement might be discontinued or other necessary mitigation actions put in place.
- 9.6. For Threshold Contracts, a formal Conflicts of Interest Assessment must be prepared and kept under review throughout the lifecycle of the Contract, beginning from planning stage, through procurement and management of the Contract, though to its end.
- 9.7. In addition to actual and potential conflicts of interest, the Conflicts of Interest Assessment must include any perceived conflicts of interest the Council is aware of.
- 9.8. As part of the Conflicts of Interest Assessment, declarations of interest must also be sought from:
 - 9.8.1. Any person acting for or on behalf of the Council in relation to the procurement, this includes external consultants and other advisors that are not direct employees of the Council.
 - 9.8.2. Any person who influences a decision made by the Council in relation to a procurement.
- 9.9. Where the Direct Award process is followed, declarations of interest must be submitted as part of the Direct Award approval process and Conflicts of Interest Assessment carried out for all Medium, Large and Threshold Contracts before the Contract is awarded.

10. Valuation of Contracts

- 10.1. The essential obligation on the Commissioning Officer is to apply the methodology in this section when estimating the value of a contract, in order to determine whether the Contract is above or below the relevant threshold and consequently determine the rules that must be followed.
- 10.2. It is unlawful to exercise any discretion in valuing a Contract with a view to circumvent the requirements of the Rules. This includes artificially subdividing the requirement.
- 10.3. The estimated contract value must be the maximum amount the Council could be expected to pay for any goods, services or works to be provided through the Contract, taking account of any potential factors that might affect the total amount payable during the projected life of the whole contract.
- 10.4. Before starting any procurement process, the Commissioning Officer must calculate its estimated value to include the maximum possible Value Added Tax (VAT) payable in relation to the Contract and include all other taxes and duties.

- 10.5. Valuation of the Contract must also include the following:
 - 10.5.1. for fixed-term Contracts, the total estimated maximum value of the Goods, Services or Works to be supplied over the period of the Contract including any extensions.
 - 10.5.2. amounts that would be payable if an option in the Contract to supply additional goods, services or works were exercised.
 - 10.5.3. amounts that would be payable if an option in the Contract to extend or renew the term of the Contract were exercised.
 - 10.5.4. other premiums, fees, commissions, inflationary uplifts, pain/gain shares or interest that might be payable under the Contract.
 - 10.5.5. for trials and pilots, the value of the full Contract which may be awarded following the trial/pilot.
 - 10.5.6. for Framework Agreements and Dynamic Markets, the total expected value of all Call- Off Contracts over the maximum duration of the Framework Agreement/ Dynamic Markets by all organisations who may use the Framework Agreement/ Dynamic Markets.
 - 10.5.7. for periodic/recurring purchases, whether it is from the same or different Suppliers, must be aggregated over a minimum of a 12- month period.
- 10.6. Where the value of the Contract cannot be calculated, then the Contract must be treated as a regulated Threshold Contract and the appropriate procedure followed.
- 10.7. Estimated Value of a Concession Contract must be calculated as the maximum amount the Supplier could expect to receive under or in connection with the Contract including, where applicable, amounts already received in accordance with paragraph 3 of Schedule 3 of the PA2023.

11. Categorisation of Contracts Based on Value

- 11.1. The following table sets out the thresholds for categorisation of Contracts into value bands based on the Estimated Value which must be calculated to include VAT payable in relation to the Contract.
- 11.2. All categories except Threshold Contract are established by these Rules.
- 11.3. Threshold Contract values are dictated by relevant regulations, as amended from time to time.

Table 1: Contract Value Bands (values include VAT)

	Goods & Services	Light touch	Works & Concessions
Small Contract	£0 - £29,999.99		
Medium Contract	£30,000 - £100,000		£30,000 - £200,000.00
Large Contract	£100,000.01 – £214,903	£100,000.01 – £663,539	£200,000.01 – £5,372,608
Threshold Contract	£214,904 and over	£663,540 and over	£5,372,609 and over

12. Procurement Pipeline and Plan

- 12.1. The Head of Procurement will maintain a Procurement Plan and Pipeline.
- 12.2. A Procurement Pipeline will be published annually in accordance with section 93 of PA2023. The publication will be made on Central Digital Platform no later than 26th of May.
- 12.3. The Procurement Pipeline must include Contracts with the Estimated Value of £2m and above to be procured in the forthcoming 18 months. Where known, Contracts with the Estimated Value of £2m and above to be procured outside of this reporting period may also be included.
- 12.4. The Procurement Plan will be made available on the Council's Open Data Platform (or equivalent) to Members, the public and potential Bidders. The Procurement Plan should include known Contracts with Estimated Value of £5,000 and above to be procured in the forthcoming 18 months and beyond.
- 12.5. Where a Contract has been included in the published Procurement Pipeline, it will be at the Council's discretion whether to also include it on its published Procurement Plan.
- 12.6. For Relevant Health Care Contracts awarded under PSR2023, the Council must publish information regarding the Contracts formed during the year, monitor compliance with PSR2023 and publish an annual report of the results of that monitoring including information as to how any non-compliance will be addressed.

13. Notices

- 13.1. Notices must be made in accordance with the thresholds as required by the relevant Act or Regulations, and any other applicable law.
- 13.2. Notifiable Thresholds shown in the below table indicate thresholds from which the requirements to place relevant notices takes effect.
- 13.3. Regulated Threshold denotes contract value from which full provisions of the Procurement Act or Provider Selection Regime apply.

Table 2: Notifiable and Regulated Thresholds

	Contract Categorisation	Notifiable Thresholds	Regulated Threshold
The Procurement Act 2023	Goods and Services	£30,000	£214,904
	Light touch	£30,000	£663,540
	Works	£30,000	£5,372,609
	Concessions and Light touch regime concessions	£5,372,609	£5,372,609
Provider Selection Regime 2023	Relevant Health Related Services	£0.00	£0.00

- 13.4. Further breakdown of notice requirements applicable under relevant regulations is shown at [Appendix 3](#).

14. Contract Duration

- 14.1. All Contracts (excluding Framework Agreements but including Call-Off Contracts) may only be for a maximum of five years unless first approved in writing by the Head of Procurement and the Head of Law.
- 14.2. A Framework can be established with a maximum duration of four years.
- 14.3. Rule 14.2 does not apply to Light Touch Contracts, Open Frameworks and Contracts where Subsection 47(2) of PA2023 applies.

14.4. An Open Framework can be established with a maximum duration of eight years but must be reopened at least once within the first three years, and again at the five-year anniversary of the original award date.

15. Preliminary Market Engagement

15.1. Preliminary Market Engagement (PME) takes place in advance of the tender being published (or equivalent depending on procurement procedure) and allows the Council to gain a better understanding of the supply market.

15.2. The Council must ensure that the process is fair and does not give any Supplier(s) an unfair advantage or distorts the competition.

15.3. PME is not a call for competition and Suppliers participating in the subsequent tender must not be treated differently (whether more or less favourably) as a result of their participation in the PME.

15.4. For Threshold Contracts, permissible purposes are:

15.4.1. developing the Authority's requirements and approach to the procurement;

15.4.2. designing a procedure, conditions of participation or award criteria;

15.4.3. preparing the tender notice and associated tender documents;

15.4.4. identifying Suppliers that may be able to supply the goods, services or works required;

15.4.5. identifying likely contractual terms; and

15.4.6. building capacity among Suppliers in relation to the contract being awarded.

15.5. Carrying out a PME is recommended for Threshold Contracts. This is done via publication of Preliminary Market Engagement (UK2) notice. Where no such engagement is carried out, reasons must be explained in the Tender Notice (UK4). Where informal market engagement has been carried out, it must be disclosed in the notice.

15.6. Officers may choose which form of engagement is appropriate for a particular Contract, however, overall compliance with the Regulations must be maintained. PME may involve any, or combination, of the following:

15.6.1. Face to face presentations or webinars.

15.6.2. Workshops.

- 15.6.3. Site visits.
- 15.6.4. Response questionnaires.
- 15.7. Records of the information provided during PME should be kept and where appropriate included as part of the Tender documentation.
- 15.8. The Council must ensure supplier's commercial confidentiality is maintained throughout the process.
- 15.9. PME may assist the Council in its duty to consider barriers faced by SMEs.
- 15.10. For Below-Threshold Contracts, PME may also be carried out, but there is no requirement to observe the Rules 15.4 -15.5 above.

16. Terms and Conditions of Contracts

- 16.1. The following terms and conditions can be used, otherwise Legal Services must provide bespoke Terms and Conditions (T&Cs):

Table 3: Permissible T&Cs for each contract band

	Small	Medium	Large	Threshold
Purchase Order	Yes	Only with prior written approval of Legal Services	No	
Standard Terms and Conditions	Yes	Yes	Only with prior written approval of Legal Services	
Industry Standards	Only with prior written approval of Legal Services			
Supplier's Terms and Conditions	Only with prior written approval of Legal Services			
Framework Agreement Terms and Conditions	Only with prior written approval of Legal Services			

- 16.2. For Concession Contracts and when setting up LCC Framework Agreements, Terms and Conditions must be provided by Legal Services.

16.3. Where Standard Terms and Conditions are not used the proposed terms of all Contracts must include the clauses as set out in [Appendix 2](#).

17. Procurement Process for Small Contracts

- 17.1. A Small Contract may be made based upon one quote, where possible from a Local Supplier.
- 17.2. The Commissioning Officer must consider whether additional quotes are in the Council’s best interests. Where practical, obtaining three written quotations is preferable.
- 17.3. Where a written quote it is not practical, a record of any oral quotation obtained must be made and retained.

18. Procurement Process for Medium, Large and Threshold Contracts

- 18.1. Procurement of Medium, Large and Threshold Contracts must be conducted by the Specialist Procurement Team.
- 18.2. In case of Medium Contracts, with prior approval from the Head of Procurement, Rule 18.1 may not be complied with.
- 18.3. A Procurement Request Form (PRF) is required to start the process and a Delegated Power Certificate (DPC) is required to record the key events of the procurement and award approvals.
- 18.4. The following table sets out the usual procedures for each Contract Value Band:

Table 4: Permissible procurement process for each contract band

	Medium	Large	Threshold
Targeted Quotation	Yes (With the approval of Specialist Procurement Team manager)	Yes (With the approval of Specialist Procurement Team manager)	No
Advertised Quotation or Tender	Yes	Yes	No
Electronic Auctions	Yes (With approval of	Yes (With approval of	Yes (With approval of

	the Head of Procurement	the Head of Procurement	the Head of Procurement
Reserved Contracts (See Rule 26)	Yes (With the approval of Specialist Procurement Team manager)	Yes (With the approval of Specialist Procurement Team manager)	Yes (With the approval of Specialist Procurement Team manager)
Use of Non-LCC Framework	Yes (With approval of the Specialist Procurement Team Manager)	Yes (With approval of the Specialist Procurement Team Manager)	Yes (With approval of the Head of Procurement and Head of Law)
Open Procedure	Yes	Yes	Yes
Competitive Flexible Procedure	No	No (Except circumstances described at Rule 18.6 below)	Yes (With approval of the Head of Procurement (or Head of DDaT Delivery for ICT Contracts))
Establishment of a LCC Framework	No	Yes (With approval of the Head of Procurement and Head of Law)	Yes (With approval of the Head of Procurement and Head of Law)
Establishment of a Dynamic Market	No	No	Yes (With approval of the Head of Procurement (or Head of DDaT Delivery for ICT Contracts) and Head of Law)

18.5. The process may include questions relating to Supplier’s legal and financial capacity and technical ability (Conditions of Participation). However, for Medium

and Large Contracts this must not restrict the submission of tenders and therefore must not be a separate stage in the process.

- 18.6. The restriction under Rule 18.5 does not apply to Large Contracts for Works where the Estimated Value of the Contract is above Threshold Contract Value for Goods and Services (see Table 1 at Rule 11).

19. Specifications

- 19.1. Specifications are a written statement of the Goods, Services or Works required under the Contract and should include performance and functional requirements and where applicable may refer to standards.
- 19.2. Equivalents to UK standards must be considered and accepted by the Council where satisfied that such standard is a true equivalent.
- 19.3. Specifications must not unnecessarily limit competition.
- 19.4. Unless justified by the subject matter of the Contract and approved by the relevant Specialist Procurement Team Manager, the Specification shall not refer to:
- 19.4.1. a specific make or source.
 - 19.4.2. a particular process which characterises the Goods, Services or Works provided by a specific organisation.
 - 19.4.3. trademarks, patents, types or a specific origin or production with the effect of favouring or eliminating certain organisations or certain products.
- 19.5. Officers writing a specification must also consider wider legislative obligations (outside of Rule 2.1), which may include health and safety, environmental and industry-specific regulatory requirements.

20. Targeted Quotation

- 20.1. The Procuring Officer must obtain a minimum of three Quotations via the e-tendering portal, of which at least two shall be from Local Bidders. Where Local Bidders cannot be approached or three Quotations cannot be obtained, written reasons and evidence as to why this is the case is required.
- 20.2. A written record of the award decision must be retained to include considerations of the Quotation received.

21. Open Procedure

21.1. The Open Procedure is a single stage procedure where there is no restriction on submission of tenders, and all information needs to be provided at the point of tender and is made available to all Suppliers.

22. Competitive Flexible Procedure

22.1. The Competitive Flexible Procedure is a multi-stage procedure which can be designed by the Council for a specific Contract in accordance with the Regulations.

22.2. A decision to follow the Competitive Flexible Procedure shall be made only after consultation and approval of Head of Procurement or Head of DDaT Delivery (for ICT Contracts).

22.3. Before advertising a Contract using the Competitive Flexible Procedure, the Council should consider a Preliminary Market Engagement, which may inform the design of the procedure and its acceptability by the Suppliers.

22.4. Where a Competitive Flexible Procedure is followed, procurement documents must clearly describe the process, including:

22.4.1. Applicable suitability criteria (if any).

22.4.2. Evaluation Criteria and if these can be refined (if so, this must be stated in the Tender Notice UK4 also).

22.4.3. Description of successive stages, including any supplementary process, and whether any such stage includes down-selection.

22.4.4. May stipulate a minimum or maximum number of Bidders that will be invited to the next stage following down-selection.

22.4.5. Applicable time limits (which must be greater or equal to the minimum periods in accordance with Section 54 of PA2023).

22.5. Negotiations may be undertaken at any stage, including post-tender, provided that they have been allowed for as part of the procedure. However, even where such negotiations have been allowed for in the procurement, they shall not be undertaken without the presence of a Procuring Officer.

23. Frameworks

23.1. A Framework is a contract between the Council and one or more Suppliers that provides for the future award of contracts by the Council to the Supplier or Suppliers.

- 23.2. The framework must set out a methodology for awarding a Call-Off Contract.
- 23.3. Direct award of a Call-Off Contract is only permitted where:
- 23.3.1. There is only one Supplier awarded to the Framework/Lot.
 - 23.3.2. There is more than one Supplier awarded to the Framework/Lot, only if direct award is expressly allowed within the Framework's Terms and Conditions, and there is an objective mechanism for a Selection of the Supplier.
 - 23.3.3. The Framework is a Light Touch Framework.
- 23.4. Where a Call-Off Contract is awarded in line with Rule 23.3.2, Officers must retain a written record of a suitable justification.
- 23.5. Where the Council awards a Notifiable Contract based on a Framework, relevant notices for such a Call-Off Contract must be published, including Contracts Notice UK6 and Contracts Details Notice UK7.
- 23.6. A Voluntary Standstill Period may be observed prior to awarding a Call-Off Contract.
- 23.7. An Open Framework is a scheme of Frameworks that provides for the award of successive Frameworks on substantially the same terms.
- 23.8. As a minimum, an Open Framework must be re-opened for competition:
- 23.8.1. at least once within the first three years,
 - 23.8.2. and again at the five-year anniversary of the original award date.

24. Dynamic Market

- 24.1. A Dynamic Market can only be established with the approval of the Head of Procurement (or Head of DDaT Delivery for ICT Contracts) and the Head of Law and in accordance with the Regulations.
- 24.2. Non LCC Dynamic Markets may be accessed observing the same principles as applicable to Non LCC Frameworks detailed at Rule 25.
- 24.3. It is not permitted to award a Call-Off Contract under a Dynamic Market via direct award.
- 24.4. Only Threshold Contracts can be awarded via Dynamic Markets.

25. Non LCC Frameworks

- 25.1. The Council may use Framework set up by third parties where the Framework entitles the Council to do so, subject to the approval of the Head of Procurement and the Head of Law.
- 25.2. The methodology and all requirements set out in the Framework must be followed when awarding a Call-Off Contract under the Framework.

26. Reserved Contracts

- 26.1. A Contract can only be reserved for supported employment providers or public service mutuals, in accordance with the Regulations and requires prior written approval of the relevant Specialist Procurement Team Manager.

27. Light Touch Contracts

- 27.1. Light Touch Contracts are contracts for certain social, health, education and other public services and are subject to more flexible procurement rules. They provide services directly to individuals or groups of people and are defined in Schedule 1 of the PR2024.
- 27.2. Some Light Touch Contracts can be directly awarded based on User Choice. This includes the award of individual adult's and children's social care placements where it is for the supply of user choice services and the following conditions are met:
 - 27.2.1. The individual to whom the services are to be applied, or their carer, has expressed a preference as to who should supply the services, or the nature of the services to be supplied is such that only one Supplier is capable of providing them; and
 - 27.2.2. The Council considers that it is not in the best interest of the individual to award a contract through competition.
- 27.3. Value for money should also considered when following the process at Rule 27.2.
- 27.4. Where a Light Touch Contract is awarded based on User Choice, the Direct Award process described at Rule 43 applies.

28. Relevant Health Care Services Contracts

- 28.1. Procurement and award of Relevant Health Care Services Contracts must be carried out accordance with PSR2023.
- 28.2. The applicable procurement processes are further outlined at [Appendix 4](#). These are:

- 28.2.1. Direct Award A.
 - 28.2.2. Direct Award B.
 - 28.2.3. Direct Award C.
 - 28.2.4. The Most Suitable Provider Process.
 - 28.2.5. The Competitive Process.
- 28.3. The Procuring Officer must keep a record of the decision process to determine the procurement procedure.
- 28.4. When following Direct Award Process C, The Most Suitable Provider Process or The Competitive Process, the evaluation criteria (known as key criteria in accordance with Part 1 of PSR2023) must be applied:
- 28.4.1. Social Value.
 - 28.4.2. Improving access, reducing health inequalities, and facilitating choice.
 - 28.4.3. Value.
 - 28.4.4. Integration, collaboration, and service sustainability.
 - 28.4.5. Quality and innovation.
- 28.5. When assessing a Supplier, all five key criteria must be considered, and none should be discounted. However, the relative importance of the criteria is not pre-determined and there is no prescribed hierarchy or weighting for each criterion.
- 28.6. The Procuring Officer must ensure that the Supplier meets the relevant national minimum standards and the reasons for the choice of the Supplier are recorded, including where applicable reference to key criteria.
- 28.7. The establishment of a LCC Framework or a Dynamic Market for Relevant Health Care Services requires the approval of the Head of Procurement and Head of Law.

29. Advertisements and Tender Documentation

- 29.1. When advertising Notifiable Below-Threshold Contracts and Threshold Contracts, relevant notice must be visible on the Central Digital Platform prior to being published elsewhere, including the e-tendering platform.
- 29.2. Before publishing a tender notice, the Council has a duty to consider whether the Goods, Services or Works required, could reasonably be supplied under more than one contract, and whether such contracts could appropriately be awarded by reference to lots.

- 29.3. If the Council considers that it can, then the Council must arrange for the award of the contract or contracts by reference to lots or provide reasons for not doing so in the tender notice.
- 29.4. The Procuring Officer and Commissioning Officer must ensure that the procurement process, including applicable assessment methodology, is clearly set out in the tender documents issued to Bidders and followed throughout.
- 29.5. All Bidders should be allowed access the same information about the procurement process, which should typically include:
 - 29.5.1. Information relating to the tender process including award methodology and criteria.
 - 29.5.2. Specifications.
 - 29.5.3. Terms and Conditions of the Contract.
 - 29.5.4. Any other supplementary information, for example technical drawings.
- 29.6. The Closing Date for the submission of Tenders must be set taking into account:
 - 29.6.1. Minimum time limits as set out in the Regulations.
 - 29.6.2. The nature and complexity of the requirement.
 - 29.6.3. The need for site visits, physical inspection and other practical steps.
 - 29.6.4. The need for sub-contracting.
 - 29.6.5. The urgency of the requirement.
 - 29.6.6. Where a modification has been issued in respect of a pending procurement, the nature and complexity of such a modification.

30. Receipt and Opening of Submissions

- 30.1. The tender documents must specify the method of Submission and the Closing Date.
- 30.2. Except for Small Contracts, the Electronic Tendering System must be used for each procurement process, including but not limited to, for the publication and receipt of documents to/from Bidders unless otherwise agreed in advance with the Head of Procurement.
- 30.3. Where, in exceptional circumstances, the submission of tenders outside of the Electronic Tendering System has been approved, tenders must:
 - 30.3.1. Be opened one at a time.

- 30.3.2. In the presence of at least two Officers, one of whom is not involved in the procurement.
 - 30.3.3. After the Closing Date.
 - 30.3.4. And a written record of the tenders received must be prepared and signed by the Officers present.
- 30.4. Submissions received after the Closing Date must not be accepted unless Rule 6.4 applies.

31. Clarification of Submissions

- 31.1. Bidders are not permitted to alter their Submissions after they have been received by the Council other than in accordance with the tender instructions provided to Bidders.
- 31.2. Following the Closing Date but before the award of any Contract, the Procuring Officer may seek clarification from a Bidder.
- 31.3. Clarification should be only conducted via the Electronic Tendering System, unless first approved by the Head of Procurement.
- 31.4. Any clarification of Submissions during a procurement process must always ensure that fair and the same treatment of all Bidders is maintained and must not allow for any Bidder to gain an unfair advantage.

32. Abnormally Low Tenders

- 32.1. The Tender may be disregarded where the Council considers the price offered in the Tender abnormally low for the performance of the Contract.
- 32.2. Before rejecting the Tender, the Council must notify the Supplier and provide an opportunity for them to demonstrate they can deliver the contract at the tender price.
- 32.3. If the Supplier demonstrates to the Council's satisfaction that it will be able to perform the Contract for the price offered, the Council should not disregard the Tender as being abnormally low.
- 32.4. If the Supplier doesn't satisfy the Council, the Tender may be disregarded by notifying the Supplier of the decision. All documentation and correspondence with the Supplier that details how the decision was reached must be kept.

33. Excluding Suppliers

- 33.1. The Head of Procurement and Head of Legal must be consulted before considering the award of a Contract to, or continuing a Contract with, a Supplier who is added to the Debarment List.
- 33.2. Where the Council considers a Supplier an Excluded Supplier, it must disregard their Tender or exclude the Supplier from processing as part of the multi-stage procurement process.
- 33.3. Where the Council considers a Supplier an Excludable Supplier, it may disregard their Tender or exclude the Supplier from processing as part of the multi-stage procurement process.
- 33.4. In deciding whether to exclude an Excludable Supplier, the Council should have regard to procurement objectives including delivering value for money, maximising public benefit, information sharing and acting (and being seen to act) with integrity. The Council must consider on a case by case basis whether circumstances giving rise to the discretionary exclusion ground outweigh the public interest in allowing the Supplier to participate in the procurement.
- 33.5. Where the Council considers a Supplier an Excluded Supplier or an Excludable Supplier, it must inform the Supplier and give them reasonable opportunity to make representations and provide relevant evidence.
- 33.6. Whenever the Council has determined that a Supplier (including by virtue of a connected person, associated person or sub-contractor) is an Excluded Supplier or an Excludable Supplier and has taken certain actions under the exclusions regime, an appropriate notification to the relevant appropriate authority is required (in accordance with Section 59 of PA2023).

34. Negotiation

- 34.1. For Threshold Contracts, negotiation will only be permitted where a procedure allows for it and shall be conducted in line with the procedure adopted for the Tender.
- 34.2. For Below-Threshold Contracts, the Procuring Officer, in consultation with the Commissioning Officer, may negotiate with Bidders to seek to secure improvements in the price or economic advantage.
- 34.3. Such negotiation should take place following the Closing Date, but before award of Contract and be approved in writing by the Head of Procurement.
- 34.4. When conducting negotiations, the following shall apply:
 - 34.4.1. A Bidder must not be told the detail of any other Submission or how their Submission compares to any other Submission.

- 34.4.2. A minimum of two Officers of the Council must be present at negotiations.
- 34.4.3. A written note of the negotiations must be made and retained detailing the time and location of the negotiations, the discussions and any agreement reached.
- 34.4.4. Negotiations shall not result in a material departure from the published Specification and/or Contract Terms & Conditions. The Head of Law, in consultation with the Head of Procurement and appropriate Divisional Director, shall determine whether any proposed change to the Specification and/or Contract Terms & Conditions constitutes a material departure and any resulting actions.

35. Contract Award and Standstill

- 35.1. Authorisation of the Contract award is required prior to the publication of a contract award notice (which triggers the start of a Standstill Period), or, where this is not required, prior to notifying the Bidders of the award decision. Authorisation shall be:

Table 5: Contract Award Approvals

Small Contract	Budget Holder & Commissioning Officer (and DDaT Specialist Procurement Team Manager for ICT Contracts)
Medium Contract	Head of Service & Specialist Procurement Team Manager
Large Contracts	Divisional Director & Specialist Procurement Team Manager
Threshold Contracts	Divisional Director & Specialist Procurement Team Manager

- 35.2. Authorisation to proceed to Contract is generally obtained via completion of a Delegated Powers Certificate (DPC).
- 35.3. A Standstill Period must be observed where so required by the Regulations, including award of:

Table 6: Standstill Period Calculation

<p>Threshold Contracts (PA2023)</p> <p><i>Including Direct Award made in accordance with Rule 43 unless specific exclusions apply</i></p>	<p>The Standstill Period begins the day the contract award notice is published, day one counting as the day the notice is published and visible and ends at midnight on the 8th working day.</p>
<p>Relevant Health Care Services Contracts (PSR2023)</p> <p><i>Except awards under Process A and Process B</i></p>	<p>The Standstill Period begins the day after the day the notice is published, day one counting as the day after such notice is sent and ends at midnight on the 8th working day</p>

- 35.4. Where not mandatory, a voluntary Standstill Period may still be observed, e.g. in relation to Light Touch Contracts or Call-Off Contracts awarded under Frameworks or Dynamic Markets.
- 35.5. Where a formal challenge is received during the Standstill Period, the approval of Head of Procurement and Head of Law is required before proceeding to issue the Contract for signing. Insurance Services must also be notified of the formal challenge.
- 35.6. Letters of Intent are not permitted unless prior written approval of the Head of Law has been granted.
- 35.7. The Council must not award a Contract to, or conclude a Framework with, a Supplier which does not meet the selection criteria, is considered by the Council an Excluded Supplier or is on the Debarment List.
- 35.8. If a procurement process is aborted after Bidders have submitted their response and before a contract has been awarded, an auditable record of the decision should be retained internally and approved by the Officers listed at Table 6.

36. Record Keeping

- 36.1. In relation to Threshold Contracts, the Officers must retain auditable records sufficient to explain any material decisions made for the purpose of awarding or entering into a Contract, in accordance with PA2023.
- 36.2. In relation to Relevant Health Care Services Contracts, the Officers must keep accurate records of their decision-making process and rationale, as further detailed in PSR2023.

36.3. A similar, proportionate approach should be taken in relation to Below-Threshold Contracts.

36.4. As a minimum, records should include any records required by the Regulations and approvals as set out in these Rules.

36.5. The Council will operate internal processes for the Officers to record certain decisions and obtain required approvals. Any such processes will be in compliance with these Rules but operational detail such as exact format, etc, is outside of the scope of the Rules.

36.6. The Head of Procurement and/or Head of Law may from time to time amend applicable internal processes.

37. Execution of Contracts

37.1. Legal Services will determine where a Contract should be executed as deed.

37.2. Contracts may only be signed and entered into as follows:

Table 7: Contract Signatories

Small Contracts (non-deed)	Divisional Director
Medium Contracts (non-deed)	One Authorised Signatory within Legal Services.
Large Contracts (non-deed)	Two Authorised Signatories within Legal Services.
Threshold Contracts (non-deed)	Two Authorised Signatories within Legal Services.
Any Contract to be entered in to as a deed	Common Seal and one Authorised Signatory within Legal Services.

37.3. No instruction should be given to a Supplier, or a Purchase Order raised, before all parties have signed the Contract.

38. Purchase Orders

38.1. Any Purchase Order raised in relation to a Contract, Framework or Dynamic Purchasing System/Dynamic Market Call-off, should clearly state that it is subject

to the Terms and Conditions of that Contract/Framework/ Dynamic Purchasing System /Dynamic Market, including the Contract reference number.

- 38.2. Suppliers should not be instructed to undertake delivery of Goods/Services or Works until after they have received a Purchase Order for the Goods/Services or Works being requested.

39. Contract Management

- 39.1. The Divisional Director must ensure that for every Contract, a person is designated as the Contract Manager.
- 39.2. As a minimum, a Contract Manager should:
- 39.2.1. Consider the importance of a Contract, the impact if the Supplier breaches or falls over during the Contract life, and impact on recovery.
 - 39.2.2. Identify and prioritise the frequency of monitoring on high impact Contracts and scaling downwards on low impact Contract.
 - 39.2.3. Have easy access to a copy of the signed/sealed Contract, and understand contract deliverables, required specification for Goods/Services or Works, pricing, applicable KPIs and notice periods.
 - 39.2.4. Arrange kick off meeting prior to the start of the Contract to ensure all parties involved are aware of their contractual obligations
 - 39.2.5. Understand contractual performance mechanisms to apply if the Supplier does not meet their obligations (e.g. liquidated damages or service credits).
 - 39.2.6. Regularly check that the Supplier maintains compliance with the contractual requirements relating to insurance levels and other relevant accreditation and trade specific certificates. Where applicable, copies of relevant certificates should be kept on file and reviewed annually or otherwise in accordance with the relevant expiry dates.
 - 39.2.7. Update business continuity plans to reflect actions and contact details relating to the Contract.
 - 39.2.8. Follow the internal approval process, in advance of contractually required notice periods, for contract extensions and modifications.
 - 39.2.9. Periodically check that the Supplier is not on the Debarment List.
 - 39.2.10. Monitor KPIs and for Contracts over £5m report performance via appropriate notice under PA2023.

- 39.2.11. Monitor the delivery of any Social Value commitments made during the tendering process and/or agreed in the Contract.
 - 39.2.12. Hold regular contract management meetings with the Supplier, and ensure any issues are addressed efficiently.
 - 39.2.13. Ensure valid, undisputed invoices are paid promptly (usually within 30 days or less).
 - 39.2.14. For Frameworks, the Contract Manager should ensure a record is kept of all Call-off Contracts, ensure contract award notices are made in accordance with the Regulations, and a record of the committed spend to date captured, to ensure the awarded Framework value is not exceeded.
 - 39.2.15. Capture lessons learnt and, where required, initiate procurement of a replacement contract in a timely manner in accordance with these Rules (including requirements under Rule 12).
- 39.3. The Contract Manager is responsible for managing the performance of the Contract and the Supplier(s) throughout the Contract period, including ensuring that value for money is obtained and Best Value Duty met.
- 39.4. For Threshold Contracts over £5m, the Contract Manager is to provide the Specialist Procurement Team with the information required to enable compliance with the PA2023, including the publication of the payment compliance notice, contract performance notice and contract termination notice.
- 39.5. For Threshold Contracts over £5m, the Council must include at least three KPIs within the Contract and monitor the Supplier's performance against these. At least once annually, details of the Supplier's performance under these KPIs must be published (with the exception of Light Touch Contracts) in accordance with the following ratings):

Table 8: Key Performance Indicator Ratings

Rating	Description
Good	Performance is meeting or exceeding the KPI
Approaching target	Performance is close to meeting the KPI
Requires Improvement	Performance is below the KPI

Inadequate	Performance is significantly below the KPI
Other	Performance cannot be described as good, approaching target, requires improvement or inadequate

- 39.6. Every six months, the Council must publish a notice setting out details of the Council's compliance with the requirement under PA2023 to pay Suppliers within 30 days of receipt of invoice. This needs to include the average number of days it takes to make payments, the percentage of payments made within 30 days, within 31 to 60 days and 61 days or over.
- 39.7. For all Contracts, the Contract Manager should ensure consideration is given to any conflict of interest arising during the lifecycle of the Contract
- 39.8. For Threshold Contracts, the Contract Manager is to ensure the Conflict of Interest Assessment is maintained during the life of the Contract.
- 39.9. For Threshold Contracts, the Contract Manager inform Specialist Procurement Team of the natural end of the Contract to prompt the required notice to be published. This notification must happen within seven days of a contract ending.

40. Contract Modification

- 40.1. No modification may be authorised which alters the overall nature of the Contract.
- 40.2. Contract modifications are to be justified and recorded in line with the applicable internal approval process and only implemented after the required approvals are received, and in accordance with these Rules.
- 40.3. An extension of a Contract is only available where it is expressly provided for in the Contract. Otherwise, any proposed extension may only be introduced via contract modification.
- 40.4. Should the categorisation of the Contract change (Rule 11) this will mean the approvals for the new category will apply.
- 40.5. Each modification to a Contract must be made in writing and signed by the parties to the Contract unless the Contract allows otherwise. This must be completed after formal approvals and before the modification takes effect.
- 40.6. The Contract Manager may, where they do not significantly affect the overall delivery or cost of the Contract, agree minor modifications on any Contract

provided that the modification is confirmed in writing and signed by the parties, with full details of the modification included.

- 40.7. A contract modification for a price adjustment, must only be considered if the contract expressly allowed for it within the terms and conditions or it is permissible under either the PCR2015 or PA2023 (whichever is applicable).
- 40.8. Any Contracts let below threshold under the PA2023, may be considered to be modified to a Threshold Contract as long as the conditions are met relating to Convertible Contracts under PA2023.
- 40.9. In case of Threshold Contracts, a contract change notice must be placed before modifying the Contract.
- 40.10. The Council should observe a voluntary Standstill Period before modifying a Threshold Contract.
- 40.11. All modifications require prior authorisation via an appropriate internal process as follows:

Table 9: Contract Modifications Approvals

Contract Categorisation	Percentage Change in Contract Value	Approval Required
PCR2015 and PA2023 Contracts		
Small Contract	Any	Head of Service
Medium Contract	Less than 50%	Head of Service, Specialist Procurement Team Manager, Head of Finance (if value of the modification exceeds £50k)
Medium Contract	50% or more	Divisional Director, Specialist Procurement Team Manager, Head of Finance (if value of the modification exceeds £50k)
Large Contracts	Less than 50%	Divisional Director, Specialist Procurement Team Manager (and Head of Finance if value of the modification exceeds £50k)

Large Contracts	50% or more	Divisional Director, Specialist Procurement Team Manager (and Head of Finance if value of the modification exceeds £50k)
Threshold Contracts <i>Including Convertible Contracts</i>	Up to 10% for Goods & Services Or 15% for Works (And/or up to 10% increase or decrease the term if a PA2023 Contract)	Divisional Director, Specialist Procurement Team Manager (and Head of Finance if value of the modification exceeds £50k)
Threshold Contracts <i>Including Convertible Contracts</i>	Above 10% Goods & Services Or 15% Works and no more than 50%	Divisional Director, Head of Specialist Procurement Team and Head of Law (and Head of Finance if value of the modification exceeds £50k)
Threshold Contracts <i>Including Convertible Contracts</i>	More than 50%	Only where specific grounds apply Strategic Director, Head of Procurement (and Head of DDaT Delivery for ICT Contracts) and Head of Law (and Head of Finance if value of the modification exceeds £50k)
PSR2023 Contracts		
Below £500,000 or Less than 25% of lifetime value		Divisional Director, Specialist Procurement Team Manager (and Head of Finance if value of the modification exceeds £50k)

<p>Above £500,000 or More than 25% of lifetime value</p>	<p>Not permitted.</p>
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40.12. Relevant Health Care Services Contracts can only be modified in accordance with PSR2023.

40.13. Where Direct Award Process A or Direct Award Process B was followed for the original award of a Contract, the Contract may be modified during its term without following a new procurement process under these Regulations where the modification does not render the Contract materially different in character.

41. Contract Novation

41.1. A novation is to be justified, with an auditable record retained in line with the appropriate internal process and only implemented after the required approvals are received, and in accordance with these Rules.

41.2. The novation of a Contract from an existing party to a new party requires prior written approval of the Head of Law and must be via a formal agreement. The Head of Procurement must be informed of the novation.

41.3. No Contract can be novated to a Supplier on the Debarment List.

41.4. Where a Threshold Contract is novated, a contract change notice must be placed.

42. Contract Termination

42.1. A Contract may terminate in various circumstances, including:

42.1.1. termination on contract expiry/completion of deliverables.

42.1.2. early termination for breach or poor performance.

42.1.3. Supplier / Sub-Supplier exclusions.

42.2. The Divisional Director shall be authorised to terminate any Contract before the expiry of its agreed term following consultation with the Head of Law. In such cases the Divisional Director must inform the Head of Procurement of the termination.

42.3. In case of a termination of Threshold Contract, a contract termination notice shall be placed and where grounds described at 43.1.2 apply, the relevant details on nature of the breach or failure to perform, will be included in the notice.

42.4. The Contract Manager must notify the Specialist Procurement Team of the expiry/termination of the Threshold Contract in a timely manner to allow for a Contract termination notice publication.

43. Direct Award

43.1. Direct Award is a process whereby the Council awards a Contract directly to the Supplier without a competitive tendering procedure.

43.2. Threshold Contracts may only be awarded via Direct Award where permitted in the Regulations and never as a method of convenience.

43.3. Direct Award is permitted for Exempted Contracts as described at Rule 5.4-5.7.

43.4. A Direct Award requires approval as follows.

Table 10: Direct Award Approvals

Contract Categorisation	Approval
Small Contract	Head of Service
Medium Contract	Divisional Director, Specialist Procurement Team Manager (and Head of Finance if contract value exceeds £50k)
Large Contract	Divisional Director, Specialist Procurement Team Manager, Head of Finance and Head of Law
Threshold Contract	Divisional Director, Specialist Procurement Team Manager, Head of Procurement, Head of Finance and Head of Law

43.5. Any Direct Awards must be first approved in accordance with the Council's internal processes and no Contract must be entered into or order placed before this has been completed.

43.6. Approval can be obtained by completing a justification report, which acts as a DPC.

44. Waivers

44.1. A Waiver is a request for approval to waive these Rules and must only be used in exceptional circumstances.

44.2. This includes a situation whereby it is proposed to procure Goods, Services or Works not in accordance with these Rules.

44.3. Any Direct Award that is not permitted under Rule 43 must be classed as a Waiver.

44.4. Any Waivers should be for the shortest possible duration.

44.5. Any Waivers must be first approved in accordance with the Council's internal processes and no Contract must be entered into or order placed before this has been completed. Approvals are required as follows:

Table 11: Approvals required for Waivers

Contract Categorisation	Approval
Small Contract	Head of Service (and DDaT Specialist Procurement Team Manager for ICT Contracts)
Medium Contract	Divisional Director, Specialist Procurement Team Manager (and Head of Finance if contract value exceeds £50k)
Large Contract	Divisional Director, Specialist Procurement Team Manager, Head of Finance and Head of Law
Threshold Contract	Strategic Director, Specialist Procurement Team Manager, Head of Procurement or Head of DDaT Delivery (for ICT Contracts), Head of Finance and Head of Law

APPENDIX 1: DEFINITIONS

Terms defined in the Council's Constitution have the same meaning when used in these Rules. Where a job title is used and that job title is no longer appropriate, the Chief Operating Officer will identify the postholder to replace the stated job title.

Other terms are defined by these Rules as follows:

“Associated Person” means a person that the Supplier is relying on in order to satisfy the conditions of participation, but not a person who is to act as guarantor (Section 22 of PA2023).

“Below-Threshold Contract” means a Contract of value lower than applicable Threshold. The award and management of such a Contract is not a ‘covered procurement’ therefore fewer obligations of PA2023 apply to it (Section 5 of PA2023).

“Best Value Duty” means the duty placed on local authorities under section 3(1) of the Local Government Act 1999 to ensure continuous improvement in the way functions are exercised considering a combination of economy, efficiency, and effectiveness.

“Bidder” means a person or organisation who responds to an advertisement or invitation to tender and participates in a procurement procedure to win a Contract.

“Call-Off Contract” means a Contract based on a Framework Agreement, DPS or Dynamic Market.

“Central Digital Platform (CDP)” means the online system referred to in the Procurement Act 2023, also known as Find a Tender System (FTS).

“Capital Asset Disposal” means a relevant disposal of capital assets by the Council which fall within the scope of the Regulations which may include land disposal with a development arrangement/agreement from which the Council receives an income.

“CCR2016” means the Concession Contracts Regulations 2016 (as amended or re-enacted from time to time).

“Closing Date” means any stated closing time and date for the receipt of Submissions or Tenders.

“Common Assessment Standard (CAS)” means the standard selection questionnaire as issued by Build UK, which should be used for works Contracts.

“Commissioning Officer” means a person appointed by a Head of Service or Chief Officer to identify and specify the requirement and provide specialist service/technical input into the procurement of goods, services or works.

“Concession Contract” means a contract for the supply for pecuniary interest, of works or services to a contracting authority where at least part of the consideration for

that supply is a right for the Supplier to exploit the works or services, and under the contract the Supplier is exposed to a real operating risk (Section 8 of PA2023).

“Connected Person” in relation to the Supplier means a person with significant control over the Supplier; a director and any other persons as defined in paragraph 45 of Schedule 6 of the PA2023.

“Contract” means any contract procured or to be procured and/or entered in to by the Council and includes Framework Agreements, Concession Contracts, ICT Contracts and Light Touch Contracts.

“Contract Manager” means a person appointed by a Head of Service or Chief Officer to administer and manage the performance of a Contract throughout its term. The duties of a Contract Manager shall begin when the Contract is awarded and shall cease when it is completed or terminated.

“Contracting Authority” means any entity defined as a contracting authority in Section 2 of PA2023.

“Council” means Leicester City Council.

“CPRs” means Contract Procedure Rules.

“DPC” means a Delegated Powers Certificate.

“Debarment List” means a list described in Section 62 of PA2023.

“Electronic Tendering System” means any IT system approved for use by the Head of Procurement via which a procurement process can be conducted.

“Estimated Value” means the estimated value of a Contract as established in accordance with Rule 10.

“Evaluation Panel” means the Procuring Officer, the Commissioning Officer and any other individuals appointed by them to participate in the evaluation of Submissions/Tenders.

“Excluded Supplier” means a Supplier in respect of whom a mandatory exclusion ground applies (as further defined at Section 57 of PA2023).

“Excludable Supplier” means a Supplier in respect of whom a discretionary exclusion ground applies (as further defined at Section 57 of PA2023).

“Exempted Contract” means a contract within scope of Schedule 2 of Procurement Act 2023.

“Extension” means an extension of a Contract for a further period of time beyond its initial or subsequently agreed term.

“Framework” means an agreement between the Council (or other contracting authority or group of contracting authorities) and one or more Suppliers that provides for the future award of Contracts by the Council or other contracting authorities to the Supplier or Suppliers (Chapter 4 of PA2023 or Regulation 33 of PCR2015 as applicable).

“Head of Law” means the Head of Law for Commercial, Property & Planning.

“Head of Procurement” means the Head of Procurement.

“ICT Contract” means any contract primarily for the provision of equipment, software or hardware that connects or interfaces with the Council’s ICT network, including maintenance and support services to this hardware and software.

“ITT” means an Invitation to Tender document issued by the Council to potential Bidders.

“Law” means any:

(i) applicable statute or proclamation or any delegated or subordinate legislation or regulation, including but not limited to, listed at Rule 2.1.

(ii) applicable judgment of a relevant court of law which is a binding precedent in England and Wales.

(iii) National Standards.

(iv) Statutory Guidance; and in each case in force in England and Wales and including any amendments.

“Legal Services” means a service within the Council led by the City Barrister.

“Letter of Intent” means a letter issued to a Supplier with whom the Council intends to enter into a contract with. The letter is to confirm the Council’s intention pending formal execution of the Contract.

“Light Touch Contract” means a contract wholly or mainly for the supply of certain social, health, education and other public services as listed in Schedule 1 of Procurement Regulations 2024.

“LGA 1988” means Local Government Act 1988.

“Local Bidder” or **“Local Supplier”** means a business having a base from which the goods, services or works will be delivered with a LE postcode.

“Modification” means an amendment to a Contract as originally procured.

“Officer” means an employee of Leicester City Council.

“PA” or “PA2023” means The Procurement Act 2023 as implemented by The Procurement Regulations 2024(as amended or re-enacted from time to time)

“PCR” or “PCR2015” means the Public Contracts Regulations 2015 (as amended or re-enacted from time to time).

“PR” or “PR2024” means The Procurement Regulations 2024 (as amended or re-enacted from time to time).

“PRF” means a Procurement Request Form or equivalent.

“Procuring Officer” means a person appointed by the Head of Procurement and responsible for carrying out duties associated with the procurement of goods, services or works.

“Provider Selection Regime” or “PSR2023” means The Health Care Services (Provider Selection Regime) Regulations 2023 (as amended or re-enacted from time to time).

“PSQ” means Procurement Specific Questionnaire issued by the Cabinet Office.

“Quotation” means a quotation submitted by a Supplier in response to Council’s request (or similar Submission from a Bidder), and any attached documents submitted by a Bidder as part of a procurement procedure.

“Reserved Contract” means a Contract reserved for sheltered workshops, mutuals or social enterprises (or similar), VCSEs, SMEs or local Suppliers.

“Regulations” has a meaning as set out at Rule 2.1.

“Relevant Health Care Services” means services as defined in Schedule1 of PSR2023.

“RfQ” means a Request for Quotation document issued by the Council to potential Bidders.

“Rules” means these Contract Procedure Rules.

“Social Value Charter” means the social value charter as adopted and published by the Council from time to time and associated guidance issued.

“Specialist Procurement Team” means:

- Procurement Services (Finance),
- DDaT Procurement Team (Corporate Resources) and
- Social Care, Education & Public Health Procurement Team (Social Care and Education).

“Specialist Procurement Team Manager” means a manager within a relevant Specialist Procurement Team.

“Specification” means a statement of the goods, services or works requires under the Contract.

“Standard Terms and Conditions” means the standard set of terms and conditions for any Contract type as published and approved by Legal Services.

“Standstill Period” means any standstill period required to be observed in advance of contract award or modification in accordance with the Regulations.

“Subject-matter Exempted Contract” means a contract within scope of Schedule 2 Part 2 of Procurement Act 2023.

“Submission” means a completed ITT, RfQ, PQQ or other similar document submitted by a Bidder as part of a procurement procedure.

“Supplier” means any person or organisation contracted to provide goods, services or works to the Council. This term usually applies after a Contract is formed. It is sometimes used interchangeably with Bidder, which could be seen as a potential Supplier.

“Teckal Company” means a company which falls within the meaning in Schedule 2.1 of the PA2023.

“Tender” means a tender response submitted by a Bidder.

“Terms and Conditions” or **“T&C”** means terms and conditions that apply to a Contract, also known as Terms of Contract.

“Threshold Contract” means a Contract with an estimated value of not less than the threshold amount for the type of contract that is not an Exempted Contract (Section 3 of PA2023).

“Transitional Regulations” means the Procurement Act 2023 (Commencement No. 3 and Transitional and Saving Provisions) Regulations 2024.

“VCSE(s)” means a Voluntary Community Sector Enterprise being a not-for-profit organisation.

“Working Day” means any day which is not Saturday, Sunday, or a public holiday as defined in Section 123 of PA2023.

“Works” means the subject of a Public Works Contract as listed under Schedule 3 of Procurement Regulations 2024.

APPENDIX 2: MANDATORY REQUIREMENTS

Clauses required:
Allowing the Council to terminate and recover sums paid where there is evidence of bribery or corruption.
Including a definition of the circumstances that will be considered to constitute a breach of the terms of the Contract by the Supplier. The Contract must provide for notice of breach to be given to the Supplier and for any resulting losses to be recovered from the Supplier if the default is not rectified.
Where there is a breach by the Supplier, allowing the Council to: <ul style="list-style-type: none"> a) terminate part or all of the Contract; b) appoint an alternative Supplier, and recover the cost of doing so from the Supplier; and c) recover any compensation as a consequence of the breach by the Supplier or the insolvency of the Supplier.
Stating the price payable by the Council (and any mechanism by which the price, any additional price or discounts are to be ascertained) and setting out the mechanisms for payment.
Prohibiting the Supplier from subcontracting, novating, assigning or otherwise transferring the Contract without the prior written consent of the Council.
Where the Supplier sub-contracts all or part of the Contract it remains liable to the Council for any such sub-contracted parts.
Requiring compliance by the Supplier with all relevant legislation and requirements of the Council in relation to the same, including as a minimum: <ul style="list-style-type: none"> a) The Human Rights Act 1998 (as if the Supplier were a public body); b) Freedom of Information Act 2000/Environmental Information Regulations, Data Protection Act 2018; c) The Equalities Act 2010, The Modern Slavery Act 2015, Bribery Act 2010, Prevention of Terrorism Act 2005, Counter Terrorism & Security Act 2015; and d) The Transfer of Undertakings (Protection of Employment) Regulations 2006. <p><i>(TUPE is a specialist area and additional consultation with Employment Legal is recommended.)</i></p>
Liability: setting out indemnities in respect of claims made against the Council made in respect of a Supplier's activities.

Stating the types and levels of insurance required of the Supplier and ensuring the insurance policies can be inspected during the contract period.

(Insurance types and levels will be determined for a specific procurement exercise on a case-by-case by reference to the client department undertaking a risk assessment and taking advice from the appropriate internal teams including Insurance Services.)

Where appropriate, requiring the provision to the Council of adequate Intellectual Property protection together with indemnity protection.

Requiring the provision to the Council of adequate warranties in Contracts for the purchase of Goods.

Where the Contract relates to Services to be delivered to vulnerable groups, requiring compliance with the Council's safeguarding policies, procedures and practice requirements.

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APPENDIX 3: NOTICES REQUIRED UNDER REGULATIONS

Procurement Act 2023 Notices

	Compulsory/ Optional	
Procurement Act 2023 Notice	Below Threshold	Above Threshold
Pipeline Notice	N/A	Compulsory for £2m and above.
Planned Procurement Notice	N/A	Optional
Preliminary Market Engagement Notice	Optional	Optional
Procurement Termination Notice	Optional	Compulsory
Tender Notice	N/A	Compulsory
Contract Award Notice	N/A	Compulsory
Contract Details Notice	N/A	Compulsory
Contract Change Notice	Compulsory	Compulsory (except Light Touch)
Contract Performance Notice	N/A	Compulsory (if over £5m, some exceptions including Light Touch)

Contract Termination Notice	Compulsory	Compulsory
Dynamic Market Notice	N/A	Compulsory
Transparency Notice	N/A	Compulsory
Payments Compliance Notice	N/A	Compulsory
Below Threshold Tender Notice	Compulsory (if advertised)	N/A
Below Threshold Award Notice	Optional	N/A
Below Threshold Contract Details Notice	Compulsory (for Notifiable Contracts)	N/A

Procurement Contract Regulations 2015 Notice

	Compulsory	
Procurement Contract Regulations 2015 Notice	Below Threshold	Above Threshold
Prior Information Notice	No longer used	
Contract Notice	No longer used	
Contract Award Notice	Yes (some exceptions)	Yes (some exceptions)

Voluntary ex ante transparency notice (VEAT)	Yes, if required	Yes, if required
Corrigendum	Yes, if required	Yes, if required

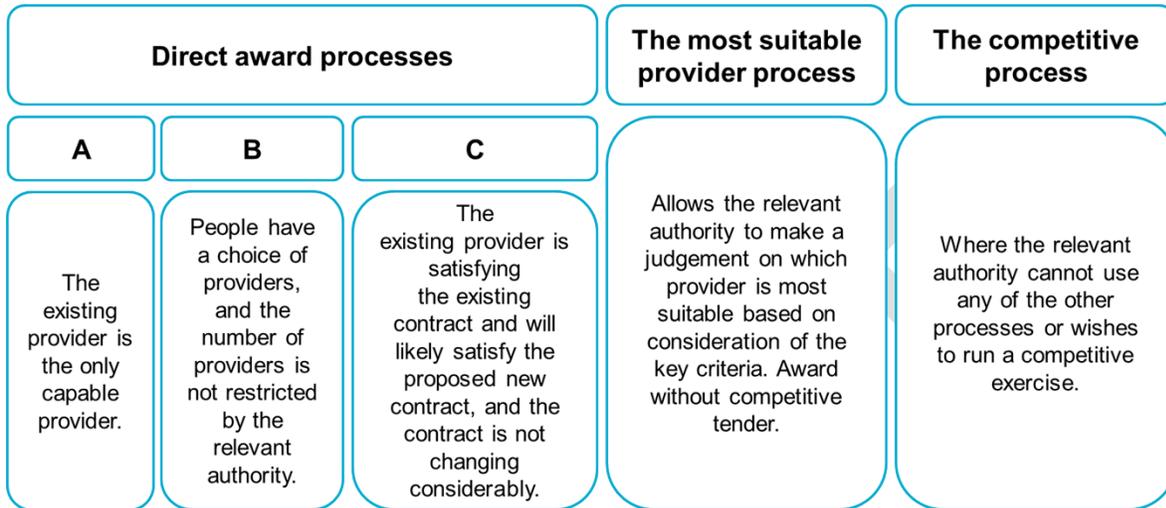
Provider Selection Regime 2023 Notice and communication

Provider Selection Regime 2023 Notice and communication	Compulsory				
	Direct award process A	Direct award process B	Direct award process C	The most suitable provider process	The competitive process
Notice of Award	Yes	Yes	N/A	N/A	N/A
Notice of Intention	N/A	N/A	N/A	Yes	N/A
Notice of Intention to Award	N/A	N/A	Yes	N/A	Yes
Award Notice	N/A	N/A	Yes	Yes	Yes
Communications to unsuccessful provider	N/A	N/A	N/A	N/A	Yes
Notice of Contract or framework agreement modification	Yes	Yes	Yes	Yes	Yes
Notice of urgent award	Yes	Yes	Yes	Yes	Yes
Notice of urgent modification	Yes	Yes	Yes	Yes	Yes

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APPENDIX 4: PSR PROCUREMENT PROCESS

The below illustrates the procurement processes in accordance with Part 2 of PSR2023:



Direct Award Process A or B

44.6. In following Direct Award Process, A, or B, the Council must:

- I. Ensure that the services you wish to procure under the regulations are listed in Schedule 1 of the PSR 2023.
- II. Complete the record sheet for that process.

44.7. Complete the appropriate internal process, including approvals required, to proceed to award.

44.8. Follow the process within the PSR, including publication of the required notice within 30 days of the contract being awarded.

Direct Award Process C

44.9. Where the Council follows Direct Award Process C, the process is that the Council:

- I. Ensure that the services you wish to procure under the regulations are listed in Schedule 1 of the PSR 2023.
- II. Complete the record sheet for that process.
- III. Complete the appropriate internal process, including approvals required, to proceed to award

- IV. Follow the process within the PSR, including observing a Standstill Period, and publication of the required notice within 30 days of the contract being awarded.

The Most Suitable Provider Process (PSR)

44.10. Where the Council follows the Most Suitable Provider Process, the process is that the Council follows the steps set out in Regulation 10 of the PSR,

- I. Ensure that the services you wish to procure under the regulations are listed in Schedule 1 of the PSR 2023.
- II. Complete the record sheet for that process.

44.11. Complete the appropriate internal process, including approvals required, to proceed to award.

44.12. Follow the process within the PSR without conducting a competition, including observing a Standstill Period, and publication of the required notice within 30 days of the contract being awarded.

The Competitive Process (PSR)

44.13. In following the Competitive Process, the Council must:

- I. ensure that the services to be procured are listed in Schedule 1 of the PSR 2023.
- II. obtain internal approval via the PRF or equivalent process.
- III. follow the steps set out in Regulation 11 of the PSR.
- IV. complete the record sheet for that process.
- V. follow the process within the PSR, including observing a Standstill Period, and publication of the required notice within 30 days of the contract being awarded.

The Audit Plan for Leicester City Council

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Year ending 31 March 2025

23 May 2025

Item 8



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01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

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The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by Spring 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

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- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
 - Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
 - Setting the Code of Audit Practice;
 - Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
 - Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.

Our Response

- Detailed review of the authority's implementation of IFRS 16. More information can be found on page 9.

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Key developments impacting our audit approach (continued)

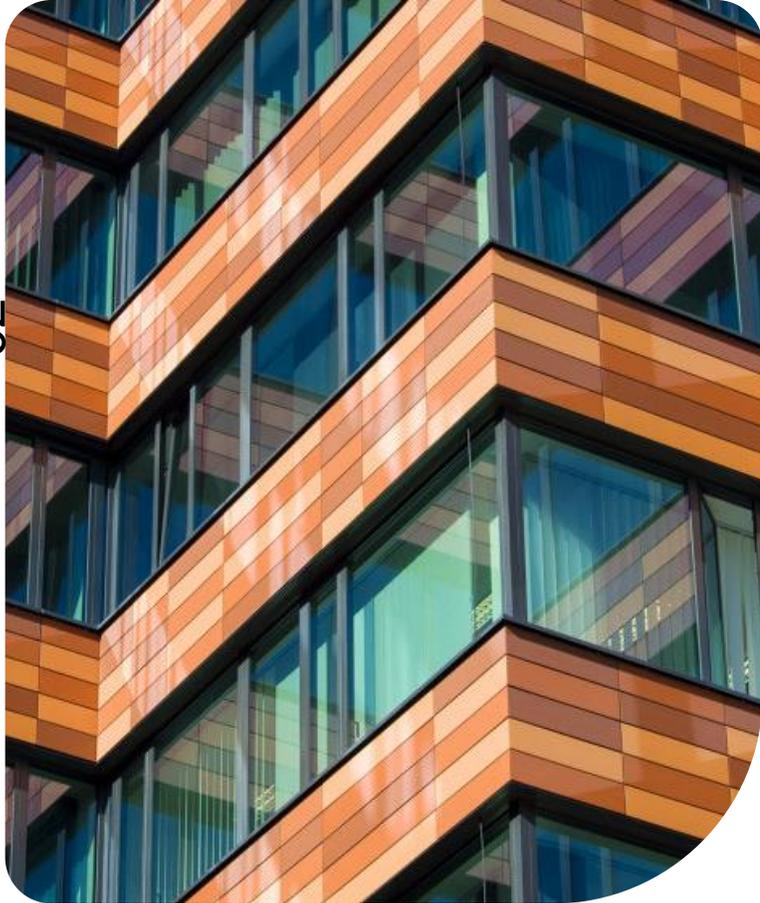
Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Director of Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources via our Governance and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



IFRS 16 Leases

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Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures we have requested information on management's process for the implementation of IFRS 16, but we have not yet had a response. We would appreciate a prompt response to these enquiries in due course.

The Backstop

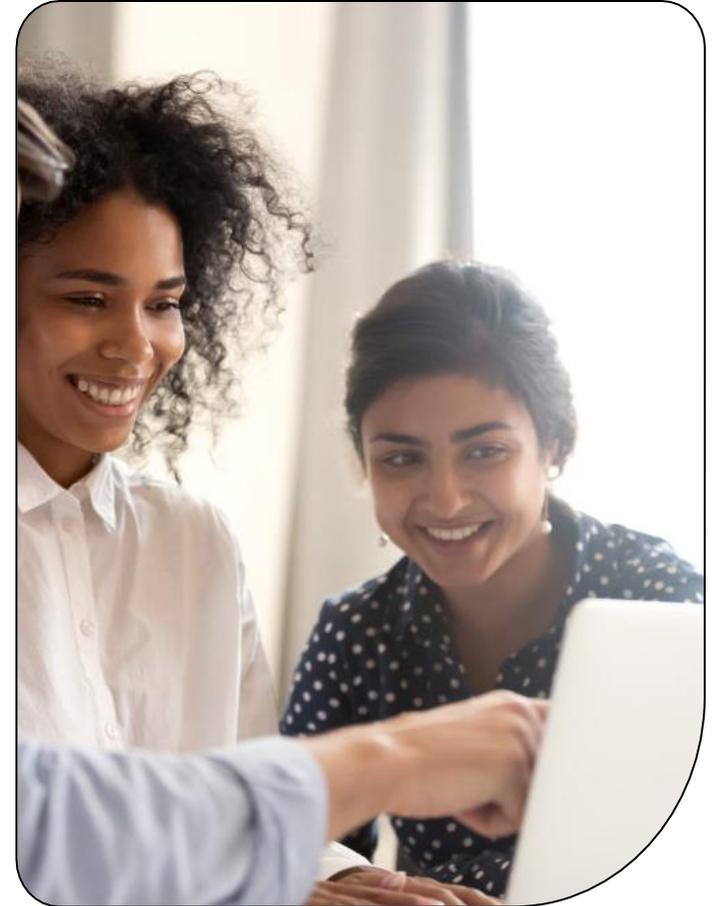
Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

80 In the year ended 31 March 2024 we issued an unqualified audit opinion on Leicester City Council's financial statements, ahead of the backstop date.



02 Introduction and Headlines

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Introduction and headlines

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Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Leicester City Council (“the Council”) for those charged with governance.

Respective responsibilities

- The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Leicester City Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council’s financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council’s business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings, and surplus assets
- Valuation of the pension fund net asset / liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £22.4m (PY £16.4m) for the Council, which equates to 1.8% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Clearly trivial has been set at £1.12m (PY £0.8m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability

Audit logistics

Our planning visit took place in February, March and April, and our final visit will commence in June. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £425,513 (PY: £418,997) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

84 03 Identified risks

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of unusual significant transactions

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, and consideration of the risk of material misstatement due to fraud.	As the risk has been rebutted we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, and consideration of the risk of material misstatement due to fraud.	We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

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Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings, and surplus assets	<p>The Council is required to revalue its land and buildings on a rolling, five-yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build cost of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.</p> <p>For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income from the asset.</p>	We therefore have identified that the accuracy of the key inputs and assumptions driving the valuation of land and buildings, and surplus assets, as a significant risk.	<ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding • engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations • test revaluations made during the year to see if they have been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset / liability	<p>The Council's pension fund net liability/surplus, as reflected in its balance sheet represents a significant estimate in the financial statements. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).</p> <p>In the previous audit, for the first time since IFRS have been adopted the council had to consider the potential impact of IFRIC 14. Because of this we have assessed the recognition and valuation of the pension asset/liability as a significant risk, due to the sensitivity of the estimate to changes in key assumptions.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p>	<p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net asset / liability as a significant risk.</p>	<ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund balance is not materially misstated and evaluated the design of the associated controls • evaluate the instructions issued by management to their management experts (the actuary) for this estimate, and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities • test the consistency of the pension fund balance and disclosures in the notes to the core financial statements with the actuarial reports from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. • consider how the Council has applied the requirements of IFRIC14 in its accounting treatment of the net pension asset • obtain assurances from the auditor of the Leicestershire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund's financial statements.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

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Risk	Description	Planned audit procedures
Completeness of operating expenditure and creditors	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council’s operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs. During the course of the five previous audits, there have been instances of expenditure not being accrued for which has led to further testing being conducted to ensure that no material misstatement existed.</p> <p>We therefore identified completeness of non-pay operating expenditure and creditors as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council’s accounting policies for recognition of non-pay expenditure streams for appropriateness • gain an understanding of the Council’s processes and control activities for accounting for non-pay expenditure • test a sample of balances included within trade and other payables • test a judgemental selection of payments immediately after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. • test a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period.
Completeness, existence and accuracy of cash and cash equivalents	<p>The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position.</p> <p>Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring special audit consideration.</p>	<p>We will</p> <ul style="list-style-type: none"> • agree all period end bank balances to the general ledger and cash book; • agree cash and cash equivalents to the the bank reconciliation; • agree all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence; • obtain the bank reconciliation for the following month end and review the reconciling items against those included on the period end bank reconciliation; • write to the bank and obtain a bank balance confirmation; • agree the aggregate cash balance to the relevant financial statement disclosures.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other risks identified

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Risk	Description	Planned audit procedures
Valuation of Council Dwellings	<p>The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Ministry of Housing, Communities and Local Government (now Department for Levelling Up, Housing and Communities). They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor for Leicester. Dwellings are divided into asset groups (a collection of property with common characteristics) and further divided into archetype groups based on uniting characterises material to their valuation, such as numbers of bedrooms.</p> <p>A sample property, the “beacon” is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype.</p> <p>The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons.</p> <p>We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess the completeness and consistency with our understanding • engage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council’s valuers’ work, the Council’s valuers’ reports and the assumptions that underpin the valuations • test revaluations made during the year to see if they had been input correctly into the Council’s asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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05 Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	Matters we will report to the Governance and Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"> We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.120m (PY £0.8m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

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Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the entity financial statements	22,400,000	We determined materiality for the audit of the Council’s financial statements as a whole to be £22.4m, which is approximately 1.8% of the Council’s gross operating expenses in the prior period. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Materiality for specific transactions, balances or disclosures: Senior Officer Remuneration	19,700	Due to the public interest in senior officer remuneration disclosures, we design our procedures to detect errors in specific accounts at a lower level of precision, which we have determined to be applicable for senior officer remuneration disclosures. We will apply headline materiality of 1.8% to the total senior officer remuneration, and this will be applied at an individual officer level.

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06 Prior year audit recommendations

Prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council's financial statements, which resulted in 11 recommendations being reported in our 2023/24 Audit Findings Report. These findings will be followed up on as part of the 2024/25 audit and we will provide an update to the Governance and Audit committee in due course.

Issue and risk previously communicated

Completeness of income and expenditure

We identified a number of items through our audit procedures that have not been accrued for appropriately within the 2023/24 financial year. There is scope for larger errors to arise due to the accruals concept not being applied appropriately. We recommend that the Council implement a process to ensure that goods or services that have been provided are routinely identified in a timely manner, to ensure the financial statements are complete.

Accounting treatment of capital expenditure not adding value

In consecutive years we have identified that management has incorrectly processed the accounting treatment for the downward revaluation of capital expenditure deemed to be not adding value. Management should review their processes to ensure accounting for these transactions are compliant with the Code. Specifically, that charges to the revaluation reserve are made where appropriate, or if the spend is to replace a specific component, then a derecognition of the old component should be recognised. There is a risk that if this treatment occurs in future years there may be cumulatively material misstatements. We recommend that management review their process to account for capital expenditure not adding value, in order to bring the treatment in line with accounting standards.



Collection fund suspense accounts

We selected ledger codes to test that are classified as creditors in the financial statements. The Council could not provide evidence to support the existence or accuracy of these balances, because it was cash that had not been reconciled to an income or expenditure item. Whilst we acknowledge the Council are being prudent by recording this cash as deferred income, in our view suspense accounts should be cleared to nil at year end to ensure accurate reporting. Suspense accounts should be cleared to nil at year end to ensure accurate reporting.

Register of interests

Within our testing of the completeness of related party transaction disclosures, we performed a search on Companies house and identified interests that were not disclosed in the Councillor's, and Senior officer, register of interests. Whilst we were satisfied that there were no instances of related party transactions identified, there is a risk that the related party disclosure would not be complete in future years.

Register of interests should be complete and up to date for the financial statement preparation. Management should introduce their own completeness checks to ensure all appropriate bodies are considered for disclosure when preparing the accounts.

Revaluation programme

The Code states that valuations of PPE shall be carried out at intervals of no more than five years. In our review of assets not revalued in year, we identified assets that have been last valued longer than a period of five years. Annually, management should review valuation dates on non-current assets and ensure they are valued at least every five years.

Continued overleaf...

Prior year audit recommendations

Issue and risk previously communicated

IT general control findings

Our audit team identified four deficiencies during their work on the design and implementation of IT general controls:

- 1.) There were no controls in place to actively monitor the usage of a generic database administrator account. The use of generic or shared accounts with high-level privileges increases the risk of unauthorized or inappropriate changes to the application or database. Where unauthorized activities are performed, they will not be traceable to an individual. Also, without appropriate audit logging and monitoring, unauthorized activities may not be detected in a timely manner, can go unnoticed, and evidence of whether or not the attack led to a breach can be inconclusive.
- 2.) During the audit, we observed that a member of the IT Department had two accounts with administrator privileges within Active Directory.
- 3.) there were no formal business approvals obtained from appropriate personnel prior to implementing changes to the batch configurations within Unit4. Failure to adequately perform change management processes for changes to batch job processing schedules prior to implementation could lead to a loss of data integrity, processing integrity and/or system down-time.
- 4.) For a sample change tested, we noted that there was no evidence retained to confirm that sufficient testing was performed before deploying the change into the production environment. A lack of consistent application of change management processes and controls could lead to a loss of data integrity, processing integrity and/or system down-time.

We recommend that:

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Council should undertake a review of all user accounts on the database to identify all generic accounts. For each account identified Council should confirm the requirement for the account to be active and be assigned privileged access, which users have access, and controls in place to safeguard the account from misuse.

Council should ensure that end users only have one privileged account per application. This privileged account should be in the user's name rather than a generic name.

For future changes to batch job processing schedules, management should ensure that the review and approval of key change management decisions are adequately recorded prior to implementation.

We recommend that management should document the user acceptance testing performed for change implementation, and that appropriate evidence should be retained to evidence sufficient testing being completed before implementation into the production environment.

Valuation process of other land and buildings

We recommended in previous years that officers and the valuer ensure that the information used in the valuation process is the most up to date and in line with relevant guidance. We also recommended that the valuer documents robustly and in detail, the rationale behind assumptions applied as the valuations are produced, to ensure that an audit trail is readily available.

We continue to recommend that rationale behind judgements and assumptions applied is evidenced and documented as the valuations are produced, as well as being subject to quality control reviews to mitigate the risk of material and pervasive errors in the financial statements. This is a recommendation rolled forward from 2020/21.

Grants income

In gathering evidence in support of sample testing of schools' grants income, management advised that a double counting error had been identified relating to two of our sample items. We therefore recommended that the Council revisits its processes in relation to the processing of schools' grants income to ensure that such double counting does not take place in future.

Continued overleaf...

Prior year audit recommendations

Issue and risk previously communicated

Journals process

There continues to be a lack of an established approval process for journals which places heavy reliance on the expectation for the Council's day-to-day activities to identify and correct any improper postings. The Council is aware of this, and officers perform retrospective review of a sample of journals posted. This represents a control deficiency which the Council is willing to tolerate but which we will take consideration of in our approach by increasing the number of journals selected for review.

Schools cash balances

For timing convenience, the Council use balances from February for schools as an estimate for the end of March position in the financial statements. We recommended that the Council revisit its closedown processes to ensure that the schools' cash balances as at the balance sheet date are appropriately reflected in the financial statements.

Capital Additions - Goods Received Not Invoiced

We recommended management ensure that capital accruals are reviewed to ensure that they are being based on actual goods/services received.

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Unit 4	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)
Active Directory	IT general control environment	<ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only)

101 09 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses



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As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor’s work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

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Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	<p>R</p> <p>One significant weakness was raised in relation to the Council’s significant challenges in both delivering its 2025-26 budget and the subsequent years of its medium-term financial plan.</p> <p>We recommended that the Council should re-consider all aspects of service delivery in order to ensure financial sustainability.</p>	<p>1.) In-year financial reporting shows that the Council has identified £23.7m savings which has reduced the call on reserves to balance the budget from £61m. The Council is forecasting an overspend of £2.6m. The Medium Term Financial Strategy forecasts a £30.1m gap in 2025/26; £46.2m in 2026/27 and £68.1m in 2027/28. The Council intends to use reserves, including £20.1m of earmarked reserves and £90.0m of revenue reserves held to support capital schemes, which will need to be funded through borrowing. This represents a risk of significant weakness.</p> <p>2.) In year financial reporting shows that the Dedicated Schools Grant deficit, which was £9.6m at the end of March 2024, is expected to increase in 2024/25 by £16.4m to £26m. Whilst recognising this is a challenge faced by many councils, the statutory override is due to end on 31 March 2026 and this represents a risk of significant weakness.</p>	<p>Given the risk of significant weaknesses identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists:</p> <p>1.) To assess whether arrangements to reduce the cost of service delivery are effective we will follow up through review of documentation and discussion with Officers. This will include reviewing a sample of schemes to determine whether they are robust.</p> <p>2.) Will review arrangements that the Council has in place to stabilise the deficit including managing demand and the complexity of cases. This will include review of progress against the Higher Needs Block Management Recovery Plan and Transformation Project.</p>

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor’s annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our audit opinion.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant weakness in VFM arrangements (continued)

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Governance	<p style="text-align: center;">A</p> <p>No risks of significant weakness reported; three improvement recommendations made.</p>	No risks of significant weakness identified	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.</p>
Improving economy, efficiency and effectiveness	<p style="text-align: center;">A</p> <p>No risks of significant weakness reported; one improvement recommendation made.</p>	No risks of significant weakness identified	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.</p>

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10 Logistics

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Logistics

The audit timeline

Key Dates

Year end:
31 March 2025

Governance and
Audit Committee:
TBC (Expected
November 2025)

Sign off:
December 2025

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Audit phases:

Planning – 4 weeks
February, March and
April

Finals – 14 weeks
w/c 16 June 2025

Completion – 1 week
TBC (Expected
November 2025)

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Governance and Audit Committee
- Issue the Audit Plan to management and Governance and Audit Committee
- Planning meeting with Governance and Audit Committee to discuss the Audit Plan
- Document design effectiveness of systems and processes
- Review of key judgements and estimates

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management
- Draft Audit Findings issued to management
- Audit Findings meeting with management

Key elements

- Draft Audit Findings issued to Governance and Audit Committee
- Audit Findings presentation to Governance and Audit Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Avtar Sohal

Engagement Lead/
Key Audit Partner

- Key contact for senior management and Governance and Audit Committee
- Overall quality assurance

Will Howard

Audit Manager

- Key contact for senior management and Governance and Audit Committee
- Overall quality assurance

Reabetswe Mogotsi

Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

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	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor’s Annual Report 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

109 **11 Fees and related matters**

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Leicester City Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £425,513.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Leicester City Council Audit	418,997	425,513
Certification of Housing Benefit claim	62,000 (estimate)	62,000 (estimate)
Certification of Housing Capital receipts grant	10,000	10,000
Certification of Teachers Pension Return	12,500	12,500
Total (Exc. VAT)	503,497	510,013

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Pensions liability, to provide actuarial valuations of the Council's assets and liabilities derived from the scheme to which it contributes.
 - PPE Valuations, to provide valuations of the Council's assets to ensure there is not a material misstatement between the carrying and current value of the assets at the Balance sheet date.

Previous year

In 2023/24 the scale fee set by PSAA was £391,427. The actual fee charged for the audit was £418,977.

12 Independence considerations

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Independence considerations (continued)

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers. There are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
1 Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
12 Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to April 2025, and future fees expected, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the council's policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicester City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest, self-review and management threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
113 Certification of Housing Benefit claim	2022/23 – 62,000		The level of these recurring fees taken on its own individually, and cumulatively, is not considered a significant threat to independence as the fee for this work is £241,000 (spanning three financial years) in comparison to the total fee for the 24/25 audit of £425,513 (23/24 audit £418,997, and 22/23 audit £189,947) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	2023/24 – 62,000 (estimate)		
	2024/25 – 62,000 (estimate)	Self-Interest (because this is a recurring fee)	
Certification of Housing Capital receipts grant	2022/23 – 10,000	Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has been completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising, and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	2023/24 – 10,000	Management threat	
	2024/25 – 10,000		
Certification of Teachers Pension Return	2024/25 – 12,500		
	2023/24 – 12,500		
Total	£241,000		

Total audit and non-audit fee

(Audit fee) £425,513

(Non-Audit fee) £241,000

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

13 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
115 Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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14 Delivering audit quality

Delivering audit quality

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Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

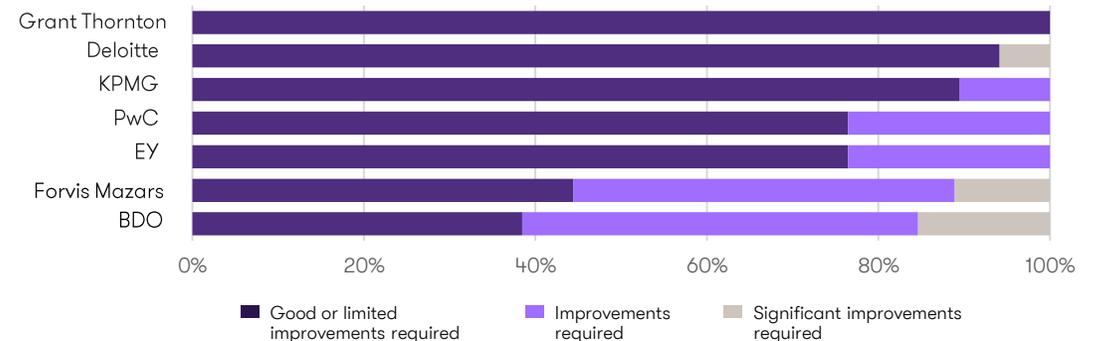
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection (% of files awarded in each grading, in the most recent report for each firm)



15 Appendices

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Escalation Policy

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The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive or equivalent (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive (or equivalent), including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Governance and Audit Committee (at next available Governance and Audit Committee meeting or in writing to Governance and Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Governance and Audit Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters - New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

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IFRS reporters - Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

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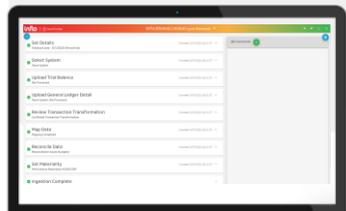


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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ACTION TRACKER - GOVERNANCE AND AUDIT

ACTIONS ARISING FROM GA 18 September 2024

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes from the previous meeting	Councillor Kitterick highlighted the need to include an action log to keep track of which actions have been completed or outstanding.	Governance Officer	Included in the agenda for 29 January 2025	Closed
Third Party Relationships and Governance Update	To include an additional column to the appendix which includes a high-level summary of any relationships and commentary for each organisation to enhance clarity and transparency.	Monitoring Officer	To include in future reports	Closed
Local Governance & Social Care Ombudsman and Housing Ombudsman Complaints & Corporate Complaints 2023/24	To include thematic and qualitative analysis in future reports	Director of Corporate Services	To include in future reports, next due in 2025/26.	Closed
Financial Sustainability	A more detailed report addressing financial sustainability to the next committee	Director of Finance	Actioned on the 5th of December meeting	Closed

ACTIONS ARISING FROM GA 5th December 2024

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes of the Previous Meeting	Publication of Minutes of last meeting before the new-year.	Monitoring Officer	Included in the agenda for 29th January 2025.	Closed
Minutes of the Previous Meeting	Circulate Action Log	Monitoring Officer	Included in the agenda for 29 January 2025, and will be a standing committee item	Closed
Mid-year Fraud	Identifying where students are not living in properties that get student discount	Director of Finance	Response circulated 21st January 2025	Closed
Mid-year Fraud	Identifying those claiming single person discount	Director of Finance	Response circulated 21st January 2025	Closed

ACTIONS ARISING FROM GA 29th January 2025

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Internal audit work programme consultation 2025/26	Internal Audit Plan 2025/26 to 19 March 2025 Meeting	Director of Finance	Added to the Governance & Audit workplan	Closed

ACTIONS ARISING FROM GA 11 February 2025

Statutory Statement of Accounts and Annual Governance Statement 2023/24	To include an Executive Summary for future years to capture key financial highlights and provide an overview of the accounts.	External Auditors	To include in future reports	Closed
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ACTIONS ARISING FROM GA 24 March 2025

Risk Management Update	To ensure that the reports are in colour so the RAG ratings could be clearly understood.	Sharif Chowdhury	To be noted for future docmail.	Open
Risk Management Update	A member requested incorporating the impacts of risk control in the report.	Sonal Devani/Andrew Shilliam	To be included in future reports.	Open
Risk Management Update	To include information regarding the Executive Decision on Post-16 SEND Transport	Sonal Devani/Andrew Shilliam	Ongoing	Open

Risk Management Update	A member requested that the next update investigates how risk is managed in the Operational Risk Register.	Sonal Devani/Andrew Shilliam	To be included in future reports.	Open
Regulation of Investigatory Powers Act 2000 – Bi-Annual Performance July – December 2024	A member asked about the potential to use RIPA and Vanessa agreed that this could be explored after training to see if there were opportunities to use it. This could be included in the August update.	Vanessa Maher Smith	To include in future reports.	Open
Internal Audit Update and Internal Update Plan 2025/26	Internal Audit to look at options and appraisals for planning permissions to increase value and to consider in terms of asset disposal.	Connor Munro	Ongoing	Open