



# Merseytravel Constitution

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<b>Author</b>	John Fogarty
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## **Merseytravel Constitution**

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## **Part 1 – Introduction**

### **Merseytravel as Part of the Combined Authority**

Merseytravel is the Transport Executive Body of the Liverpool City Region Combined Authority (“the Combined Authority”). Merseytravel, as an officer level delivery body of the Combined Authority will have a Scheme of Delegation from the Combined Authority to oversee specific activities and functions of the Combined Authority. The Combined Authority’s transport responsibilities include transport policy, strategic highways, freight, walking and cycling, tunnels and public transport.

### **Merseytravel as a Statutory Body**

In addition Merseytravel also retains its powers as a Passenger Transport Executive. Merseytravel was established under the Transport Act 1968 and was previously known as Merseyside Passenger Transport Executive.

Merseytravel has agreed a Constitution which sets out how it will operate, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. Some of these processes are required by the law while others are a matter for Merseytravel to choose.

Merseytravel will abide by the Committee of Standards on Public Life “*The Seven Principles of Public Life*”, also known as the “Nolan principles” as follows:-

**Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

**Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

**Objectivity** – In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness** – Holders of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

**Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership** – Holders of public office should promote and support these principles by leadership and example.

These principles **should** underpin all action taken by Merseytravel and its Officers.

## **Part 2 - Merseytravel and the Purpose of the Constitution**

### **1. Introduction**

Merseytravel is responsible for improving delivery of key objectives in transport. It is accountable to the Combined Authority for the discharge of its statutory functions.

The purpose of the Constitution is to:-

- set out in a single place how Merseytravel works and how it makes decisions;
- assist Officers of Merseytravel to discharge their role as decision makers efficiently and effectively;
- ensure that the decision making processes are clearly identifiable to citizens of the Liverpool City Region and to the Combined Authority; and
- provide a means for improving the accountability of Merseytravel in the delivery of services to the Liverpool City Region.

The Constitution itself is divided into parts that bring together the documents governing how Merseytravel operates and makes decisions.

### **2. The Liverpool City Region Combined Authority**

The Combined Authority comprises of 6 Members each of whom must be an elected Councillor or Mayor, elected to one of the six constituent councils of the Combined Authority area ie Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. The Combined Authority has a number of committees. The Transport Committee is responsible for overseeing Merseytravel and making recommendations in respect of transport to the Combined Authority and exercising any delegations provided to it by the Combined Authority.

From 7 May 2017 an Elected City Region Mayor will be the Chair of the Liverpool City Region Combined Authority. The Combined Authority will determine the composition of a number of Committees including a Transport Committee. Each Member of a Committee must be an elected Councillor, elected to one of the six Constituent Councils of the Combined Authority area.

The Elected Mayor and the Combined Authority has a statutory responsibility to set out and ensure implementation of policies to co-ordinate transport in the Combined Authority area. This includes formulating a long term vision for the transport system that is based on the vision of a 'world class' integrated transport system that contributes to the economic development of the Liverpool City Region through a network of high volume transport corridors throughout the Liverpool City Region, delivered by a best in class organisation.

The Combined Authority is responsible for appointing the membership (ie Directors) of Merseytravel and approves its capital and revenue expenditure budgets.

3. **Merseytravel**

Merseytravel implements the Combined Authority's policies and provides the Combined Authority with expert professional transport advice to enable it to make appropriate and informed decisions. Merseytravel is the Executive Body for the Combined Authority and is also defined as an Officer of the Combined Authority to enable the Combined Authority to delegate some of its functions to Merseytravel.

Merseytravel has a duty to advise the Combined Authority on formulating transport policies and implementing those policies so determined.

Merseytravel's remit is to ensure that these duties are discharged. It will do so by asking "are we doing the right things" and "are we doing things right".

A focus on the external environment ensures that Merseytravel delivers the vision of "Moving Liverpool City Region forward" by striving to deliver a world-class transport network'.

The Members (ie the Director General and the Directors) of Merseytravel are individually appointed by the Combined Authority on the recommendation of the Director General. Membership of Merseytravel is laid down in statute and must consist of an Officer (who is appointed by the Combined Authority to act in the capacity of Director General in accordance with the Transport Act 1968) and not less than two, but not more than eight, other persons.

Merseytravel also has its own extensive legal functions, duties and responsibilities enshrined in transport legislation.

Merseytravel is responsible for the co-ordination and promotion of the use of transport in Merseyside, the objective being to provide a world class transport network that is integrated, accessible, safe and of a high quality through delivery of our Corporate Plan. It aims to do this through partnership working with central, regional and local government, public transport operators, the business community, community groups and members of the public.

4. **Merseytravel Vision**

A World Class integrated and sustainable transport system enabling a prosperous, inclusive and growing Liverpool City Region.

5. **Merseytravel Mission**

To provide the very best transport advice and service delivery to the Liverpool City Region through collaboration with partners.



## 6. **Principles of Decision Making**

All decisions of Merseytravel and by Officers acting under delegated powers will be made in accordance with the following principles:

- (a) be within the lawful powers of Merseytravel;
- (b) not be so unreasonable that no reasonable public body could have reached it, having taken into account all relevant considerations and having ignored irrelevant considerations (the Wednesbury test of reasonableness);
- (c) having due consultation where appropriate (including the taking of relevant professional advice from officers of Merseytravel);
- (d) respect for human rights;
- (e) presumption in favour of openness;
- (f) clarity of aims and desired outcomes;
- (g) as per the Constitution; and
- (h) be proportionate (ie the action must be proportionate to the desired outcome).

## **Part 3 – Standing Orders - Meeting Procedure Rules**

### **1. Meetings**

- 1.1 The Members of Merseytravel shall be the current full-time Directors of Merseytravel (Merseytravel Directors) and such Non-Executive Directors, appointed by the Combined Authority after consultation with the Director General.
- 1.2 The Members of Merseytravel shall meet not less frequently than quarterly and otherwise at such dates and times as shall be decided.
- 1.3 Merseytravel shall be advised by the Secretary of Merseytravel or his/her Deputy.
- 1.4 The Secretary may be asked to summon a meeting of Merseytravel by the Director General or any two members of Merseytravel.
- 1.5 The Secretary shall, so far as possible, give at least 48 hours' notice in writing to the members of Merseytravel, specifying the business proposed to be transacted at any such meeting.
- 1.6 All meetings of Merseytravel shall be in private, unless the majority of the members present and voting decide otherwise.

### **2. Chair**

- 2.1 The Director General shall, if present, act as the Chair at each meeting of Merseytravel.
- 2.2 If the Director General is not present, the members present shall choose a Merseytravel Director to preside and act as the Chair.

### **3. Quorum**

- 3.1 No business shall be transacted at any meeting of Merseytravel unless at least two members of Merseytravel are present.
- 3.2 The consideration of any business not transacted shall stand adjourned to the next meeting of Merseytravel.

### **4. Voting**

- 4.1 All questions determined by Merseytravel shall be decided by a majority of members of Merseytravel present and voting thereon at the meeting at which they arise.
- 4.2 In the case of an equality of votes, the Chair shall have a second or casting vote.

- 4.3 Any member dissenting from or not voting upon, any resolution of Merseytravel carried at a meeting shall, if the member so requests at the meeting have such action recorded in the Minutes.

5. **Minutes**

Copies of the Minutes of the proceedings of Merseytravel shall be available on One Place as soon as reasonably practicable after each meeting.

6. **Interests of Members and Officers in Contracts**

- 6.1 If any member or officer of Merseytravel has any pecuniary interest, direct or indirect, in any contract or proposed contract, that member or officer shall withdraw from the meeting at which the contract or proposed contract is under consideration unless he/she is invited to remain.
- 6.2 Any pecuniary interest shall be explicitly recorded in the minutes of the meeting.
- 6.3 The Secretary shall record particulars of any notice given by any officer of Merseytravel of pecuniary or other interest in a contract or proposed contract and shall make available such record during office hours for the inspection of any member of Merseytravel.

7. **Emergency Powers**

In an emergency, such action on behalf of Merseytravel as may be deemed necessary between normal meetings of Merseytravel and in the interests of Merseytravel may be taken by:-

- (a) the Director General; or
- (b) any individual member of Merseytravel who shall, wherever possible, consult with the Director General or any other member of Merseytravel

Subject to such action being recorded in writing and reported to the next meeting of Merseytravel.

8. **Review, Variation, Revocation and Suspension of Standing Orders**

- 8.1 Any Standing Order may be varied, revoked or suspended at a meeting of Merseytravel with the consent of the majority of members present and voting, but not otherwise. Such consent shall be recorded in the Minutes of the meeting.
- 8.2 The Standing Orders shall be reviewed by the Secretary of Merseytravel as required.

## **Part 4 – Procurement and Contract Procedure Rules**

### **1. Definitions**

Within these Procurement and Contract Procedure Rules (PPR):-

- (a) “Central Purchasing Body” means contracting authorities that acquire goods, services or works intended for one or more contracting authorities, award contracts intended for one or more contracting authorities and / or conclude framework agreements for goods, services or works intended for one or more contracting authorities including without limitation Crown Commercial Services and Yorkshire Purchasing Organisation;
- (b) “Combined Authority” means the Liverpool City Region Combined Authority or Merseytravel as appropriate;
- (c) “Commissioning” means the process of specifying, consulting with affected Officers and monitoring of services to meet service needs both in the short and long term as outlined in more detail in paragraph 4 below;
- (d) “Contract Review” means a process to assess the performance/delivery and value for money of an existing contract from both a commercial and outcome based approach which will influence the future contractual relationship with any incumbent contractor;
- (e) “Contracts Finder” means a web based portal provided for the purposes of the Regulations;
- (f) “Delegated Decision” means a decision named as such in the Combined Authority’s or Merseytravel’s Scheme of Delegation;
- (g) “Decision” means a decision named as such in the Combined Authority’s or Merseytravel’s Scheme of Delegation;
- (h) “Director” means a Director of the Combined Authority or Merseytravel as appropriate;
- (i) “Dynamic Purchasing System” means an electronic process for making commonly used purchases, the characteristics of which are generally available on the market. Throughout the validity it is open to any suppliers which satisfies the selection criteria.
- (j) “EPS” means the Combined Authority’s electronic process of tendering for goods, services and works;
- (k) “Electronic Auction” means an electronic auction conducted in accordance with procedures determined by the Monitoring Officer;

- (l) “Framework Agreement” means an agreement between one or more contracting authorities and one or more contractors, the purpose of which is to establish the terms governing contracts to be available during a given period in particular with regard to price, as detailed in the Regulations;
- (m) “Head of Service” means those officers who are so designated by the Combined Authority as an Assistant Director, Head of Service, Senior Head of Service, Rolling Stock Project Director or Tidal Project Director;
- (n) “High Risk Procurement” means a procurement that:-
  - (i) has potential implications for the health and safety of employees, service users, residents of the Liverpool City Region, contractors or other stakeholders;
  - (ii) has potential business continuity implications, for example where failure of supply would have implications on the Combined Authority’s ability to deliver proper services;
  - (iii) is for goods, services or works that are provided directly to children and/or other vulnerable members of the community;
  - (iv) is for goods, services or works where there is a potential environmental impact;
  - (v) is for goods, services or works where there is any other identifiable risk either to the reputation, financial standing or ability to deliver services on the part of the Combined Authority; and/or
  - (vii) is determined to be such once assessed in accordance with the Combined Authority Corporate Risk Impact Ratings.
- (o) “High Value Procurement” means a procurement with a total aggregated value over £150,000 calculated in accordance with paragraph 6 below (exclusive of VAT);
- (p) “Intermediate Value Procurement” means a procurement with a total aggregated value between £20,000 and £150,000 calculated in accordance with paragraph 6 below (exclusive of VAT);
- (q) “ITT” means an Invitation to Tender or an Invitation to Quote;
- (r) “Low Value Procurement” means a procurement with a total aggregated value under £20,000 calculated in accordance with paragraph 6 below (exclusive of VAT);
- (s) “Monitoring Officer” means the Monitoring Officer of the Combined Authority or the Secretary of Merseytravel as appropriate;

- (t) “Officers” means any officer employed by the Combined Authority or Merseytravel;
- (u) “One Place” means the Combined Authority’s corporate intranet;
- (v) “Purchase Order” shall mean a purchase order in the format prescribed by the Treasurer of the Combined Authority;
- (w) “Register” means a register of Bus Service Operators maintained in accordance with the Transport Act 1985;
- (x) “Regulations” means The Public Contracts Regulations 2015, The Utilities Contracts Regulations 2016 and/or the Concession Contract Regulations 2016 (as appropriate and as amended or replaced);
- (y) “Select List” means lists of approved contractors for the provision of goods services and/or works established under these PPR and as approved by the Combined Authority;
- (z) “SME’s” means an enterprise falling within the category of micro, small or medium sized enterprises defined by the EU Commission Recommendation of 6 May 2003;
- (aa) “Social Value” means having regard to economic, social and environmental wellbeing as set out in the Public Service (Social Value) Act 2012 (as amended or replaced) in relation to public services contracts;
- (bb) “Subsidised Service Contract” means an agreement providing for bus service subsidy within the meaning of Section 63(10)(b) of the Transport Act 1985;
- (cc) “Tender” means a document prepared by a potential supplier setting out its bid for the work in response to an Invitation to Tender;
- (dd) “Treasurer” means the Treasurer of the Combined Authority or the Director of Resources of Merseytravel (as appropriate)
- (ee) “Value for Money” means ensuring that the same quality goods, services and works cannot be achieved at a substantially lower price elsewhere. The quality of related services ie delivery, maintenance, after sales support should be taken into account along with the direct costs of the goods, services or works. Ways of ensuring Value for Money include:
  - (i) obtaining a number of informal quotations from different suppliers;
  - (ii) comparing prices in supplier’s brochures, sales literature;
  - (iii) benchmarking prices with other authorities or organisations;

- (iv) comparing prices with those previously paid, taking into account inflationary and deflationary factors; and
- (v) making use of existing framework arrangements, existing dynamic purchasing systems, call-off arrangements or approved lists of suppliers involving the Procurement Team in the process.

## **2. General**

2.1 These PPR apply in respect of any procurements by the Combined Authority.

2.2 Every contract entered into by the Combined Authority shall be entered into pursuant to or in connection with the Combined Authority's functions (as appropriate) and shall comply with:

- (a) all relevant statutory provisions including but not limited to Section 149 of the Equality Act 2010 and the Public Service (Social Value) Act 2012 ( as amended or replaced);
- (b) the Regulations, the Treaty of Rome and the general principles of national and EU legislation (if applicable);
- (c) the Combined Authority Constitution including these PPR's, the Financial Procedure Rules and the Scheme of Delegation;
- (d) the Combined Authority Transport Plan for the Combined Authority area;
- (e) the Combined Authority Procurement Strategy;
- (f) The Combined Authority Equalities Policy; and
- (g) any other relevant Combined Authority strategies and/or policies.

Where any PPR conflicts with any statutory provision, any statutory modification or re-enactment thereof or any regulations made thereunder, that provision or regulation shall prevail.

2.3 The purpose of the PPR's is to ensure:

- (a) competition and propriety are present in the tendering and the award of contracts for the provision of all supplies, services and the execution of works;
- (b) a transparent, lawful and fair procurement process;
- (c) Value for Money for the Combined Authority;
- (d) the thresholds and level of authority for approvals is consistent with the Combined Authority's approved Scheme of Delegation;

- (e) the procedures for enabling competition and regulating the manner in which quotations and Tenders are invited, evaluated and contracts awarded are clear;
  - (f) relevant legislation is complied with; and
  - (g) relevant approvals are sought.
- 2.4 One Place will assist in ensuring consistency of approach to procurement across the Combined Authority. A dedicated procurement resource will be maintained on One Place and will contain guidance and good practice to assist Officers in following best procurement practice. The contents of the procurement guidance on One Place will be reviewed at regular intervals by the Monitoring Officer.
- 2.5 The Combined Authority has a Confidential Reporting Code that applies to all Officers and includes those contractors working for the Combined Authority. Officers must be proactive in ensuring that its policies and procedures, culture and stance in relation to the prevention, detection and action against fraud are communicated to all relevant parties.
- 2.6 Any breach or non-compliance with these PPR must on discovery be reported immediately to the Head of Internal Audit. The Head of Internal Audit shall determine whether such breach or non-compliance presents a significant risk of harm to the Combined Authority and if satisfied that such risk exists shall undertake any necessary investigation and report the findings to the Combined Authority.
- 2.7
- (a) The Combined Authority will conduct its business and operations in accordance with the highest professional and ethical standards;
  - (b) The Combined Authority will take appropriate action to ensure that its resources are not spent on practices that lead to unlawful discrimination, unlawful activity and/or breach of the Combined Authority's equality duty;
  - (c) The Combined Authority will consider any failure by Officers to comply with the Constitution and if necessary will address such through the Combined Authority's disciplinary processes;
  - (d) The Monitoring Officer shall undertake a continuous review of the Constitution and submit any additions or changes necessary to the Combined Authority for approval;
  - (e) The Treasurer shall, in consultation with the Monitoring Officer be responsible for ensuring that all contract activity undertaken by the Combined Authority is done so in accordance with these PPR and the Regulations;



- (f) The Directors and Heads of Service shall ensure that all Officers in their directorates are aware of the existence and content of the Constitution and other internal regulatory documents and that they comply with them;
- (g) The Monitoring Officer shall advertise all contracts/anticipated contracts in excess of £25,000 on Contracts Finder if they are advertised elsewhere;
- (h) The Monitoring Officer shall maintain a register of all Combined Authority contracts in excess of £20,000;
- (i) The Monitoring Officer shall make an appropriate EPS available; This system shall:
  - (i) evidence that any transmission was successfully completed and recorded;
  - (ii) keep Tenders in a separate secure electronic folder which is not opened until the deadline has passed for receipt of Tenders;
  - (iii) keep a record of all Tenders received;
  - (iv) keep a record via EPS of all correspondence between the Combined Authority and the tenderers;
- (j) The Combined Authority shall expect that individuals and organisations, including the suppliers, contractors and service providers, with whom it deals, will act towards the Combined Authority with integrity and without thought or actions involving fraud and corruption; and
- (k) The Combined Authority shall maintain the principles of non-discrimination, equal treatment and transparency.

## 2.8 Officers will work to ensure:

- (a) lead by example in ensuring adherence to legal requirements, rules, procedures and practices;
- (b) allow sufficient time to provide for all the various elements for the fulfilment of the appropriate procurement process giving due regard to statutory timescales;
- (c) work with relevant officers to fully engage them in the process and thereby develop a realistic procurement/decision making/mobilisation of the new contractor and demobilisation of any existing contractor;

- (d) undertake Commissioning as required by these PPR;
- (e) when procuring goods services or works focus on the principles of efficiency, effectiveness, sustainability, economy and shall consider collaborating as a procurement option (if appropriate);
- (f) ensure that those responsible for procuring goods services or works on behalf of the Combined Authority shall comply with these PPR;
- (g) ensure that all specifications for IT goods or services is ratified during Commissioning by the Head of IT;
- (h) consider and implement the principles of non-discrimination, equal treatment and transparency and the highest standards of probity;
- (i) not seek to procure goods, services or works without the engagement of the relevant Head of Service and the Monitoring Officer as per the requirements of this Constitution;
- (j) not distort competition but also consider with the Monitoring Officer the potential of aggregating and disaggregating contracts to encourage SME participation in procurements; but not in order to avoid the requirements of the Regulations and these PPR;
- (k) accurately determine the aggregate value of contracts (including any anticipated extensions or additional work) to calculate the estimated contract value and the appropriate route to market as advised in these PPR, advice can be provided by the Monitoring Officer to undertake this review;
- (l) not use any information received during the course of business and in particular, the quotations or tendering procedure for personal advantage; and
- (m) not disclose to a third party information except for anti-fraud purposes or in accordance with the provisions of the Freedom of Information Act 2000 or other relevant legislation. In cases where there is uncertainty as to whether a particular course of action complies with the ethical standards, the advice of the Monitoring Officer needs to be sought.

### 3. **Scope**

#### 3.1 These PPR apply to:

- (a) the purchase, leasing and hiring of goods, provision of services and the execution of works for and on behalf of the Combined Authority;

- (b) any procurement where Tenders are invited by the Combined Authority on behalf of any partnership, consortium, collaboration group, association or similar body of which the Combined Authority is a member;
- (c) all procurement activity, including activity where third parties are involved in spending public monies on behalf of the Combined Authority (unless agreed otherwise); and
- (d) all contracts entered into by the Combined Authority by an Officer on behalf of the Combined Authority.

3.2 These PPR shall not apply to:

- (a) employment contracts;
- (b) contracts relating solely to the acquisition or disposal of land or any other estates matters. (The Land Procedure Rules shall apply in such circumstances);
- (c) contracts relating to the disposal of furniture, goods, vehicles, plant and equipment which are deemed surplus to requirements. (The Corporate Disposal Procedures shall apply in such circumstances);
- (d) Treasury management activity. (The Treasury Management Policy shall apply in such circumstances); and/or
- (e) any contract referenced in paragraph 10 below.

3.3 All procurement activity and any procurement exemptions may NOT be made retrospectively and no exemption can be used if the Regulations apply to the contract unless such exemption is permitted under such Regulations;

3.4 NO exceptions from any of the provisions contained herein shall be made otherwise than as set out in these PPR or the Scheme of Delegation or by the direction of the Combined Authority duly noted in their minutes.

#### 4. **Commissioning**

4.1 Commissioning is not procurement.

4.2 These rules apply to Officers undertaking Commissioning for all purchases of goods services and works over £20,000.

- 4.3 It is essential that Officers responsible for Commissioning consider the following factors and undertake the appropriate steps as a pre requisite to commissioning:-
- (a) undertake consultation with other officers affected by the project;
  - (b) undertake a Contract Review if a contract has been or is currently being provided;
  - (c) take appropriate advices from the Head of Service for the area affected and the relevant support functions ie Legal, IT, Finance, HR and PMO;
  - (d) have prepared and documented an estimate of the cost of the contract including, where appropriate, any maintenance ongoing and future costs;
  - (e) consulted with Finance and be satisfied that adequate budget provision for the contract (and the future costs for the life of the goods, services or works to be procured) exists;
  - (f) prepare a specification that will form the basis of the contract;
  - (g) consider the potential staffing implications of the contract and in particular TUPE considerations, and discuss with the Head of People and Organisational Development and the Monitoring Officer;
  - (h) consider risk, including any risks to the Combined Authority's broader strategic objectives, reputational risks and risks to the local economy and supply chain;
  - (i) for contracts where there is evident risk and for all High Value and High Risk Procurements produce and maintain a risk register for the procurement process and the eventual contractual relationship. As a minimum this should analyse all risks, identify how the risks will be managed and the responsible Officer;
  - (j) comply with all statutory requirements in respect of completion of equality impact assessments;
  - (k) consider dividing any potential contracts into lots to encourage SME participation;
  - (l) ensure that all specifications for IT goods, services or works are ratified at the Commissioning Stage by the Head of IT; and
  - (m) consider any mechanisms to recover Social Value from the contract.

## **5. Pre-tender Market Research and Consultation**

- 5.1 Prior to the issue of an ITT Officers may, with the agreement and support of the Monitoring Officer, consult potential tenderers in general terms about the nature, level and standard of the goods services or works to be provided, contract packaging and other relevant matters. Such consultation should not be anti-competitive or a breach of transparency and non-discrimination principles and must be in compliance with the Regulations.
- 5.2 Officers are required to ensure that where a potential tenderer has been involved in pre-tender market research to help inform a procurement all such relevant information needs to be shared with all tenderers to ensure a level playing field.

## **6. Procedures Applicable to all Procurements after Commissioning**

- 6.1 The application of PPR is dependent on value thresholds and risk. Officers shall calculate the anticipated value of the contract ie its “whole life” costs to determine the correct category of PPR. For support in determining whole life costs the advices of the Monitoring Officer can be sought.
- 6.2 There are 3 categories of procurements:-
  - (a) Low Value Procurements;
  - (b) Intermediate Value Procurements; and
  - (c) High Value and High Risk Procurements.

The EPS shall be utilised for all Intermediate Value Procurements and High Value Procurements.

- 6.3 Officers shall after the completion of Commissioning, consult the Monitoring Officer at an early stage in determining the most appropriate route to market for contracts likely to be economically significant in regard to the regional or national economy.
- 6.4 All contracts should be let for a clearly defined period or with appropriate termination provisions. Where a service has no definable end date, the contract value shall normally be determined as the total value of the service estimated over a four year period.
- 6.5 In the case of joint purchasing arrangements the value shall be the value of both parties' purchases. Officers shall not seek to divide potential procurements in order to avoid the requirements of the Regulations and these PPR.

- 6.6 Procurements will impact on other areas of the organisation. It is important, therefore that goods services and works are only procured after effective Commissioning and due consultation with the relevant Head of Service regardless of value. The relevant Head of Service shall be responsible for the procurement of the following Services:
- (a) All IT equipment and IT services, whether hardware or software infrastructure or services by the Head of IT;
  - (b) Communication and marketing services by the Head of Communications, Engagement and Marketing;
  - (c) Health and Safety equipment by the Head of People and Organisational Development/Head of Asset Management (as appropriate);
  - (d) Professional services (consultancy) by the relevant Head of Service for the discipline concerned;
  - (e) Training by the Head of People and Organisational Development;
  - (f) Asset Management Services, including electrical, plumbing, construction or other construction and maintenance services by the Head of Asset Management;
  - (g) Legal services including advices on employment law matters by the Monitoring Officer (as appropriate);
  - (h) Financial matters by the Assistant Director (Finance).
- 6.7 Goods, services or works should in appropriate circumstances, be obtained via existing arrangements wherever possible. These arrangements include:
- (a) in-house services;
  - (b) existing Framework Agreements or Dynamic Purchasing Systems (internal or external);
  - (c) existing Select Lists or Register; and
  - (d) established corporate contracts.
- 6.8 Officers shall consult and obtain approval from the Monitoring Officer if they do not consider an existing arrangement to be suitable.
- 6.9 Nominated subcontracts shall be awarded in accordance with the procedures outlined above.

- 6.10 Officers shall give due consideration to the provisions of the Public Services (Social Value) Act 2012 prior to the commencement of a procurement process for any services contracts.
- 6.11 Heads of Service shall notify the Monitoring Officer of any planned Intermediate and High Value Procurement at the commencement of each financial year.

## **7. Procedure Applicable to Low Value Procurements**

- 7.1 For Low Value Procurements, Officers are obliged to:-
- (a) anticipate purchases in good time and make use of existing arrangements through the Monitoring Officer;
  - (b) ensure that Value for Money is obtained;
  - (c) ensure that a transparent and fair procurement process is applied;
  - (d) consider that a Low Value Procurement may still be extremely significant for potential suppliers and could be subject to challenge;
  - (e) retain evidence to be able to demonstrate, if required, how Value for Money has been secured or by demonstrating that the goods, services or works to be procured is proprietary or otherwise unique in nature; and
  - (f) consider using the EPS.
- 7.2 All Low Value Procurements require the approval of the Head of Service. Such approval shall be obtained using the Purchase Order system.

## **8. Procedure Applicable to Intermediate Value Procurements**

- 8.1 Officers are required to notify the Monitoring Officer of all Intermediate Value Procurements prior to commencement of the procurement. This is so that, where possible, the Combined Authority can make use of existing arrangements such as Framework Agreements or Dynamic Purchasing Systems as this greatly reduces the cost of procurement activity while still providing the optimum balance of Value for Money and risk. All Intermediate Value Procurements shall be undertaken by the Procurement team.
- 8.2 For Intermediate Value Procurements a minimum number of three separate quotations or Tenders shall be invited from suppliers in the relevant market. More quotations/Tenders should be obtained where the Monitoring Officer and the relevant Head of Service believes there is a reasonable level of competition or variety of solutions. If less than three quotations or Tenders are received then Officers shall (in consultation

with the relevant Head of Service and the Monitoring Officer) ensure that they can demonstrate Value for Money before proceeding to award of contract.

- 8.3
- (a) Officers shall take advice from the Monitoring Officer in respect of the most appropriate route to market, this could be using a Framework Agreement, Dynamic Purchasing System, Central Purchasing Body, collaborative arrangement, Electronic Auction or Select List;
  - (b) Officers shall prepare a clear specification of requirements;
  - (c) Officers shall specify the outcomes and outputs. Inputs should only be included in specifications where these are material to the contract or where social and environmental considerations apply;
  - (d) Officers shall specify the goods, services or works to be provided approved by the relevant Head of Service and outline the terms and conditions of contract determined by the Monitoring Officer;
  - (e) Officers shall prepare evaluation criteria and undertake such evaluations;
  - (f) Officers shall determine the risk to the Combined Authority posed by a contract and, where applicable shall only invite to tender or enter into a contract with a supplier if it is satisfied as to the supplier's financial standing;
  - (g) In the event that there are any concerns about any of the tenderers Officers shall seek advice on:-
    - (i) economic and financial standing from the Assistant Director of Finance;
    - (ii) technical and/or professional ability by references; and
    - (iii) insurance from the Head of Internal Audit.
  - (h) If an Absolute or Qualified Exemption from PPR is required, the advice of the Monitoring Officer should be sought, it shall be clearly stated and the justification for the exemption and demonstrate how Value for Money has been assured.
- 8.4 The Monitoring Officer shall:
- (a) ensure that all Intermediate Value Procurements over £25,000 are advertised on Contracts Finder;
  - (b) determine the appropriate procurement route to secure the best value;



- (c) assist the Officers in determining the basis for evaluating the Tenders if requested to do so;
  - (d) determine appropriate terms and conditions of contract; and
  - (e) Administer the EPS.
- 8.5 All Intermediate Value Procurements require approval by a Delegated Decision of the Combined Authority. This will be completed in a manner that is consistent with the Combined Authority's Scheme of Delegation and will demonstrate due consultation with the relevant Officers, Heads of Service and Directors.
- 8.6 The Officer (or the Monitoring Officer if EPS is used) shall retain a formal record of the process, to include:
- (a) the Officer(s) undertaking the procurement;
  - (b) the rationale for the procurement route chosen;
  - (c) a copy of the specification;
  - (d) all quotations or Tenders;
  - (e) a copy of the evaluation process and reasons for the decision as to the acceptance or rejection of a tenderer's quotation or Tender;
  - (f) the award letter and any communications to unsuccessful tenderers;
  - (g) copy of the final contract;
  - (h) ongoing review and monitoring documentation;
  - (i) an appropriate record of the decision; and
  - (j) any supporting evidence in respect of 8.3 above.

## 9. **Procedures Applicable to High Value and High Risk Procurements**

- 9.1 All High Value Procurements are to be notified to the Monitoring Officer prior to commencement of the procurement. This is so that, where possible, the Combined Authority can make use of existing arrangements such as Framework Agreements and Dynamic Purchasing Systems as this greatly reduces the cost of procurement activity while still providing the optimum balance of Value for Money and risk. All High Value Procurements shall be undertaken by the Procurement team.

9.2 Officers shall carry out the following steps:-

- (a) undertake a formal risk assessment prior to commencement of the procurement process to identify any risks relevant and proportionate to the goods, services or works to be procured by the Combined Authority such risk assessment shall be continually reviewed, copies retained and updated during the tender process and the contract period;
- (b) take advice from the Monitoring Officer in respect of the most appropriate route to market, this could be using a Framework Agreement, Dynamic Purchasing System Central Purchasing Body, collaborative arrangement, Electronic Auction or Select List;
- (c) consult with the Monitoring Officer in respect of other required documentation to enable the Monitoring Officer to undertake the Procurement utilising the EPS;
- (d) prepare a clear specification of requirements;
- (e) specify the outcomes and outputs. Inputs should only be included in specifications where these are material to the contract or where social and environmental considerations apply and the Monitoring Officer has agreed;
- (f) specify the goods, services or works to be provided approved by the relevant Head of Service and outline the terms and conditions of contract determined by the Monitoring Officer;
- (g) comply with the Regulations in addition to these PPR. Guidance on the Regulations including the relevant thresholds is available through One Place or by contacting the Monitoring Officer;
- (h) prepare evaluation criteria and undertake such evaluations;
- (i) in the event that there are any concerns about any of the tenderers Officers shall seek advice in respect of:
  - (i) economic and financial standing from the Assistant Director of Finance;
  - (ii) technical and/or professional ability by references; and
  - (iii) insurance from the Head of Internal Audit;
- (j) if an Absolute or Qualified Exemption from PPR is required, the advice of the Monitoring Officer should be sought, it shall be clearly stated and the justification for the exemption and demonstrate how Value for Money has been assured.



- 9.3 The Monitoring Officer shall:
- (a) ensure that all High Value Procurement shall be advertised on Contracts Finder when advertised elsewhere;
  - (b) determine the appropriate procurement route and the mechanism in the Regulations to secure the best value for the Combined Authority;
  - (c) assist the Officers in determining the basis for evaluating the Tenders;
  - (d) determine appropriate terms and conditions of contract; and
  - (e) Administer the EPS.
- 9.4 All High Value Procurements require the approval of the Combined Authority. This will be completed in a manner that is consistent with the Combined Authority's Scheme of Delegation (as appropriate) and will demonstrate due consultation with the relevant Officers, Heads of Service and Directors.
- 9.5 Officers shall, unless a report has been submitted in accordance with paragraph 9.6 below, prepare a formal report through the Modern.Gov system to seek approval by a Decision of the Combined Authority to award a contract for all High Value Procurements. The Monitoring Officer will provide a Procurement Summary which will be attached to the report.
- 9.6 At the commencement of the procurement process an Officer can submit a Pre-Procurement Report to the Combined Authority outlining the proposed project with outline specification, budget, procurement route, evaluation criteria and respective weightings and a detailed breakdown of expenditure in respect of a project. If such a report was submitted and endorsed by the Combined Authority then Officers are only required to obtain a Delegated Decision of Combined Authority to seek approval to award a contract for such High Value Procurements.
- 9.7 The Monitoring Officer shall retain a formal record of the process, to include:
- (a) the Officer(s) undertaking the procurement;
  - (b) the rationale for the procurement route chosen;
  - (c) a copy of the specification;
  - (d) all Tenders;

- (e) a copy of the evaluation process and reasons for the decision as to the acceptance or rejection of a Tender;
- (f) the award letter and communications to unsuccessful tenderers;
- (g) copy of the final contract;
- (h) ongoing review and monitoring documentation;
- (i) an appropriate record of the decision; and
- (j) any supporting evidence in respect of 9.2 above.

#### 10. **Absolute Exemptions from PPR**

10.1 The following procurements are **Absolute** Exemptions from the requirement to obtain quotations or Tenders under these PPR:

- (a) contracts specified in 3.2 above;
- (b) the execution of work or the supply of services which can only be carried out by a particular public utility undertaking, statutory undertaker, local authority or similar body; and
- (c) any contract that is exempt under the Regulations.

10.2 Absolute Exemptions under 10.1 (b) shall be supported by a formal Decision depending on the value of the contract being exempt. A Delegated Decision of the Combined Authority is required for Absolute Exemptions for Intermediate Value Procurements. A Decision of the Combined Authority is required for Absolute Exemptions for High Value Procurements. The Treasurer of the Combined Authority shall be consulted on all Absolute Exemptions for High Value or High Risk Procurements and such shall be subject to a Decision of the Combined Authority.

#### 11. **Qualified Exemptions from PPR**

Qualified Exemptions shall apply in certain circumstances and should be supported by a formal decision, depending on the value of the contract being exempt from PPR.

The following procurements are **Qualified Exemptions** from the requirement to obtain quotations or Tenders under these PPR:-

- (a) contracts where the goods, services or works are proprietary articles which (and any acceptable substitutes for which) are supplied only by one person or firm or are sold at a fixed price and where the relevant Head of Service is satisfied that there is no reasonable satisfactory alternative;

- (b) contracts where the price of the goods is wholly controlled by government order/statutory body or otherwise and no reasonably satisfactory alternative is available;
- (c) for other reasons there would be no genuine competition or where the requirements of competition as required by statute have already been met;
- (d) the goods, services or works are to be supplied constitutes an extension to an existing contract and subject to the Head of Service deciding that it would not be in the interests of the Combined Authority to tender the contract provided that:-
  - (i) the amount being considered shall not exceed the original value of the contract (unless approved by the Head of Service);
  - (ii) the Officer is satisfied that such extension will achieve Value for Money and is reasonable in all the circumstances;
  - (iii) the Officer ensures that any additional funding required is available;
  - (iv) if the original contract was subject to the Regulations, the contract is only being extended within the parameters identified in the original OJEU advert;
  - (v) if the contract was not subject to the Regulations, the extension must not take the total value of the contract above the EU thresholds;
  - (vi) if the contract was awarded as a Framework Agreement, the total contract period, including the extension, does not exceed four years;
  - (vii) the decision making route relates to the total amount of the contract including all extension(s); and
  - (viii) due consideration has been given to alternative market competition.
- (e) the contract is for the execution of work or the supply of goods or services certified by the appropriate Head of Service to be required so urgently as to preclude a competitive exercise. This Qualified Exemption shall only apply to unforeseen and unforeseeable events and does not apply where there has been a failing to act in a manner which would have permitted a full competitive exercise to take place;
- (f) the purchase of a named or propriety product required to be compatible with an existing installation; and

- (g) urgent action under Section 91(2) of the Transport Act 1985 for Subsidised Service Contracts.

## 12. **Tenders**

### 12.1 ITT shall include:-

- (a) all details of the specification as determined by the Officer reviewed by the relevant Head of Service or if required by the relevant support service;
- (b) terms and conditions of contract as determined by the Monitoring Officer;
- (c) a specific date and time by which Tenders must be returned;
- (d) advice to tenderers that quotation documents, responses and any communication in respect of an ITT can only be submitted utilising the mechanism specified in the documentation;
- (e) advice to tenderers that Tenders and any communication in respect of an ITT must be submitted utilising the EPS;
- (f) explicit instructions to tenderers on the basis of Tenders requested;
- (g) the criteria to be used to evaluate Tenders and the basis of award, which shall have been agreed in advance by the Officer and the Monitoring Officer; and
- (h) the capacity to receive alternate Tenders if required and agreed in advance by the Officer and the Monitoring Officer.

### 12.2 **Late Tenders**

No Tender received after the closing date and time shall be considered unless there are exceptional circumstances in which case it may be considered at the discretion of the Head of Internal Audit in conjunction with the Monitoring Officer.

### 12.3 **Tender Evaluation**

#### Tenders

- (a) received for contracts that are subject to the Regulations will only be evaluated only in accordance with the Regulations and the evaluation criteria set out in the ITT or Contract Notice;
- (b) received for contracts not subject to the Regulations whether by value or by the nature of the contract, shall similarly be evaluated

in accordance only with the evaluation criteria notified to tenderers in the ITT;

- (c) shall only be evaluated using the predetermined and advertised evaluation criteria, in order of importance and incorporating appropriate weightings (where possible or where required by the Regulations);
- (d) evaluation shall only be evaluated by suitably experienced Officers or other experienced persons and shall not be conducted by anyone who has any conflict of interest with a tenderer. Officers should, in such circumstances, comply with the Code of Conduct for Employees and declare such conflict and take no further part in the procurement process.

12.4 Quotations/Tenders shall be accepted as follows:

- (a) the lowest quotation/Tender if payment is to be made by the Combined Authority;
- (b) the highest if payment is to be received by the Combined Authority;
- (c) the quotation/Tender which represents the Most Economically Advantageous Offer (MEAT) to the Combined Authority where specified in the ITT; or
- (d) under any such alternative evaluation criteria as will achieve best value for the Combined Authority in such circumstances, subject to the approval of the Monitoring Officer

13 **Award of Contract**

13.1 Award of Contract shall only take place if

- (a) sufficient budget provision exists, and that such sums of money have been notionally identified to be spent on that service/good in advance;
- (b) the terms and conditions of contract have been agreed to by the tenderer;
- (c) a decision to award has been made in accordance with this Constitution; and
- (d) for a contract tendered pursuant to the Regulations the 'standstill' period has been complied with and there has not been a legal challenge or other such obstacle preventing the award.



- 13.2 For a contract that has been tendered pursuant to the Regulations that a contract award notice will be published in the OJEU no later than 30 days after the date of award of the contract;
- 13.3 The Monitoring Officer shall provide feedback to unsuccessful tenderers for contracts subject to the Regulations on written request. The relevant Head of Service shall provide the necessary information to the Monitoring Officer to provide this feedback.

14. **Form of Contract**

- 14.1 Every contract which exceeds £20,000 shall be in writing in a form approved by the Monitoring Officer.
- 14.2 An Officer shall not instruct a contractor to commence works, supply goods or provide services which is subject to a contract in writing until the contract has been signed and any performance bond secured. However if a Head of Service, in consultation with the Monitoring Officer, determines that there is an urgent need for the supply of goods, provision of services or execution of works which does not permit time for the execution of a written contract then the contract can be commenced. However, the Officer shall ensure that a contract in writing is put into place as soon as practicable.
- 14.3 All written contracts shall:
- (a) specify the goods services or works to be provided;
  - (b) provide details of prices to be paid including a statement of discounts or other reductions;
  - (c) state the period or times within which the contract is to be performed and, where appropriate, the amount of liquidated damages that may otherwise become due; and
  - (d) contain the terms and conditions of contract which are applicable.

15. **Authentication of Documentation**

- 15.1 Where any document is necessary to any legal procedure or proceedings on behalf of the Combined Authority it will be signed by the Monitoring Officer unless any enactment otherwise authorises or requires .
- 15.2 Any contracts over £150,000 shall be a formal agreement made in writing and executed as a Deed by the affixing of the Common Seal of the Combined Authority in the presence of the Monitoring Officer.
- 15.3 The Monitoring Officer shall be entitled to delegate signature of such documentation provided such delegation is in writing.

- 15.4 All other contracts may be signed by the Monitoring Officer or Directors of the Combined Authority.
- 15.5 If the Common Seal is to accompany the signature of the Monitoring Officer, an entry of every sealing of a document shall be made and consecutively numbered in a book provided for the purpose and open to inspection by every member of the Combined Authority. Each entry shall be signed by the signatory who signed the sealed document.
- 15.6 If any Directors sign contracts on behalf of the Combined Authority a copy of the contract shall be forwarded to the Monitoring Officer of the Combined Authority for their records.

16. **Termination of Contract**

Any termination of a contract arising from a High Value Procurement shall be approved by the Monitoring Officer. Contracts of a lesser value may be terminated earlier than the expiry date by agreement or in accordance with the termination provisions in the contract. Legal advice should be sought as appropriate.

17. **Legal Proceedings**

The Monitoring Officer of the Combined Authority is authorised to institute, defend or participate in any legal proceedings in any case where such action is considered necessary to give effect to decisions of the Combined Authority or in any case where such action is considered necessary to protect the Combined Authority's interests.

## **Part 5 – Land Procedure Rules**

### **1. Definitions**

- (a) “Combined Authority” means the Liverpool City Region Combined Authority or Merseytravel as appropriate;
- (b) “Decision” means a decision named as such in the Combined Authority or Merseytravel’s Scheme of Delegation.
- (c) “Delegated Decision” means a decision named as such in the Combined Authority or Merseytravel’s Scheme of Delegation.
- (d) “Head of Service” shall mean those officers who are so designated by the Combined Authority as an Assistant Director, Head of Service, Senior Head of Service, or Rolling Stock Project Director.
- (e) “High Value Land Transaction” shall mean a Land Transaction where the total value of the Land Transaction is over £250,000 or where statutory protection attaches to the Land Transaction under the Landlord and Tenant Act 1954.
- (f) “Intermediate Value Land Transaction” shall mean a Land Transaction where the total value of the Land Transaction payable to or by the Combined Authority is between £20,000 and £250,000 and where no statutory protection attaches to the Land Transaction under the Landlord and Tenant Act 1954.
- (g) “Land Transaction” shall mean any land transaction as detailed in paragraph 2 hereof.
- (h) “Low Value Land Transaction” shall mean a Land Transaction where the total value of the Land Transaction does not exceed £20,000 and where no statutory protection attaches to the Land Transaction under the Landlord and Tenant Act 1954.

### **2. These Land Procedure Rules apply to any Land Transaction which includes the following:-**

- (a) acquisition, disposal of or other dealing with land, buildings or other property assets held by the Combined Authority or the allocation of the proceeds thereof;
- (b) entering into of any licences, tenancies, leases, change of use, wayleaves and easements for property owned by another party;
- (c) the renewal of leases protected by the Landlord and Tenant Act 1954;
- (d) assignment, underletting or change of use requests of leases or licences granted by the Combined Authority;

- (e) licences to commercial advertisers for the display of advertisements on Combined Authority properties;
- (f) easements over Combined Authority land;
- (g) wayleaves for the laying of services under on or through land and premises owned by the Combined Authority;
- (h) termination/surrender of any licences, tenancies and leases of land or property taken by the Combined Authority which are no longer required; and
- (i) a legal mortgage or charge over a property in favour of the Combined Authority

3. The Senior Head of Service Operations or Head of Asset Management shall:-

- (a) Ensure that rent reviews for leases of land/premises are carried out as they fall due and take appropriate action to protect Combined Authority property assets.
- (b) Arrange for properties falling vacant to be re-let expeditiously or considered for disposal.
- (c) Periodically review whether the return from individual property assets.

In doing so the Senior Head of Service Operations or the Head of Asset Management shall ensure that Value for Money is obtained in respect of the Land Transaction. The provisions set out in Procurement Procedure 7.1 shall be considered when determining such matter.

- 4. Subject to paragraph 7 below, a Delegated Decision of the Combined Authority is required in respect of any Intermediate Value Land Transaction.
- 5. Subject to paragraph 7 below, Head of Service approval is required for any Low Value Land Transaction.
- 6. Subject to paragraph 7 below, a Decision of the Combined Authority is required in respect of any High Value Land Transaction except for any High Value Land Transaction relating to land owned by the Combined Authority and operated by Merseytravel eg No 1 Mann Island. Approval for any High Value Land Transaction relating to land owned by the Combined Authority and operated by Merseytravel shall be approved by Merseytravel.

When determining a disposal of land for a High Value Land Transaction the Combined Authority shall consider a report which:-

- (a) specifies the land to be disposed of;
- (b) confirms whether the land has been declared surplus to requirements;

- (c) advises upon the proposed method of disposal and provides the reasons for selecting that method;
  - (d) confirms whether or not the proposed method of disposal is likely to achieve best consideration and, where other than open competition is recommended, describes how this will be satisfied/evidenced; and
  - (e) in matters where it is proposed that the disposal should be for less than best consideration gives reasons for and against seeking best consideration.
7. In determining the amount of a Land Transaction for the purposes of paragraphs 3, 4, 5 and 6 above, Officers should consider the total cost or loss to the Combined Authority as a result of such Land Transaction. Thus in the case of a lease or licence the total cost would be the rent or fees payable added up over the full term of the lease or licence plus any profit sharing or turnover payment that could be payable. Guidance from the Monitoring Officer should be sought in the event of any query on this matter.
  8. In addition to any approval set out above the approval of the Combined Authority shall be obtained in respect of any Merseytravel land/estates transactions which require Combined Authority approval under Section 10(1) of the Transport Act 1968 including any land surplus to requirements.
  9. The Head of Asset Management shall keep a record of all land and buildings owned by the Combined Authority. The Monitoring Officer shall be responsible for the safe keeping and retention of all property deeds.
  10. In relation to land and buildings all Heads of Service shall:-
    - (a) ensure that lessees and other prospective occupiers of Combined Authority land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Monitoring Officer of the Combined Authority has been established as appropriate;
    - (b) ensure the proper security of all buildings and other assets under their control; and take the appropriate action in any case where security is thought to be defective or where it is considered that special security arrangements may be needed;
    - (c) identify land or buildings which are surplus to requirements;
    - (d) pass title deeds to the Monitoring Officer who is responsible for custody of all title deeds;
    - (e) ensure that no Combined Authority owned land or building is subject to personal use or any other use other than in pursuance of approved service delivery without proper authority and where appropriate, documentation identifying terms, responsibilities and duration of use;

- (f) arrange for the valuation of assets for accounting purposes to meet requirements specified by the Treasurer of the Combined Authority; and
  - (g) only dispose of any land or property or any interest therein in accordance with the Corporate Disposal Procedures.
11. All contracts and other documentation relating to land transactions shall be in writing, signed or sealed (as appropriate) as determined by the procedures set out in paragraph 15 of the Procurement and Contract Procedure Rules

## **Part 6 – Financial Regulations**

### **1. Introduction**

- 1.1 These Financial Regulations have been prepared in accordance with the Standing Orders of Merseytravel. The Regulations have the same force as Standing Orders and supplement the main principles of financial control and allocation of financial responsibility that are set out therein. Failure to comply could result in disciplinary action.
- 1.2 Financial Regulations provide the framework for managing Merseytravel's financial affairs. They apply to every Officer of Merseytravel and anyone acting on its behalf. Underpinning these are effective systems and procedures that provide accountability and control.
- 1.3 The Regulations identify the financial responsibilities of Merseytravel, the Director General, the Director of Resources and other Directors and Heads of Service.
- 1.4 All Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.5 The Director of Resources is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to Merseytravel for approval. The Director of Resources is also responsible for reporting, where appropriate, breaches of the Financial Regulations to Merseytravel as appropriate.
- 1.6 Directors and Heads of Service are responsible for ensuring that all Officers in their directorates are aware of the existence and content of these Financial Regulations and other internal regulatory documents and that they comply with them.
- 1.7 The Financial Regulations deal with the more detailed aspects of financial control.
- 1.8 The definitions contained in the Procurement Procedure Rules shall apply to these Financial Regulations.

### **2. General Responsibility for Financial Management**

- 2.1 Financial management covers all financial accountabilities in relation to the running of Merseytravel, including the policy framework and budget.
- 2.2 The Director of Resources shall ensure the proper administration of the financial Affairs of Merseytravel and shall set the financial management standards and monitor compliance with them. This will include the

provision and regular review of Financial Instructions to staff dealing with financial matters.

- 2.3 The Director of Resources shall ensure that proper professional practices are adhered to and will act as head of profession in relation to the standards, performance and development of finance staff throughout Merseytravel.
- 2.4 Heads of Service shall promote the financial management standards set by the Director of Resources in their departments and shall monitor adherence to the standards and practices. This shall include ensuring full compliance with Merseytravel's Financial Instructions.

### 3 **Responsibilities**

#### 3.1 **Merseytravel**

3.2.1 Merseytravel is responsible for:

- (a) adopting Merseytravel's Standing Orders and Financial Procedure Rules;
- (b) implementing the policies set by the Combined Authority;
- (c) undertaking Merseytravel's statutory powers;
- (d) approving Merseytravel's proposed budget prior to submission to the Combined Authority for approval;
- (e) approving procedures for the recording and reporting of its decisions taken. This includes delegated by and decisions taken by Merseytravel and its Officers; and
- (f) receiving and managing the budget approved by the Combined Authority.

3.2.2 The Director General is responsible for the overall strategic management of Merseytravel and for establishing a management framework for establishing, monitoring and reporting the overall performance of Merseytravel. This includes a responsibility to ensure that Merseytravel has sufficient resources to manage its finances in a robust manner, with appropriately qualified officers, including a Chief Financial Officer.

3.2.3 The Director of Resources shall be the Chief Financial Officer and financial adviser to Merseytravel and as such is responsible for:-

- (a) the proper recording and the standards of all financial records, statements and accounts;



- (b) the proper administration of Merseytravel's financial affairs;
- (c) keeping Merseytravel informed of the financial implications of all new policies and changes in policy;
- (d) setting and monitoring compliance with financial management standards;
- (e) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- (f) preparing the revenue budget and capital programme;
- (g) treasury management;
- (h) issuing instructions for safe and efficient arrangements for the receipt of monies and payments to and for payments made by or to Merseytravel and its banking arrangements;
- (i) developing and maintaining relevant anti-fraud and anti-corruption policies and monitor the effectiveness of such;
- (j) agreeing procedures for year end balances;
- (k) preparing the annual statement of accounts for Merseytravel in accordance with relevant codes of practice and for Merseytravel and its companies in accordance with relevant legislation; and
- (l) open/close any bank account whose title is associated with Merseytravel or its subsidiary companies.

3.2.4 The discharge of these responsibilities is covered within these Financial Regulations.

#### 4. **The Annual Budget**

- 4.1 Merseytravel is required to establish an annual budget that constitutes the financial articulation of the overall strategic planning process. The budget is part of integrated service planning and budget plans must be supported by financial and non-financial performance measures.
- 4.2 The Director of Resources shall advise Merseytravel in respect of its proposals and shall advise Merseytravel on whether there is sufficient resource available to support the overall plan.
- 4.3 As such, the annual budget needs to reflect any changes to service delivery and any anticipated financial pressures such as demographic changes and price inflation.

- 4.4 The Director of Resources shall determine an appropriate timetable for the preparation of the Annual Budget that conforms to the statutory deadlines regarding the establishment of the annual levy requirement.
- 4.5 The timetable has to provide for appropriate consultation with relevant parties and adequate consideration by Merseytravel.
- 4.6 The annual budget must take proper account of available resources and of financial risk. As such, the Director of Resources must prepare and submit reports on budget prospects for Merseytravel, including resource constraints set by the Government. Reports should take account of medium-term prospects (where appropriate) and advise Merseytravel as appropriate on the medium-term implications of spending decisions.
- 4.7 In establishing the annual budget, the Director of Resources needs to determine revenue provision for each service area and prepare and submit reports to the Combined Authority on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the Combined Authority's levy requirement.
- 4.8 The annual budget should reflect and encourage the best use of resources and value for money by reflecting opportunities to improve economy, efficiency and effectiveness within service planning and service delivery.
- 4.9 In establishing the annual budget, the Director of Resources will work with budget holders to:
- (a) prepare realistic estimates of income and expenditure that are supported by evidence;
  - (b) prepare budgets that are consistent with any relevant cash limits, with the Combined Authority's annual budget cycle and with guidelines issued by the Combined Authority;
  - (c) integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures; and
  - (d) identify opportunities to improve efficiency, economy and effectiveness and ensure any action to deliver efficiency targets prescribed by Merseytravel are approved, monitored and reported on a frequent basis.
- 4.10 The annual budget setting process needs to reflect:
- (a) spending patterns and pressures revealed through the budget monitoring process;

- (b) all legal requirements;
- (c) policy requirements as defined by the Combined Authority in the approved policy framework; and
- (d) any policy initiatives already under way;
- (e) the availability of grants from central government and elsewhere; and
- (f) all borrowing requirements and the cost of capital financing and depreciation.

## 5. **Budget Monitoring**

- 5.1 All budget holders are responsible for managing their own budget.
- 5.2 All expenditure and income will be attributable to a single budget holder who will be accountable for managing that expenditure or income within the approved budget. Budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure and determine income.
- 5.3 All officers responsible for committing expenditure must comply with relevant guidance and Financial Regulations, PPR and Land Procedure Rules;
- 5.4 The overall budget shall be agreed by the Combined Authority.
- 5.5 All expenditure must be supported by an approved budget. All budgets will be assigned to a single named accountable officer and that officer will be termed the budget holder. Budget holders may perform that duty in respect of multiple budgets; however a single budget cannot be assigned to more than one budget holder.
- 5.6 Budget holders must ensure that suitable documentation is maintained for all decisions in order to demonstrate compliance with agreed procedures and in order to provide evidence for audit purposes.
- 5.7 Budget holders are expected to exercise their discretion in managing their budgets responsibly and prudently and should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income. Budget holders must avoid creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources.
- 5.8 Budget holders must plan to fund such commitments from within the respective service area within which their budget(s) apply.

- 5.9 Merseytravel and its Officers discharging functions may only take decisions which are in line with the budget. Any decisions that are contrary to or not wholly in accordance with the approved budget may only be taken by the Combined Authority unless the decision is deemed to be a matter of urgency.
- 5.10 Decisions deemed to be a matter of urgency are defined within the Scheme of Delegation and Standing Orders. These provisions must be adhered to.
- 5.11 Budget holders will receive monthly updates on all income and expenditure from the financial ledger. It is the responsibility of budget holders to examine these and to identify any projected variances that will impact on overall income and expenditure to year end.
- 5.12 It is the responsibility of budget holders to identify any potential pressures on budgets at an early stage and communicate this with the Assistant Director of Finance. In the first instance, budget holders will need to identify corrective action to bring budgets within the agreed levels.
- 5.13 Where, with the agreement of the Director of Resources, this is not possible, a revised estimate will need to be made and approved by the Combined Authority.
- 5.14 The requirement to produce a revised estimate also extends to areas where income is likely to be greater than anticipated or where expenditure patterns suggest that a budget will underspend at year end.
- 5.15 It is necessary to report all forecast underspends and additional income within year as this enables the best use of resources and avoids large unanticipated underspends at year-end.
- 5.16 Budget holders must maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements and will supply information required to enable the statement of accounts to be completed in accordance with the guidelines and timetable issued by the Director of Resources. This will include the provision of working papers and other records in the format and quality prescribed by the Director of Resources.
- 5.17 In order to discharge these responsibilities, budget holders must:-
- (a) maintain budgetary control within their departments, in adherence to the principles outlined in these Financial Regulations and to ensure that all income and expenditure is properly recorded and accounted for;

- (b) ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively;
  - (c) prepare and submit to Merseytravel, and/or the Combined Authority or its Committees (as appropriate) reports on the service's projected expenditure compared with its budget, in consultation with the Director of Resources;
  - (d) comply with any guidance concerning capital schemes and controls as issued by the Director of Resources; and
  - (e) ensure that all capital proposals comply fully with the requirements of the approved Capital programme.
- 5.18 All overspends on capital and revenue budgets shall be reported to the Combined Authority and/or Merseytravel (as appropriate) and, where appropriate may constitute an adjustment to the approved budget in the following year.
- 5.19 Approval of the capital programme does not constitute authority to incur financial expenditure. Officers shall seek approval for the release of all capital monies prior to seeking authority for expenditure of the same. Such approval shall be in accordance with the thresholds for procurement set out in the PPR.

## 6. **Virement between Budgets**

- 6.1 The Director of Resources will administer Merseytravel's scheme of virement in accordance with the Scheme of Delegation.
- 6.2 While all budgets are the ultimate responsibility of the Combined Authority, the distinction between the Combined Authority and Merseytravel must be considered when viring budgets.
- 6.3 Steps taken by Merseytravel or an Officer shall not exceed those budgets allocated to each budget head. However, such bodies or individuals shall be entitled to vire across budget heads where such virement:-
- (a) arises from the need to conform with recognised accounting standards and practices and has no overall budgetary implication; or
  - (b) arises from the reorganisation or rationalisation of internal management arrangements which has no direct impact on service delivery or standards; or
  - (c) involves the allocation or distribution from Contingency Items or Reserves previously earmarked by Merseytravel for specific purposes.

- 6.4 All such virement shall only be affected after consultation with and approval by, the Director of Resources and, in the case of (c) above in accordance with the established process for use of earmarked Reserves or balances. All other virement across budget heads shall require the approval of Merseytravel.
- 6.5 Heads of Service may exercise virement between Service Estimates and/or Capital Schemes on budgets within their control, subject to the following:-
- (a) any decision requiring variations to approved Service Estimates/ Capital Schemes must only be taken in accordance with the Scheme of Delegation to Officers; and
  - (b) such virement does not create additional overall budget liability.
- 6.6 Virement within Merseytravel Budgets up to a value of £100,000 can be undertaken by a Delegated Decision of Merseytravel in accordance with the Scheme of Delegation. Any virement decisions over £100,000 require a Decision of Merseytravel.
- 6.7 Any virement of budget from or to overall Employee costs needs to be approved by a Decision of Merseytravel. This does not include virement of budgets within overall employee costs, subject to the limits.
- 6.8 Heads of Service should, in consultation with the Director of Resources and their Director, identify those officers whom they wish to delegate authority for approving such virement. Heads of Service should determine limits that they wish to place on individual officers' authority within the overall limits specified by the Scheme of Delegation.

## **7. Standards of Financial Management**

- 7.1 It is the responsibility of the Director of Resources to ensure that a proper Scheme of Delegation has been established within Merseytravel as appropriate and is operating effectively. The Scheme of Delegation should identify staff authorised to act on Merseytravel's behalf, in respect of payments, income collection and placing orders, together with the limits of their authority.
- 7.2 The Director of Resources is responsible for the conduct of all Merseytravel financial and accounting matters. This includes the operation of Merseytravel's accounting systems, the form of accounts, the supporting financial records and for prescribing the form and manner in which they are kept.
- 7.3 The Director of Resources shall issue such accounting instructions as he or she deems necessary setting out for accounting systems the

procedures that must be followed and the documents and records that must be adopted by all Officers.

- 7.4 Any changes made by Directors or Heads of Service to the existing forms, documents, records or procedures of a financial, accounting or costing nature, dealing with income, expenditure, assets, inventories, stocks or stores or the establishment of new procedures must be approved by the Director of Resources.
- 7.5 However, Directors and Heads of Service are responsible for the proper operation of financial processes in their own departments and shall:-
- (a) operate such systems and procedures as, in the opinion of the Director of Resources are necessary to ensure adequate financial control;
  - (b) keep such records of financial transactions and of other transactions and dates which the Director of Resources may require, in a form determined by him or her, in order to facilitate the preparation of Merseytravel's accounts and its subsidiary company accounts and compilation of costing and statistical statements and the completion of all necessary reports and returns;
  - (c) ensure that such records, including all books, deeds, contracts, bills, vouchers and receipts relating thereto are retained in accordance with guidance issued by the Director of Resources on retention of documents and stored so as to be readily available when access to them is required by the Director of Resources and the internal and external auditors. Such records and documents shall not be disposed of without the prior approval of the Director of Resources as to the time and method of disposal and in accordance with the Retention of Documents Policy; and
  - (d) ensure that his or her staff receive relevant financial training in respect of Open Accounts and other financial systems that have been approved by the Director of Resources.
- 7.6 The operation of financial systems should observe sensible and appropriate divisions of responsibilities. Heads of Service need to consult Internal Audit for advice on establishing appropriate divisions of responsibilities. Examples of appropriate divisions of responsibility would include:-
- (a) the duties of providing information regarding sums of money due to or from Merseytravel and of calculating, checking and recording these sums, shall be separated from the duty of collecting and disbursing such sums; and

- (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

7.7 All documents, forms, tokens and tickets which the Director of Resources defines as "Financial Stationery" shall be designed, purchased, stored, issued, used, retained and where necessary destroyed in accordance with the instructions issued by the Director of Resources.

## **8. Financial Implications of Decision Making**

8.1 Financial decision-making is bound by the provisions within Merseytravel's Scheme of Delegation, Procurement Procedure Rules and Land Procedure Rules.

8.2 Directors and Heads of Service are responsible for ensuring that Merseytravel as appropriate are advised of the financial implications of all proposals and that the financial implications have been prepared, reviewed and agreed with the Director of Resources.

8.3 All decisions must include financial implications where appropriate. Where there are no financial implications, decisions must expressly state this.

8.4 The Director of Resources must approve any matter liable to affect Merseytravel's finances materially, before any commitments are incurred.

8.5 The Director of Resources will ultimately determine the Financial Implications of any proposals.

8.6 Directors and Heads of Service must maintain a written or electronic record where decision-making has been sub-delegated. Where decisions have been delegated or devolved to other responsible officers, references to the Director or Head of Service in the Regulations should be read as referring to them.

8.7 The Director of Resources has responsibility for reporting to Merseytravel and their external auditors if Merseytravel or one of its officers:-

- (a) make or propose to make, a decision which involves incurring unlawful expenditure;
- (b) take or propose to take, an unlawful action which resulted or would result in a loss or detriment to Merseytravel;
- (c) make or propose to make an unlawful entry in the Merseytravel accounts.



- 8.8 The Director of Resources has a responsibility to advise Merseytravel whether a decision is likely to be considered contrary or not wholly in accordance with the budget.
- 8.9 The Director of Resources will advise Merseytravel where inappropriate actions have been taken or proposed that are contrary to the principles within the budget, even where these can be contained within that year's approved budget limits. Such actions include:
- (a) Initiating a new policy or activity that is not consistent with the Corporate Plan; or
  - (b) Taking a decision that commits significant expenditure in future years.

9. **Employee Costs**

- 9.1 Heads of Service shall produce an annual staffing budget and shall ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision.
- 9.2 Staffing budgets need to be reconciled with approved establishment lists maintained by the Head of People and Customer Development.
- 9.3 Heads of Service have a responsibility to monitor employee costs and recognise such indirect costs as sickness, overtime, training and temporary staff.
- 9.4 Heads of Service shall consult the Head of People and Customer Development in a timely and appropriate manner concerning all appointments, promotions, re-grades, resignations, redundancies, dismissals, retirements, suspensions, secondments and absences from duty or any other circumstances affecting the conditions of employment, salaries, wages or emoluments of any employee of Merseytravel and shall consult the Head of People and Customer Development on matters relating to the application of salaries and wages scales.
- 9.5 Timesheets or other pay documents, in a form approved by the Head of People and Customer Development in consultation with the Director of Resources, shall be prepared as necessary and certified by the authorised representative of the relevant Department.
- 9.6 The Head of People and Customer Development or other officer designated by him/her, shall be responsible for the payment of all payrolls from information supplied by Departments. The Heads of Service shall provide the Head of People and Customer Development with all information necessary to maintain records of service, superannuation, income tax, national insurance and statutory sick pay.
- 9.7 Heads of Service shall ensure that all requests to pay employees are:-

- (a) in respect of employees within authorised establishments or approved redeployments or in respect of temporary or casual employees engaged for periods of sickness or emergency; and
- (b) at salary and wage rates in accordance with Merseytravel's salary scales except where otherwise approved.

## **10. Travel and Subsistence Claims**

- 10.1 Travel and subsistence claims must be made in accordance with Merseytravel's Travel Accommodation Travel, Accommodation and Subsistence Expenses Policy and Guidance.
- 10.2 Certain tax dispensations have been granted on the strength of the existing guidance and failure to adhere to such guidance could result in the withdrawal of dispensations and future travel and subsistence being classed as a taxable benefit.
- 10.3 The Director of Resources is responsible for reviewing, updating and negotiating tax dispensations with the Inland Revenue.
- 10.4 Reimbursement for travelling, subsistence or financial loss will be made by the Director of Resources upon receipt of the prescribed form duly completed and certified.
- 10.5 Certification of a claim shall be taken to mean that the journeys were authorised and the expenses properly and necessarily incurred.
- 10.6 Certification of claims made by Directors shall be by the Director of Resources. Certification of claims by Heads of Service and other staff shall be by the Director or Officer to whom the claimant is responsible in line. Certification of claims of the Director of Resources shall be by the Director General.

## **11. Risk Management**

- 11.1 The Director of Resources shall be responsible for the preparation of Merseytravel's risk management policy statement and insurance strategy and for identifying all potential liabilities.
- 11.2 The Director of Resources shall be responsible for effecting all insurance cover and maintaining a record of such, as is considered necessary as a result of that strategy and for negotiating claims and maintaining appropriate records. The Director of Resources shall at such time as he/she considers necessary review all insurances in consultation with other Heads of Service.
- 11.3 Heads of Service shall submit any claims on the appropriate form to the Secretary for processing to Merseytravel's insurers.

- 11.4 Heads of Service shall take responsibility for risk management and shall ensure that there are regular reviews of risks within their Departments and notify the Director of Resources of all new risk that require insurance or alteration to existing insurances.
- 11.5 Heads of Service shall ensure that all projects within their sphere of responsibility are subject to sound planning and control to avoid financial and other risks associated with their management. Such controls need to be consistently applied across all projects where Merseytravel has significant involvement or takes the lead and in these circumstances it is the policy that Merseytravel's standard project management method will be used.
- 11.6 The Secretary shall be consulted regarding the terms of any indemnity which Merseytravel is requested to give.

## **12. Maintenance of Reserves**

- 12.1 The Director of Resources will advise Merseytravel on appropriate levels of reserves for Merseytravel.
- 12.2 Merseytravel will determine a Reserves Strategy as part of the Medium Term Financial Strategy on advice from the Director of Resources.
- 12.3 In establishing its Reserves Strategy, Merseytravel must consider all known financial risks and future liabilities.

## **13. Treasury Management**

- 13.1 All Treasury Management activity shall be undertaken in full compliance with CIPFA's Code of Practice: Treasury Management in the Public Services. In particular, this will entail that:-
- (a) the Director of Resources will create and maintain, as the cornerstones for effective Treasury Management a treasury management policy statement, stating the policies and objectives of its treasury management activities and suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities;
  - (b) Merseytravel will receive reports on its TMPs, including, as a minimum, an annual strategy and plan in advance of the year, an interim report and an annual report after its close, in the form prescribed in its TMP's; and
  - (c) the implementation and monitoring of TMPs shall be the responsibility of Merseytravel and the execution and administration of Treasury Management decisions shall be delegated to the Director of Resources who will act in accordance

with Merseytravel's Policy Statement and Treasury Management Practices.

- 13.2 Credit arrangements, such as Finance Leases, Operational Leases and borrowing cannot be entered into without the approval and authority of the Director of Resources and Merseytravel.

#### 14. **Internal Control**

- 14.1 The Director of Resources shall ensure that an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations are put in place.
- 14.2 Heads of Service are responsible for ensuring that standards of internal control are maintained within their area of responsibility. In discharging this responsibility, Heads of Service must:
- (a) manage processes to check that established controls are being adhered to and to evaluate their effectiveness;
  - (b) review existing controls in the light of changes affecting the operational environment and to establish and implement new financial and other controls in line with guidance from the Director of Resources;
  - (c) ensure that all Officers within their service have a clear understanding of the consequences of lack of internal control;
  - (d) establish appropriate controls to manage the risk of fraud, bribery and corruption in the delivery of their services; and
  - (e) ensure that all Officers within their service have a clear understanding of the risk of fraud, bribery and corruption, and how to report any concerns they have with reference to the Fraud, Bribery and Corruption policy framework.

#### 15 **Internal Audit Requirements**

- 15.1 The Director of Resources shall be responsible for maintaining an independent continuous audit of the financial records, operations and systems of internal control as laid down in the Accounts and Audit Regulations and the Public Sector Internal Audit Standards.
- 15.2 The Director of Resources or his/her authorised representative, shall have authority:-
- (a) to enter any premises or land without prior notification and with unfettered access to examine all records, documents and

- correspondence relating to any financial and other transactions of Merseytravel and all subsidiary companies;
- (b) to require and receive such explanations as he/she deems necessary in order to satisfy him/herself on any matter under consideration; and
  - (c) to require production of any information or items deemed necessary for the efficient and effective conduct of the audit. This shall include unfettered access to any electronic records including e-mails sent or received through Merseytravel equipment (including mobile phones), telephone records and CCTV monitoring images not acquired through directed surveillance.

15.3 Whenever any matter arises which involves or is thought to involve or which may suggest the involvement of fraud, corruption or irregularities in the exercise of the functions of Merseytravel or any instances of material error or non-compliance the Head of Service concerned shall immediately inform the Director of Resources, who shall take such steps as he/she considers necessary by way of investigation and report.

15.4 Heads of Service shall consider and respond promptly to recommendations in audit reports and ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

## 16. **External Audit**

16.1 The Director of Resources will ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work and will ensure that there is effective liaison between external and internal audit.

16.2 Heads of Service will ensure that all records and systems are up-to-date and available for inspection.

16.3 It is the responsibility of Heads of Service to consult with the Director of Resources and seek approval on any matter liable to affect Merseytravel's finances materially, before any commitments are incurred.

## 17. **Access to Business Systems**

Merseytravel will maintain an IT Acceptable Use Policy (AUP) which will make clear to Officers what business systems can be used for and that usage will be monitored in accordance with the AUP and all relevant legislation. Only Officers that have agreed to the terms of the AUP will be given access to business systems.

## 18. **Subsidiary Companies**

- 18.1 Any decisions relating to the establishment, acquisition or disposal of subsidiary companies must be authorised by Merseytravel. This includes part as well as wholly owned subsidiaries and joint ventures.
- 18.2 Officers acting as Directors of subsidiary companies must be mindful of the requirement to protect the financial interests of Merseytravel at all times and in all decisions.
- 18.3 Governance arrangements in respect of subsidiary companies have to be approved by Merseytravel and must protect the interests of Merseytravel at all times and in all decisions.
- 18.4 Financial support cannot be given to subsidiary companies without the express approval of Merseytravel and without an agreed budget for such purposes. The Director of Resources shall monitor such support.
- 18.5 Financial support includes but is not limited to:
- (a) the purchase of ordinary shares and additional ordinary shares;
  - (b) the purchase of preference shares and additional preference shares;
  - (c) the assumption or novation of debt from the subsidiary company to Merseytravel;
  - (d) the advancement of loans for any purpose, including for the provision of working capital;
  - (e) the payment of creditors on behalf of a subsidiary company;
  - (f) the provision of grant-funding to a subsidiary company;
  - (g) the writing-off of debts owed by a subsidiary company;
  - (h) the provision or procurement of services – including premises – by Merseytravel on behalf of a subsidiary company where this is not at a commercial rate;
  - (i) the provision of staff support to a subsidiary company where this is not at a commercial rate; and
  - (j) the provision of financial guarantees.
- 18.6 The Director of Resources shall be the financial advisor to any subsidiary company but shall not be a Company Director.

- 18.7 The Secretary of Merseytravel shall not be a Company Director of any subsidiary company.
- 18.8 Merseytravel shall specify those Officers it wishes to be Directors or Officers of any subsidiary company and for joint ventures.
- 18.9 Heads of Service shall ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Director of Resources and Merseytravel.

19. **Banking Arrangements**

- 19.1 The Director of Resources is the only Officer, who may open any bank account whose title is associated with Merseytravel and/or the Combined Authority or any of Merseytravel's subsidiary companies.
- 19.2 The Director of Resources shall make all arrangements for the opening and operation of bank accounts in the name of Merseytravel or any subsidiary company for the ordering and issue of cheques and shall be authorised to operate such bank accounts as he/she considers necessary including variations in Merseytravel's banking terms and overdraft arrangements.
- 19.3 All cheques drawn on behalf of Merseytravel shall be signed by the Director of Resources or approved officers, who shall make proper arrangements for their custody.
- 19.4 Heads of Service shall ensure that any bank account held within their area of responsibility has a nominated Officer responsible for bank reconciliations, cheque control, accounting for transactions, preparing reimbursement claims, security and submitting request changes for variations to the mandate.
19. Any indemnity required by Merseytravel's bankers regarding the signature of cheques by a computer or where the services of a security firm are used for the deposit or receipt of cash at the bank shall be given by the Director of Resources or other duly authorised officer.

20. **Petty Cash Imprests**

- 20.1 All petty cash imprests shall be monitored by an accountable officer and subject to regular audit. As a principle, the use of such cash imprests shall be avoided and services should take steps to use alternative payment and procurement methods whenever possible.
- 20.2 The Director of Resources shall make such advances as he/she considers necessary to meet any petty cash payments and for use as 'floats' for the purposes of giving change to cash customers. Payments

from petty cash imprests shall be limited to such maximum value and type of expenditure as may be directed by the Director of Resources.

- 20.3 Petty cash imprests should not be used to reimburse officers for expenditure that should properly be reimbursed through the payroll system, such as travel expenses/ professional fees.
- 20.4 The Director of Resources may provide such imprest accounts for other departments as he or she considers necessary to meet petty cash payments and other expenses. Payments from these accounts shall be recorded on the appropriate vouchers and supported by receipted bills and be forwarded to the Director of Resources at agreed intervals with a claim for reimbursement.
- 20.5 Where appropriate, the Director of Resources may open a bank account for use by the imprest holder but there shall be an instruction to the bank that the account must not be overdrawn.
- 20.6 Payments from Petty Cash Imprest shall be limited to such maximum value and type of expenditure as may be directed by the Director of Resources.
- 20.7 No income received may be paid into an imprest account or used to defray expenditure.

## 21. **Use of Payment Cards and Corporate Credit Cards**

- 21.1 No credit cards shall be issued to any individual officer in their own name. All business expenses must be reclaimed through the payroll system.
- 21.2 The Director of Resources shall make all arrangements for the management of Payment Cards where these can be demonstrated to provide value for money through the procurement of goods and services.
- 21.3 Heads of Service shall:-
  - (a) arrange for all funds and monies managed as accountable bodies to be held, wherever possible, in the name of the Combined Authority;
  - (b) arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Resources and to maintain written records of all transactions; and
  - (c) ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.



## **22. Income Management**

- 22.1 Heads of Service shall establish a charging policy for the supply of goods and services, including the appropriate charging of VAT and shall ensure that the levels of fees and charges relating to services under their control shall be reviewed annually and reports shall be forwarded to Merseytravel for approval, after consultation with the Director of Resources or his/her nominated representative.
- 22.2 The arrangements for the collection of all monies due to Merseytravel shall be subject to the approval of the Director of Resources.
- 22.3 No cash payments in excess of that sum specified in Merseytravel's Financial Instructions shall be accepted in a single transaction or series of transactions by cashiers without the approval of Merseytravel's nominated Money Laundering Reporting Officer.
- 22.4 Details of charges for work done, goods supplied or services rendered on behalf of Merseytravel and of all other income due to Merseytravel, shall be promptly notified by the Head of Service to the Director of Resources in a form approved by him/her.
- 22.5 Any Value Added Tax should be accounted for separately.
- 22.6 All monies received on behalf of Merseytravel shall be acknowledged at once by the issue of an official receipt, voucher or ticket or by other agreed method and shall be paid intact to the Director of Resources or his/her collecting officer or, subject to his/her instructions, be banked in Merseytravel's name at such intervals as he/she may determine.
- 22.7 All accounts, statements or letters requiring monies to be paid to Merseytravel shall specify that payment must be made to the Director of Resources unless agreed otherwise by him/her.
- 22.8 All receipt forms, books, tickets, licences and other documents representing receipts for money shall be in a form approved by the Director of Resources.
- 22.9 Heads of Service shall ensure that the requirements of Merseytravel's Debt Recovery Policy are fully complied with at all times.
- 22.10 Sums deemed to be irrecoverable shall only be approved for write off in accordance with the requirements of the Scheme of Delegation.

## **23. Expenditure**

- 23.1 The Director of Resources or Assistant Director of Finance shall be responsible for the examination, verification and certification of requisitions for payment and for the allocation of expenditure to the relevant Head of Service.

- 23.2 Officers shall not make any advance payments to third parties for the supply of goods provision of services or execution of works unless there is a contractual commitment to do so and it has been approved by the Director of Resources.
- 23.2 All requisitions for payment shall be signed by the Head of Service or authorised designated officer and shall include responsibility for verifying, prior to passing to the Director of Resources for payment, that:-
- (a) the goods or services to which the invoice relates have been received and are in accordance with the specification, been examined and approved and where appropriate, entered into inventories;
  - (b) the prices, calculations, trade discounts, other allowances and VAT are correct and the invoice has not previously been passed for payment;
  - (c) the expenditure is lawful; and
  - (d) the expenditure complies with the Financial Procedure Rules, Procurement Procedure Rules, Land Procedure Rules and the Scheme of Delegation.
- 23.3 The Director of Resources may examine, so far as he/she considers necessary, all accounts passed to him/her for payment and shall be entitled to receive such information and explanations as he/she may require.
- 23.4 The Director of Resources shall pay all accounts which he/she is satisfied represent legal payments and are in order.
- 23.5 Each Director or Head of Service is responsible for all orders issued by Merseytravel and subsidiary companies as appropriate. Orders showing a realistic estimate of cost should be issued for all work, goods or services to be supplied to Merseytravel except periodical payments such as for gas, electricity, telephone charges, rent and rates, petty cash purchases or any other exceptions approved by the Director of Resources.
- 23.6 Orders for goods and services must be accompanied by an appropriate Purchase Order (which may be electronic) unless covered by an invoice or contract. No payments will be made in respect of goods services or works without an appropriate Purchase Order, invoice or contract unless authorised by the Director of Resources. Officers raising the Purchase Order will need to maintain a record of how he/she has secured value for money through the specified supplier and specification.
- 23.7 For all purchases a Purchase Order (or equivalent) has to be completed and authorised by the relevant Head of Service. Officers raising the

Purchase Order will need to maintain a record of how he/she has secured value for money through the specified supplier and specification.

- 23.8 Orders placed using approved electronic catalogues or alternative mechanisms that have been approved by the Secretary and form part of the service offered by suppliers (for example call-off arrangements) will be considered to be the equivalent of a Purchase Order.
- 23.9 Any payments to contractors from Merseytravel for goods, services or works must be undertaken through the appropriate financial system. In order for such payments to be made it is a key control within the Financial Regulations that a contractor's details are held on the payments system.
- 23.10 Where practicable, the duties of ordering, receiving goods and certifying procedures for payment should not be performed by one Officer.
- 23.11 Officers who communicate authorisation electronically must ensure that any passwords and login details are secure and appropriate.
- 23.12 Heads of Service shall, as soon as possible after 31 March each year and not later than a date specified, notify the Director of Resources or his/her nominated officer, of all outstanding expenditure relating to his/her department for the previous financial year. Heads of Service shall ensure that all such expenditure relates only to work, goods or services that has been completed or delivered on or before 31 March.
- 23.13 Invoices shall be passed to the Director of Resources in sufficient time to enable payment to the supplier within the agreed payment period. Variations to standard Merseytravel payment terms shall only occur where express approval has been issued by the Director of Resources.
- 23.14 Proposals to take advantage of early payment discounts require approval of the Director of Resources prior to such discounts being taken.
- 23.15 Heads of Service must ensure that credit notes, refunds or other appropriate redress is obtained when payment has been made and goods/services are subsequently deemed to be unsatisfactory.

## 24. **Contracts**

- 24.1 Officers shall consult their Head of Service who shall consult with the Secretary or Director of Resources (if appropriate) to establish whether liquidated damages or performance bonds (or other security for performance) are appropriate to be incorporated into written contracts after assessing the following factors:
  - (a) potential risk in absence of a performance bond;
  - (b) known technical difficulties associated with the Contract;

- (c) financial status of Contractor; and
  - (d) period of Contracts and any costs associated with obtaining such.
- 24.2 Before entering into a contractual agreement, Officers must be satisfied that paragraph 24.1 has been complied with and also that Procurement Procedure Rules have been complied with and that the contract represents value for money.
- 24.3 Officers shall not make any advance payments to third parties for the supply of goods provision of services or execution of works unless there is a contractual commitment to do so and it has been approved by their Head of Service or unless approved by the Director of Resources.
- 24.4 Officers shall not vary any contract with a third party without seeking advice and assistance from their Head of Service, the Director of Resources and the Secretary (as appropriate). Variation shall include but not be limited to extensions of time, waiver of liquidated damages, increases in costs, material variation of specification and any proposed termination of a contract.
- 24.5 Officers shall seek the necessary approvals for any overspends on contracts. Such approval shall be in accordance with the thresholds for approval for award of a contract and in accordance with the Scheme of Delegation.

25. **On-Line Payments and E-Commerce Systems**

- 25.1 The integrity of all systems for the receipt, management, reporting and payment of financial transactions are the ultimate responsibility of the Director of Resources. No officer may commission, procure or install any transactional IT system without the express consent of the Director of Resources and the Head of IT regardless of the value of such a system.
- 25.2 Likewise, no Head of Service has authority to commission, procure or effect any changes to established transactional systems without the express consent of the Director of Resources and the Head of IT, regardless of the value of such changes.
- 25.3 Any proposed material changes to transactional financial processes must be approved by the Assistant Director of Finance following consultation with the Head of Internal Audit.
- 25.4 The scheme of delegation to approach does not apply in respect of transactional financial systems as the risk to the integrity of the accounts and the implications for internal control are paramount. Transactional financial systems include but are not limited to:
  - (a) cash receipting systems, including tills;

- (b) ticketing systems, including Smart-ticketing systems;
- (c) on-line and telephone retailing systems; and
- (d) automatic ticket vending systems.

**26. Grants Awarded by Merseytravel**

26.1 Heads of Service shall ensure that all grants awarded by Merseytravel to third parties are subject to robust and fully documented processes and procedures to ensure compliance with approved objectives and full accountability for the sums awarded. These processes and procedures should include, where appropriate:-

- (a) advertisement of grant opportunities;
- (b) application processes and timescales;
- (c) defined eligibility criteria;
- (d) assessment of application;
- (e) decision making processes;
- (f) approval processes;
- (g) notification procedures;
- (h) monitoring, evaluation and reporting procedures; and
- (i) repayment and claw back arrangements.

26.2 Full documentation should be available at all times to support actions taken during the grant award process and retained in accordance with Merseytravel's Document Retention Policy.

26.3 Decisions to award grants shall be made in accordance with the thresholds for procurement set out in the Procurement Procedure Rules and in accordance with the Scheme of Delegation.

**27. Taxation**

27.1 The Head of People and Customer Development will complete all returns to Her Majesty's Revenue & Customs (HMRC) regarding PAYE.

27.2 The Director of Resources will complete a monthly return of VAT inputs and outputs to HMRC and will provide details to the HMRC regarding the Construction Industry Tax Deduction scheme and the Submissions of Annual Tax Computations.

27.3 The Director of Resources will maintain up-to-date guidance for employees on taxation issues.

27.4 Heads of Service will:-

- (a) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC Regulations;
- (b) ensure that, where construction and maintenance works are undertaken, Merseytravel's arrangements for the proper recording of all Construction Industry Tax Deductions are satisfied;
- (c) ensure that all persons employed Merseytravel are added to the payroll and tax deducted from any payments, except where the individuals may be paid without the deduction of tax in accordance with those procedures specified by the Head of People and Customer Development; and
- (d) follow the guidance on taxation issued by the Director of Resources in Merseytravel's VAT Manual and Construction Industry Tax Deductions guidance documents.

## 28. **Data Protection and Data Security**

28.1 The Secretary is responsible for ensuring that, where appropriate, computer and other systems are registered in accordance with data protection legislation. The Secretary will also ensure that Officers are aware of their responsibilities under data protection and freedom of information legislation.

28.2 Heads of Service shall ensure that all electronic financial records are held in a secure and appropriate manner that protects against loss of data and provides robust business continuity arrangements.

28.3 Heads of Service shall ensure that any personal financial information held in respect of Officers or third parties must be held in accordance with appropriate data protection legislation.

28.4 Any electronic financial system needs to be approved by the Assistant Director of Finance and is subject to Internal Audit.

## 29. **Partnerships**

29.1 Merseytravel has specific responsibilities when establishing partnership arrangements with external companies, other public organisations and community and voluntary groups. Partnership arrangements are defined as any arrangement with another organisation which places responsibility for carrying out duties on behalf of Merseytravel with an outside body. This definition does not cover commercial arrangements.

- 29.2 The nature of the partnership should be clearly stated in a partnership agreement and should include formal agreement and acceptance of each partner's roles and responsibilities.
- (a) The agreement should be subject to a risk management process to establish and manage all known risks including relevant exit strategies.
  - (b) Standards of financial procedures within the partnership should be consistent with those operated by Merseytravel. This may mean that financial procedures will need to be shared with the partner organisations. However this requirement needs to be considered in the context of risks and potential loss after consultation with the Director of Resources.
  - (c) A performance monitoring framework will need to be established to ensure the objectives of the partnership are met.
  - (d) A formal reporting procedure should be established to report to Merseytravel both the financial and performance position.
  - (e) Access protocols to records and documents should be established to ensure effective Audit and Inspection processes.
- 29.3 The Director of Resources will advise on effective controls to ensure that resources are not wasted and that accounting arrangements are satisfactory.
- 29.4 The Secretary will maintain a register of all contracts entered into with external bodies after prior consultation with the Director of Resources and ensure full consideration is given to appropriate partnership protocol.
- 29.5 Heads of Service will ensure that all partnership agreements are properly documented in a form prescribed by the Secretary, do not impact adversely upon the services provided by Merseytravel and that a risk assessment appraisal has been undertaken, in conjunction with the Director of Resources, prior to entering such agreements.

### 30. **Arrangements in Respect of External Funding**

- 30.1 Heads of Service shall liaise with the Director of Resources when notified of any new or additional external funding from Government Departments or other grant-making body where that new or additional grant has not been subject to an initial grant application or submission from Merseytravel. Approval as to the purposes for which such grant may be used must be secured in accordance with the requirements of the Grant guidelines.

- 30.2 Officers shall liaise with the Director of Resources when considering and prior to undertaking, any submissions to Government Departments or other grant-awarding body for new or additional external funding. Combined Authority approval should, wherever possible, be sought prior to such submissions if the submission is in the name of the Combined Authority. If timescales do not permit such prior approval then a retrospective report shall be submitted to the Combined Authority for information.
- 30.3 Heads of Service shall ensure that applications are in accordance with the agreed plans, policies and priorities of Merseytravel; that all risks associated with the completion of applications and claims for grant monies are fully considered; and that there are proper procedures in place to ensure that applications and claims are processed in an appropriately controlled manner.
- 30.4 This risk assessment shall include:-
- (a) consideration of impact on service delivery;
  - (b) any match funding and/or potential claw back requirements;
  - (c) revenue and resource implications for future years, including planned exit strategies;
  - (d) any constraints and restrictions of the grant conditions and the ability to deliver within those conditions;
  - (e) the ability to comply with record keeping arrangements;
  - (f) the ability to implement appropriately robust processes for progress monitoring and reporting.
- 30.5 Heads of Service must ensure that requirements prescribed by the approval letter, grant conditions and grant claiming instructions are understood and complied with and that all claims for funds are made by the due date and that all expenditure is properly incurred and recorded.

31. **Work Undertaken for Third Parties**

- 31.1 Merseytravel is responsible for approving the contractual arrangements for any work undertaken for third parties or external bodies.
- 31.2 The Director of Resources will provide advice with regard to the financial aspects of third party contracts.
- 31.3 Heads of Service will:-
- (a) ensure that the appropriate approvals are obtained before any negotiations are concluded to work for third parties;



- (b) maintain a register of all contracts entered into with third parties in accordance with the requirements of the Director of Resources;
- (c) ensure that appropriate insurance and other risk management arrangements are made;
- (d) ensure that Merseytravel are not put at risk from any bad debts;
- (e) ensure that no contract is subsidised by Merseytravel;
- (f) ensure that, wherever possible, payment is received in advance of the delivery of the service;
- (g) ensure that the third party has the appropriate expertise to undertake the contract;
- (h) ensure that such contracts do not impact adversely upon the services provided for Merseytravel;
- (i) ensure that all contracts are properly documented; and
- (j) provide appropriate information to the Director of Resources to enable the compilation of the Statement of Accounts in accordance with proper practices.

## 32. **Assets, Stocks and Stores**

- 32.1 The Director of Integrated Transport Services is responsible for the development of corporate prioritisation methodologies to assist Merseytravel in determining the Capital Programme within defined resource limitations.
- 32.2 The Senior Head of Operations is responsible for the delivery of Merseytravel's Capital Programme.
- 32.3 The Head of Asset Management is responsible for the production of Merseytravel's Asset Management Plan;
- 32.4 The Director of Integrated Transport Services will ensure that an asset register is developed and available to record details of all land and building assets held by Merseytravel in order to provide information about those assets and to ensure that they are:-
  - (a) safeguarded;
  - (b) used efficiently and effectively;
  - (c) adequately maintained.

- 32.5 Heads of Service shall be responsible for the currency and maintenance of data held in the land and buildings register using those processes and procedures specified by the Director of Resources.
- 32.6 In relation to land and buildings Heads of Service will ensure that the Land Procedures Rules are followed.
- 32.7 Additionally and in relation to all other assets, Heads of Service will, as appropriate:-
- (a) ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to Merseytravel;
  - (b) maintain a register/inventory of moveable assets in accordance with arrangements defined by the Director of Resources;
  - (c) ensure that assets are identified, their location recorded and that they are appropriately marked and insured (if required);
  - (d) undertake regular checks as required of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, mobile phones and other audio/visual equipment should be identified with security markings as belonging Merseytravel;
  - (e) ensure that no Merseytravel owned assets are subject to personal use or any other use other than in pursuance of approved service delivery without proper authority and where appropriate, documentation identifying terms, responsibilities and duration of use;
  - (f) ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion;
  - (g) investigate and remove from Merseytravel's records (ie write off) any stock as appropriate, discrepancies or redundant stocks, as necessary or to obtain Merseytravel approval (as appropriate) if they are in excess of £2,000;
  - (h) ensure cash holdings on premises are kept to a minimum and within relevant insurance limits;
  - (i) ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Resources as soon as possible;

- (j) ensure that the disposal or part exchange of assets (other than any land, buildings or other property assets under the Land Procedure Rules) is in accordance with the Corporate Disposal Policy;
- (k) Stores, equipment, furniture or other materials found to be obsolete or surplus to requirements shall normally be disposed of in accordance with the Corporate Disposal Policy;
- (l) ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged or may possess some intrinsic value and its disclosure or loss could result in a cost to Merseytravel in some way;
- (m) provide such information as the Director of Resources requires; and
- (n) submit an annual declaration statement of register of assets above defined thresholds specified by the Assistant Director of Finance in a format determined by the Head of Asset Management to the Head of Asset Management upon request.

## **Part 7 – Scheme of Delegation**

### **1. Decision Making**

#### **1.1 Definitions**

The definitions contained in the Procurement Procedure Rules shall apply to this Scheme of Delegation.

#### **1.2 Responsibility for Decision-Making**

Merseytravel will issue and keep up-to-date a record of what part of Merseytravel has responsibility for particular types of decisions or decisions relating to particular areas or functions.

#### **1.3 Principles of Decision-Making**

1.3.1 All decisions of Merseytravel and its Officers will be made in accordance with the following principles:

- (a) be within the lawful powers of Merseytravel;
- (b) not be so unreasonable that no reasonable public body could have reached it, having taken into account all relevant considerations and having ignored irrelevant considerations (the Wednesbury test of reasonableness);
- (c) having due consultation where appropriate (including the taking of relevant professional advice from officers of Merseytravel);
- (d) respect for human rights;
- (e) presumption in favour of openness;
- (f) clarity of aims and desired outcomes;
- (g) as per the Constitution; and
- (h) be proportionate (ie the action must be proportionate to the desired outcome).

1.3.2 The Scheme of Delegation exists to ensure that the right decisions are taken at the right level and for the right reasons.

## 2. **Formal Scheme of Delegation**

### 2.1 **Introduction**

- 2.1.1 This Scheme delegates to Directors of Merseytravel all the powers and duties of Merseytravel necessary for the discharge of Merseytravel's functions carried out within his/her respective directorate.
- 2.1.2 Each Head of Service shall have the authority to manage the officers within their directorates within agreed budgets and establishment numbers subject to appropriate consultation with the Head of People and Organisational Development and to the Scheme of Delegation in respect of Employee Matters set out in paragraph 4 below.
- 2.1.3 This Scheme includes the power for officers to further delegate any function that has been delegated to them under this Scheme to another officer or to other officers. Every such sub-delegation shall be in writing, setting out the terms and conditions upon which that function is to be performed and accountability for the performance of the sub-delegated function. The officer making such sub-delegation shall record the sub-delegation in a register maintained for the purpose by the Director General.

### 2.2 **Decisions of Merseytravel**

- 2.2.1 Decisions of Merseytravel shall be those decisions that are not reserved for the Combined Authority and include those within the defined functions of Merseytravel and those delegated to Merseytravel by the Combined Authority.
- 2.2.2 Decisions of Merseytravel can be Delegated Decisions of Merseytravel or Decisions of Merseytravel.
- 2.2.3 Decisions of Merseytravel are taken at formal meetings of Merseytravel, held under Merseytravel's constitutional arrangements.
- 2.2.4 Decisions of Merseytravel shall be those decisions that cannot be taken as Delegated Decisions of Merseytravel and are not reserved for the Combined Authority.
- 2.2.5 They include:
  - (a) Capital and Revenue decisions in excess of £50,000 where no budget has been provided;
  - (b) decisions to appoint contractors for Merseytravel contracts in excess of £150,000

- (c) any changes to staffing structures that are not contained within the existing establishment;
- (d) any decisions that has implications on the terms and conditions of employment of staff;
- (e) any decision that has potential redundancy implications for staff;
- (f) the write off of any Merseytravel debt over £2,000;
- (g) any decision that involves substantial changes to Merseytravel's on-line presence, including the commissioning of web-based services and on-line payments; and
- (h) any decisions that are reserved by statute for Merseytravel.

2.2.6 In referring a decision to Merseytravel, the Officer shall prepare a report, setting out

- (a) the Officer recommending the decision;
- (b) the issue to be decided;
- (c) any restriction upon the publication of the report in accordance with the Local Government Act 1972;
- (d) any facts upon which any decision must be based including a formal evaluation of risk;
- (e) any legislative requirements;
- (f) any existing Combined Authority or Merseytravel policy relating to the issue;
- (g) any relevant national or regional guidance;
- (h) the alternative options available to the Officer;
- (i) the staffing, equality and financial implications of the issue;
- (j) any consultations undertaken with the relevant Heads of Service;
- (k) the view of any consultees including Trade Unions;
- (l) any implications for any other areas of Merseytravel
- (m) the area of activity within which the issue falls; and

- (n) the Officer's proposed recommendation and the reasons supporting the Officer's proposed recommendation .

## 2.3 Distribution of a Proposed Decision of Merseytravel

The report must be prepared within the common electronic template contained within the Modern.Gov system and circulated to:

- (a) the relevant Head of Service for the service affected by the Decision;
- (b) the Secretary, the Head of Media and the Assistant Director (Finance);
- (c) where the matter affects the responsibilities of one or more Head(s) of Service, the Head(s) of Service so affected;
- (d) any other Head of Service who is responsible for services which may be affected by the proposed decision eg Head of People and Organisational Development for staffing issues.

## 2.4 Delegated Decisions of Merseytravel

2.4.1 Delegated Decisions of Merseytravel are decisions that need to be formally recorded and published but do not require the formal approval of the Combined Authority or formal consideration at Merseytravel meetings.

2.4.2 A decision shall not be suitable for delegation in this way if:

- (a) it is a strategic or a decision reserved for the Combined Authority;
- (b) it is in conflict with the Policy Framework approved by the Combined Authority;
- (c) it is in conflict with Merseytravel's Constitution;
- (d) it is in conflict with any statutory restrictions, statutory guidance or statutory code of practice;
- (e) it raises new issues of policy; or
- (f) it falls within the terms of reference of Merseytravel

2.4.3 In exercising delegated powers, Officers shall act only within the revenue and capital budgets for the relevant service as approved by the Combined Authority, subject to any variation thereof which is permitted by Merseytravel's Financial Procedure Rules.

2.4.4 Furthermore, a decision cannot be undertaken under the Delegated Decision of Merseytravel procedure if it has any of the following implications:

- (a) it will result in any staff being displaced or TUPE transferred;
- (b) it requires a virement of funding between approved budgets above £50,000;
- (c) it requires the acceptance of a tender for a contract in excess of £150,000;
- (d) it requires the passage of local legislation or the adoption by Merseytravel of national legislation;
- (e) it is in response to a determination from the Information Commissioner in respect of a breach of the Data Protection or Freedom of Information Act;
- (f) it proposes the write-off of a debt to Merseytravel of more than £2,000;
- (g) it proposes an alteration in the charges which Merseytravel makes for any of its services unless the alteration is as a result of a charge which has been fixed by Government without discretion as to implementation;
- (h) it proposes a severance agreement for an employee that falls outside of that employee's contractual entitlement and / or involves the signing of formal settlement agreements under the terms of the severance;
- (i) on consultation, it raises an objection from the Director of Resources, the Secretary, Directors or a Head of Service; or
- (j) the Head of Service is of the opinion that it should be treated as a Decision of Merseytravel.

## 2.5 Consultation and Publicity

2.5.1 Delegated Decisions of Merseytravel must be taken with full consultation with the Director of Resources, the Assistant Director (Finance) and the Secretary, and appropriate Heads of Service and must be formally recorded.

2.5.2 In proposing a decision or exercising any delegated function, Officers must have regard to any professional standards or operational policies of Merseytravel and shall be responsible for



undertaking any appropriate consultation with the Head or Heads of Service relevant to the matter under consideration.

- 2.5.3 The relevant Heads of Service that must be consulted where a decision has implications within that professional area. These specifically include:-

**Senior Head of Operations** for all decisions involving network planning, delivery of customer service or construction related activities

**Assistant Director (Finance)** for all decisions where there is a potential or actual financial implication. Where the decision proposes the write-off of a debt to Merseytravel, the Director of Resources must be consulted and the procedure must be undertaken in accordance with the Financial Procedure Rules.

**Head of People and Organisational Development** for all decisions where there are potential or actual implications for staffing, including changes of structure, appointments, changes to remuneration or terms and conditions, secondments and consultancy appointments, redundancy or TUPE.

**Head of Communications, Marketing and Engagement** for all decisions that have potential or actual implications in respect of internal and/or external communication and marketing.

**The Secretary** for all decisions that involve the procurement or commissioning of goods and services from third parties under contractual arrangements and/or have legal implications;

**Head of IT** for all decisions that involve the commissioning, procurement, development, decommissioning and / or sale of any IT infrastructure, hardware and software

**Head of Asset Management** for all decisions that have potential or actual implications in respect of the physical assets of Merseytravel. These include decisions to purchase or to sell assets, but also include decisions relating to the maintenance of existing assets and all engineering and other works related to Merseytravel assets. It specifically includes all decisions relating to capital schemes.

- 2.5.4 In exercising any delegated function officers should consult Heads of Service if they are unsure whether a decision has implications that need to be brought to their attention.

- 2.5.5 It is the Head of Service that determines whether a decision has implications within his/her area rather than the Officer seeking to exercise her/his delegated authority.

2.5.6 Officers do not have to prepare or publish a formal written report in respect of a Delegated Decision of Merseytravel, but are responsible for ensuring that consultation where appropriate is undertaken with the Officers detailed in 2.5.3 above.

## 2.6 Determination

2.6.1 Where no objection has been received from a consultee under the process, the Officer may proceed to make his/her final decision.

2.6.2 Each Delegated Decision of Merseytravel has to be signed off by the relevant Head of Service, by the Secretary, the Assistant Director (Finance), the Director of Resources and any other relevant Heads of Service.

2.6.3 Where an objection is received from a consultee under the process, the decision cannot be taken under the provisions of the Delegated Decision of Merseytravel.

## 2.7 Recording and Reporting of Delegated Decisions of Merseytravel

2.7.1 Officers shall submit a request for a Delegated Decision of Merseytravel via Merseytravel's electronic decision making process.

2.7.2 The Secretary shall maintain a record of all Delegated Decisions of Merseytravel and shall ensure that a record of these decisions, subject to any requirement for confidentiality, is made available to all who require it.

## 2.8 Accountability

Officers are accountable for any Delegated Decisions of Merseytravel which they make and may be required to report to and attend and answer questions from Merseytravel, or any appropriate Committee of the Combined Authority in respect of any Delegated Decisions of Merseytravel which they make.

## 3. Urgent Decisions

3.1 Where an Officer is of the opinion that a decision for which he/she is responsible should be made urgently in order to prevent or reduce the risk of damage to persons or property or to the interests of Merseytravel and that the urgency of the decision is such that it is not practicable to complete a formal decision-making process set out above, the Officer shall:-

(a) use his/her best endeavours, as far as the urgency of the matter permits, to consult those persons whom he/she would have been

required to consult had the full decision-making process been followed; and

- (b) have the full power to take that decision, notwithstanding that the full procedure has not been followed;
- (c) as soon as practicable after taking the decision, ensure that a report set out as in paragraph 2.2.6 is prepared, setting out also the reasons for the urgency and the final decision which has been taken and that report shall go to the next convenient meeting of Merseytravel for information.

3.2 Failure to give due consideration to a matter that could have been reported through the normal route for any decision if anticipated or acted upon in a timely fashion is not considered grounds for utilising the Urgent Provisions herein.

3.3 Where an Officer is of the opinion that a decision for which he/she is responsible should be made urgently within the parameters established in paragraph 3.1, that Officer must still seek to consult with all relevant Heads of Service and/or Directors, particularly where there are infrastructure, asset management, staffing and ICT implications that would affect the safety of employees, service users and others.

#### **4. Scheme of Delegation for Employee Matters**

##### **4.1 Recruitment of Directors of Merseytravel**

4.1.1 Where the Combined Authority proposes to appoint a Director of Merseytravel, the Head of People and Organisational Development will, in consultation with the Combined Authority, undertake the recruitment.

4.1.2 The Combined Authority shall consider and determine the amount of any salary which it is proposed to offer to any new appointment of a Director of Merseytravel.

4.1.3 The Combined Authority will approve the appointment of all Directors of Merseytravel before an offer of appointment is made to them.

##### **4.2 Recruitment of Heads of Service and Officers**

4.2.1 The appointment of Heads of Service is delegated to the relevant Director.

4.2.2 The appointment for all other posts is delegated to the relevant Head of Service or his/her nominee.

- 4.2.3 Vacant posts for permanent staff shall be publicly advertised by any mechanism deemed appropriate by the Head of People and Organisational Development in consultation with the relevant Head of Service.

#### 4.3 Employees

- 4.3.1 Canvassing of Members of the Combined Authority or its Committees, Boards or Sub-Committees or any Director or Head of Service of Merseytravel directly or indirectly for any appointment by Merseytravel shall disqualify the candidate concerned for that appointment.
- 4.3.2 A Member of the Combined Authority shall not solicit for any person any employment/appointment to provide services to Merseytravel, but this shall not preclude a Member from giving a written reference for a candidate with an application for appointment.
- 4.3.3 A candidate for any appointment to Merseytravel who knows that they are related to any Member of the Combined Authority or its Committees, Boards or Sub-Committees or any employee of Merseytravel or any of its subsidiary companies shall when making an application for appointment, disclose that relationship to the appropriate Director or Head of Service.
- 4.3.4 Every Director, Head of Service or Manager of Merseytravel shall disclose to the Head of People and Organisational Development any relationship known to him/her to exist between himself/herself and any person who he/she knows is a candidate for any appointment for Merseytravel.

## **Part 8 – Code of Corporate Governance**

### **1. Purpose**

- 1.1 It is the responsibility of the Liverpool City Region Combined Authority (LCRCA) and Merseytravel (hereafter referred to as “the organisations”) to establish, and maintain under regular review, governance arrangements which are robust, appropriate and effective.
- 1.2 The purpose of this Code of Corporate Governance (hereafter referred to as the “Code”) is to demonstrate how the organisations demonstrate good governance.
- 1.3 The adoption of a Code is a key requirement of the relevant Statement of Recommended Practice: *Delivering Good Governance in Local Government*, (CIPFA/SOLACE, 2016) (hereafter referred to as “the guidance”) and this Code reflects how the principles embodied within this guidance have been adopted by the organisations.
- 1.4 The adoption of, and compliance with, the Code is also one of the key areas for comment in the Annual Governance Statement (AGS), which the organisations are each required to produce and publish under the Accounts and Audit Regulations 2015 (regulation 6(1)(a)). The Annual Governance Statement is produced by the Director of Resources and is based upon a number of sources of assurance including a review of effectiveness, the work of Internal Audit and other providers of assurance, and through provision of assurance from management, all of which provide a commentary on how robust and consistently applied the governance framework is in practice.
- 1.5 All staff have a key role to play in demonstrating good governance, and so should be aware of this Code and should seek to demonstrate the principles embodied within it in their work, in conjunction with the Corporate Behaviours: LCR First, Action Focus and Respect.

### **2. Definitions**

- 2.1 The guidance defines corporate governance as that which “*comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved*” (CIPFA/SOLACE, 2016).
- 2.2 In order to demonstrate good corporate governance, the organisations should carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity. This means doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.3 This links directly to the Principles of Public Life, known as the Nolan Principles, which all public servants are expected to demonstrate in their work. The

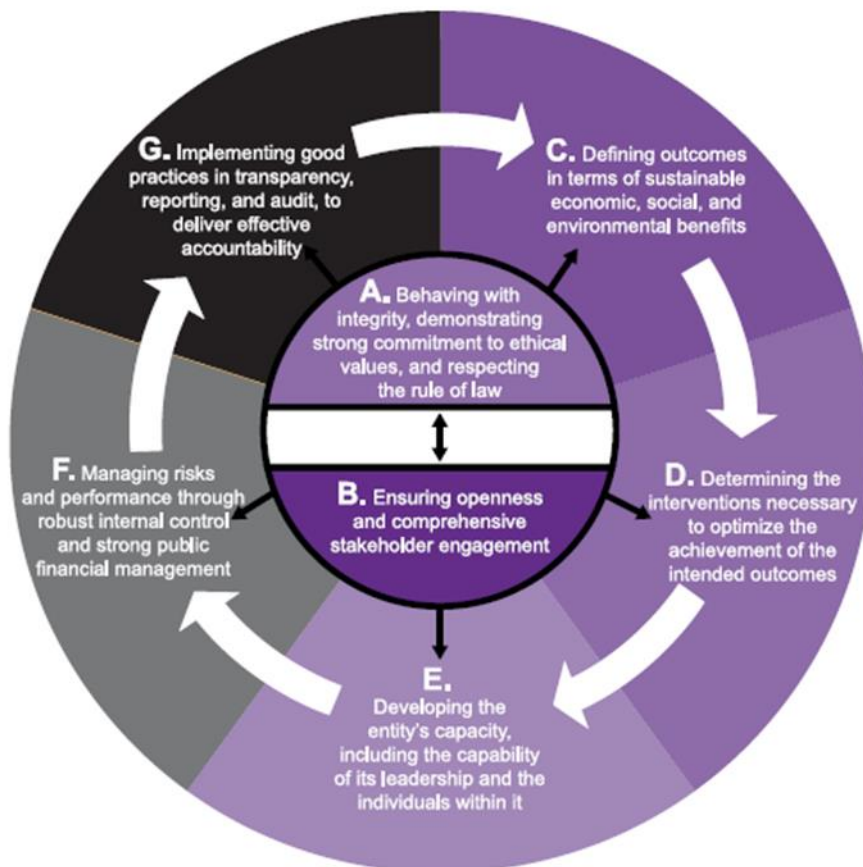
Committee on Standards in Public Life defines the principles as detailed in the table below:

Principle	Definition
 <p><b>Selflessness</b></p>	Holders of public office should act solely in terms of the public interest.
	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
	Holders of public office should be truthful.
	Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

### 3. The Principles of Good Governance

- 3.1 The guidance sets out seven Core Principles that detail the key requirements for the governance of the organisation. These are illustrated in the diagram below:

**Achieving the Intended Outcomes While Acting in the Public Interest at all Times**



Source: *Delivering Good Governance in Local Government* (CIPFA/SOLACE, 2016)

- 3.2 Under each of the Core Principles detailed in the diagram, the guidance sets out a number of supporting principles which detail how the organisations should demonstrate good governance.

## 4. Applying the Principles of Good Governance

4.1 In order to achieve good governance, the organisations will seek to apply each of the seven Core Principles, along with their Sub-Principles, and this is demonstrated via the supporting evidence detailed in the table below:

Core Principle	Sub-Principles	Requirements	Supporting Evidence
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law	Behaving with integrity	<ul style="list-style-type: none"> <li>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>Leading by example and using the behaviours and values as a framework for decision making and other actions</li> <li>Demonstrating, communicating and embedding the behaviours or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>Clear set of approved Corporate Behaviours.</li> <li>LCRCA Constitution and Merseytravel Constitution.</li> <li>Employee Ethics Policy.</li> <li>Individual Performance Plan (IPP) process.</li> <li>Fraud, Bribery and Corruption Policy; and associated Policy Framework: Anti-Bribery Policy; Anti-Money Laundering Policy; Confidential Reporting (Whistle-blowing) Policy; Investigation Protocol; Surveillance Policy.</li> <li>Declarations of Interest process by employees and Members.</li> <li>Gifts and Hospitality Policy.</li> <li>IT Acceptable Use Policy.</li> <li>IT Security Policy.</li> <li>Public access to relevant meetings (including online public viewing – webcasting, and availability of meeting agendas and minutes).</li> <li>Freedom of Information and Environment</li> </ul>



Core Principle	Sub-Principles	Requirements	Supporting Evidence
			Regulations Policy. <ul style="list-style-type: none"> <li>• Publication Scheme.</li> <li>• Grievance Policy.</li> <li>• Corporate induction/staff handbook.</li> <li>• Cultural architects and change catalysts in place.</li> <li>• I4P system utilised to issue all new and revised policies to staff and monitor completion.</li> <li>• E-learning.</li> </ul>
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan.</li> <li>• Clear set of approved Corporate Behaviours.</li> <li>• Employee Ethics Policy.</li> <li>• LCRCA Constitution and Merseytravel Constitution.</li> <li>• Dignity at Work Policy.</li> <li>• Social Value Group (and development of a Social Value Policy).</li> <li>• Corporate induction/staff handbook.</li> </ul>
	Respecting the rule of law	<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>• LCRCA Constitution and Merseytravel Constitution.</li> <li>• Legal team providing general support to officers; specialist advice, where required;</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<ul style="list-style-type: none"> <li>• Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>	<p>and available for input at all Committee meetings.</p> <ul style="list-style-type: none"> <li>• Monitoring officer in place (review of reports and associated advice).</li> <li>• Individual Performance Plan (IPP) process</li> <li>• Declarations of Interest process by employees and Members.</li> <li>• Gifts and Hospitality Policy.</li> <li>• Section in Committee reports to consider legal implications.</li> <li>• Review of reports via Modern.Gov and Legal sign off required for all delegated decisions and Committee reports.</li> </ul>
B. Ensuring openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course,</li> </ul>	<ul style="list-style-type: none"> <li>• Public access to relevant meetings.</li> <li>• Standard format for committee reports.</li> <li>• Overview and Scrutiny Committee.</li> <li>• Public consultations.</li> <li>• Statement of Accounts.</li> <li>• Freedom of Information and Environment Regulations Policy.</li> <li>• Publication Scheme.</li> <li>• Annual Governance Statement.</li> <li>• Equality Impact Assessment Toolkit.</li> <li>• Publishing full business cases of projects supported by the Strategic Investment Fund (SIF) as well as regular updates on other decisions taken.</li> <li>• Authors of formal reports seek to identify options and alternatives, and weigh up considerations.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>ensuring that the impact and consequences of those decisions are clear</p> <ul style="list-style-type: none"> <li>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action</li> </ul>	<ul style="list-style-type: none"> <li>Briefings of relevant lead members and Mayoral advisors in place.</li> <li>Member induction and training.</li> </ul>
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>trust</li> <li>a shared commitment to change</li> <li>a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Local Enterprise Partnership.</li> <li>The Audit, Risk and Governance Board has an independent chair and a further independent member. Audit and Governance Committee has an independent member.</li> <li>Stakeholder engagement in relation to transport delivery.</li> <li>Stakeholder engagement about what the LCRCA does and how it benefits the local area.</li> <li>Transport Advisory Group in place.</li> <li>Results of Transport Focus surveys inform aims of Bus Alliance.</li> <li>Stakeholder consultation regarding the Local Industrial Strategy.</li> <li>LCR Listens.</li> </ul>
	Engaging with individual citizens and service users	<ul style="list-style-type: none"> <li>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens,</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>LCR Listens.</li> <li>Public consultations.</li> <li>Health and Safety Policy.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
	effectively	<p>service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p> <ul style="list-style-type: none"> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• Taking account of the impact of decisions on future generations of tax payers and service users</li> </ul>	<ul style="list-style-type: none"> <li>• Communications Team.</li> <li>• Overview and Scrutiny Committee.</li> <li>• LCRCA Constitution and Merseytravel Constitution.</li> <li>• Equality Impact Assessment Toolkit.</li> <li>• Stakeholder engagement in relation to transport delivery.</li> <li>• Merseytravel welcomes public participation in formal meetings through the facility for public petitions and questions.</li> <li>• Stakeholder engagement in relation to bus services.</li> <li>• Stakeholder engagement about what the LCRCA does and how it benefits the local area.</li> <li>• Customer insight informs marketing campaigns.</li> <li>• Transport Advisory Group in place.</li> <li>• Results of Transport Focus surveys inform aims of Bus Alliance.</li> <li>• Stakeholder consultation regarding the Local Industrial Strategy.</li> <li>• Community consultation for Spatial Development Strategy.</li> <li>• Corporate commercial agreements in place with Stadlers, Merseyrail and Network Rail in relation to the Rolling Stock project, working positively in a collaborative manner.</li> <li>• Bus Alliance in place to encourage common shared view and continuous improvement in bus services.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
			<ul style="list-style-type: none"> <li>Relationship/governance arrangements with Local Enterprise Partnership (LEP).</li> </ul>
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	<ul style="list-style-type: none"> <li>Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</li> <li>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>Identifying and managing risks to the achievement of outcomes</li> <li>Managing expectations effectively with regard to determining priorities and making the best use of the resources available</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Service Plans in place to translate corporate objectives into service objectives.</li> <li>Clear set of approved Corporate Behaviours.</li> <li>Risk Management Policy and associated Risk Registers.</li> </ul>
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>Taking a longer-term view with regard</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Annual Governance Statement.</li> <li>Finance monitoring reports.</li> <li>Public consultations.</li> <li>Social Value Group (and development of a Social Value Policy).</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <ul style="list-style-type: none"> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Policy.</li> <li>• Strategic Investment Fund (SIF) Assurance Framework.</li> <li>• LCRCA has approved long-term strategies for Rail, Bus, Ferries, short journeys and Tunnels.</li> <li>• Integration of evidence and policy teams has allowed better evidential decisions, and integration of decision-making and forward planning across policy teams.</li> <li>• Development of Local Industrial Strategy.</li> <li>• Spatial Development, Housing and Air Quality policies under development.</li> <li>• Mayor's vision and aims communicated through regular briefings and communications.</li> </ul>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions	<ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>• Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land</li> </ul>	<ul style="list-style-type: none"> <li>• Public consultations – including options appraisal.</li> <li>• Business case evaluations.</li> <li>• Strategic Investment Fund (SIF) Assurance Framework.</li> <li>• Medium Term Financial Strategy.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		and assets and bearing in mind future impacts	
	Planning interventions	<ul style="list-style-type: none"> <li>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>Informing medium and long term</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Service Plans.</li> <li>Team Plans.</li> <li>Individual Performance Plan (IPP) process.</li> <li>Risk Management Policy.</li> <li>Business Continuity Policy (and associated plans).</li> <li>Public consultations.</li> <li>Strategic Investment Fund (SIF) Assurance Framework.</li> <li>LCRCA Constitution and Merseytravel Constitution.</li> <li>Delegated decisions system in place to record rationale and approval of decisions within delegated authority.</li> <li>Briefings by Metro Mayor and senior leaders.</li> <li>Regular briefings to members on the Rolling Stock project.</li> <li>Operational and Executive Programme Boards in place for Rolling Stock project, with dashboard reports presented to these.</li> <li>Social Value Group (and development of a Social Value Policy).</li> <li>Continued management of delivery of required outputs under Devolution Deal.</li> <li>Service Area Measures defined and reported throughout the year with remedial</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<p>actions being put in place where this is falling below target.</p> <ul style="list-style-type: none"> <li>Customer feedback obtained regarding transport and used to feed into plans and working with providers, e.g. Bus Alliance.</li> </ul>
	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</li> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</li> <li>Ensuring the achievement of 'social value' through service planning and commissioning</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Medium Term Financial Strategy.</li> <li>LCRCA Constitution and Merseytravel Constitution.</li> <li>Social Value Group (and development of a Social Value Policy).</li> </ul>
E. Developing the entity's capacity, including the capability of its	Developing the entity's capacity	<ul style="list-style-type: none"> <li>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>Improving resource use through appropriate application of techniques</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Service Plans.</li> <li>Team Plans.</li> <li>Recruitment and Selection Policy.</li> <li>Appropriate capacity maintained and</li> </ul>



Core Principle	Sub-Principles	Requirements	Supporting Evidence
leadership and the individuals within it		<p>such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</p> <ul style="list-style-type: none"> <li>• Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> <li>• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	developed so as to meet the needs of the organisation.
	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and</li> </ul>	<ul style="list-style-type: none"> <li>• LCRCA Constitution and Merseytravel Constitution.</li> <li>• Corporate Plan.</li> <li>• Service Plans.</li> <li>• Team Plans.</li> <li>• Individual Performance Plan (IPP) process.</li> <li>• Regular Heads of Service and Directors meetings held along with Management Conferences.</li> <li>• Learning and Development Procedure.</li> <li>• Employee Assistance Programme.</li> <li>• Attendance at Work Policy.</li> <li>• Job descriptions in place.</li> <li>• Management/1:1 meetings in place.</li> <li>• Corporate induction/staff handbook.</li> <li>• Member training and briefings in place.</li> <li>• Chief Executive and Metro Mayor briefings for staff.</li> <li>• Health and Safety Policy.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>each provides a check and a balance for each other's authority</p> <ul style="list-style-type: none"> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:               <ul style="list-style-type: none"> <li>○ ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>○ ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>○ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> </li> <li>• Ensuring that there are structures in place to encourage public participation</li> <li>• Taking steps to consider the</li> </ul>	

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <ul style="list-style-type: none"> <li>• Holding staff to account through regular performance reviews which take account of training or development needs</li> <li>• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul>	
F. Managing risks and performance through robust internal control and strong public financial management	Managing risk	<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</li> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy.</li> <li>• Risk Group.</li> <li>• Corporate and Transport Risk Registers.</li> <li>• Service Risk Registers.</li> <li>• Risk management training sessions.</li> <li>• Sessions with Directors to identify key risks and produce fully updated Corporate Risk Registers.</li> </ul>
	Managing performance	<ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>• Making decisions based on relevant,</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan.</li> <li>• Business Continuity Policy (and associated plans).</li> <li>• Overview and Scrutiny Committee</li> <li>• Committee reports and Member briefings.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p> <ul style="list-style-type: none"> <li>Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>Performance Management Framework.</li> <li>Medium Term Financial Strategy.</li> <li>LCRCA Constitution and Merseytravel Constitution.</li> </ul>
	Robust internal control	<ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>Evaluating and monitoring risk management and internal control on a regular basis</li> <li>Ensuring effective counter fraud and anti-corruption arrangements are in</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Plan.</li> <li>Service Plans.</li> <li>Corporate and Transport Risk Registers.</li> <li>Service Risk Registers.</li> <li>Risk Management Policy.</li> <li>Annual Governance Statement and supporting review.</li> <li>Internal Audit review of risk management.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>place</p> <ul style="list-style-type: none"> <li>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> <li>Ensuring the audit committee which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>that its recommendations are listened to and acted upon</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit Annual Audit Plan.</li> <li>Head of Internal Audit – Annual Report and Opinion.</li> <li>Head of Internal Audit – regular reports to Audit and Governance Committee and Audit, Risk and Governance Board.</li> <li>Fraud, Bribery and Corruption Policy; and associated Policy Framework</li> <li>Policies cover how to report a suspected fraud.</li> <li>Whistleblowing policy in place and staff have accepted via I4P.</li> <li>Fraud Awareness training available as an e-learning package-</li> <li>Fraud awareness campaigns – such as Fraud Awareness Week.</li> <li>Internal Audit proactive counter-fraud work carried out and Fraud Risk Register in place.</li> <li>Participation in the National Fraud Initiative (NFI).</li> </ul>
	Managing data	<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li> <li>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Data Protection Policy.</li> <li>CCTV Code of Practice.</li> <li>Freedom of Information</li> <li>Environment Regulations Policy.</li> <li>Publication Scheme.</li> <li>Records Management Policy and Procedures.</li> <li>Off-site Records Retrieval Guidance.</li> <li>Record Retention Schedule and Guidance.</li> <li>Social Media Policy.</li> <li>IT Acceptable Use Policy.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
			<ul style="list-style-type: none"> <li>• IT Security Policy.</li> <li>• PCI Compliance Policy.</li> <li>• Data Protection/GDPR training including e-learning packages being available.</li> <li>• Portal for reporting data breaches maintained.</li> <li>• SIMO and SIRO in place. Annual self-assessment undertaken in relation to the role of SIRO (utilising the governance requirements detailed in Local Public Services Data Handling Guidelines 5<sup>th</sup> Edition, April 2018).</li> <li>• Corporate Retention Policy in place.</li> <li>• Physical controls in place to protect data held in paper format.</li> <li>• Electronic system access controls in place.</li> <li>• Information Asset Registers in place.</li> </ul>
	Strong public financial management	<ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>• LCRCA Constitution and Merseytravel Constitution.</li> <li>• Medium Term Financial Strategy.</li> <li>• Budget monitoring and reporting.</li> <li>• Monthly budget monitoring statements received by Heads of Service and discussions held.</li> <li>• Financial information available via Agresso access.</li> <li>• Financial implications of decisions included within Committee reports and Delegated Decisions, both of which require Finance sign off.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
			<ul style="list-style-type: none"> <li>• Agresso authorisation levels and delegated authority in place.</li> <li>• Income reconciliation at source within high volume transactional areas.</li> <li>• Medium Term Financial Strategy.</li> <li>• Budget proposals shared with Transport Committee and Overview and Scrutiny Committee to allow consideration and scrutiny prior to formal approval.</li> <li>• Finance consideration and sign off required for reports to LCRCA and to Merseytravel – facilitates robust discussion regarding financial implications of decisions.</li> <li>• Annual self-assessment undertaken in relation to the role of the Chief Financial Officer in Local Government (utilising CIPFA document 'The Role of the Chief Financial Officer in Local Government' 2016).</li> </ul>
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Public access to relevant meetings.</li> <li>• Standard committee report template.</li> <li>• Transparency Code data published.</li> <li>• Heads of Service have responsibility for ensuring data on website and intranet is up to date.</li> </ul>

Core Principle	Sub-Principles	Requirements	Supporting Evidence
	Implementing good practices in reporting	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>• Ensuring members and senior management own the results reported</li> <li>• Ensuring robust arrangements for assessing the extent to which the principles contained in this Code have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>• Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Committee reports by a range of officers to ensure that issues are expressed clearly. Members then scrutinise the reports and ask questions.</li> <li>• Consideration of internal audit work at LCRCA Audit and Governance Committee, and Merseytravel Audit, Risk and Governance Board.</li> <li>• Annual Governance Statement.</li> <li>• Statement of Accounts.</li> <li>• Risk Group.</li> </ul>
	Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit Reports to LCRCA Audit and Governance Committee and Merseytravel Audit, Risk and Governance Board.</li> <li>• Internal Audit Annual Audit Plan.</li> <li>• Head of Internal Audit – Annual Report and Opinion.</li> </ul>



Core Principle	Sub-Principles	Requirements	Supporting Evidence
		<p>regard to governance arrangements and that recommendations are acted upon</p> <ul style="list-style-type: none"> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and the need or wider public accountability has been recognised and met.</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Internal Audit – regular update reports to LCRCA Audit and Governance Committee and Merseytravel Audit, Risk and Governance Board.</li> <li>• Compliance with Public Sector Internal Audit Standards.</li> <li>• Annual Governance Statement.</li> <li>• Corporate Plan.</li> <li>• Strategic Investment Fund (SIF) Assurance Framework.</li> <li>• Self-assessment undertaken in relation to the role of the Head of Internal Audit in Public Sector Organisations (utilising CIPFA document 'The role of the Head of Internal Audit in Public Sector Organisations' 2019 edition).</li> <li>• Annual bus survey used to shape service going forward.</li> <li>• Annual Conversation – positive relationship with government in place and developing.</li> <li>• All reports require approvals from head of Service/Director, to enable any issues of clarity or accuracy to be challenged or questioned.</li> </ul>

## **Part 9 – Fraud, Bribery, Corruption and Policy Statement**

### **1. Introduction**

- 1.1 Fraud, bribery and corruption are not only damaging to the finances of the organisation, but they damage confidence in public services.
- 1.2 Liverpool City Region Combined Authority (LCRCA) and Merseytravel (hereafter referred to as “the organisations”) are committed to ensuring that the risks of fraud, bribery and corruption are managed effectively, and that decisive action is taken where these offences are found to have been committed.
- 1.3 This Policy Statement sets out the organisations’ approach to managing the risk of fraud, bribery and corruption, and how an anti-fraud culture is established and promoted. It complements the suite of policies in place relating to specific fraud, bribery and corruption offences, such as the Bribery Policy, Anti-Money Laundering Policy and the related Confidential Reporting (Whistleblowing) Policy, Surveillance Policy and Investigation Protocol.
- 1.4 This Policy Statement covers all employees including agency and temporary workers, but also covers external individuals such as suppliers, contractors and customers in their dealings with the organisations.

### **2. Policy Statement**

- 2.1 The organisations are committed to combating fraud, bribery and corruption in all its activities.
- 2.2 The organisations are determined to identify any fraud, bribery and corruption carried out by employees who abuse their positions of trust, contractors who abuse their relationship or customers who try to obtain assets or services to which they are not entitled.
- 2.3 The organisations expect employees to demonstrate the highest standards of honesty and integrity at all times. Fraud, bribery and corruption are serious offences and employees will face disciplinary action if there is evidence that they have been involved in these activities. It is also expected that external individuals and organisations, including suppliers, contractors and customers will act with honesty and integrity in their dealings with the organisations.
- 2.4 The organisations encourage employees to raise any concerns about fraud, bribery and corruption. Such concerns should be raised with the employee’s manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice and if necessary, there are other ways for the employee to raise concerns. These are listed in the Confidential Reporting (Whistleblowing) Policy, which also contains further guidance for potential whistle blowers.

- 2.5 The organisations will investigate consistently any allegations or suspicions of fraud, bribery or corruption relating to the organisation irrespective of whether it is perpetrated from inside the organisations (employees) or by external parties (suppliers, contractors or customers).
- 2.6 The organisations will refer to the appropriate authorities any person who commits fraud, bribery or corruption against them. In addition, such offences will also be considered under the organisations' disciplinary policies.
- 2.7 The organisations fully support the Police and other external agencies in the fight against fraud, bribery and corruption within the public sector.

### **3. Responsibilities**

#### **Chief Executive and Director General**

The Chief Executive and Director General has overall responsibility for fraud management arrangements. This involves setting the tone of the organisations so that an anti-fraud culture is maintained, and ensuring that the system of internal controls to manage the risk of fraud, bribery and corruption is effective.

#### **Directors and Heads of Service**

Directors and Heads of Service have responsibility for ensuring that there is an effective system of internal control in place so as to manage the risk of fraud, bribery and corruption in their services.

#### **Managers**

Managers have a key role in maintaining effective systems of internal control in respect of their areas. They also have the responsibility of ensuring that their staff understands their role in behaving with honesty and integrity. Managers should also be aware that they may be asked to provide advice to staff and to receive reports of suspicions of fraud, bribery and corruption. Managers also need to be aware of the risk of fraud, bribery and corruption carried out by staff, and should understand the actions to take if they have such suspicions or receive reports of concerns.

#### **All Employees**

All employees have responsibility for being aware of the risks of fraud, bribery and corruption, and acting with integrity and honesty in their work. They have a responsibility to report to management any concerns they may have.

#### **Merseytravel Meeting**

This group has overall oversight of the internal control and governance arrangements for Merseytravel, and has responsibility for approving its fraud, bribery and corruption policies.

## **Merseytravel Audit, Risk and Governance Board**

### **LCRCA Audit and Governance Committee**

Both fora have responsibility for the monitoring and review of the effectiveness of internal control and governance arrangements and overseeing the continued development of these arrangements.

Both fora will monitor progress in addressing any fraud related issues reported to it, including those identified through Internal Audit reports.

The Audit and Governance Committee has responsibility for approving fraud, bribery and corruption policies on behalf of the Combined Authority.

### **Internal Audit**

The Head of Internal Audit has a responsibility, under the Public Sector Internal Audit Standards, to review the organisations' arrangements for managing the risk of fraud, bribery and corruption, and evaluate their effectiveness in preventing and detecting fraud, bribery and corruption.

The role of Internal Audit in respect of fraud, bribery and corruption is to:

- Prepare and maintain a suite of relevant Counter-Fraud policies for the organisations
- Promote an anti-fraud culture by raising awareness of fraud issues amongst officers and members, including through the provision of counter-fraud training.
- Facilitate the identification of fraud risks and the subsequent management of these through service delivery areas
- Undertake proactive audit work to prevent and detect fraud, including the review of fraud controls in each audit review (where relevant)
- Undertake the investigation of frauds perpetrated against the organisations or emanating from within the organisations, where this is deemed appropriate, including the subsequent reporting of findings, conclusions and recommendations to senior management.

The Head of Internal Audit is also the designated Money Laundering Reporting Officer (MLRO), which entails acting as the main contact for receiving reports of suspected money laundering, and carrying out the associated reporting.

### **External Audit**

The external auditor has a responsibility, as part of their statutory duties, to ensure that the organisations have adequate arrangements in place for the prevention and detection of fraud, bribery and corruption.

#### **4. Managing the Risk of Fraud, Bribery and Corruption**

- 4.1 CIPFA published the *Code of Practice on Managing the Risk of Fraud and Corruption in Local Government* in 2015. The Code is not mandatory but it represents best practice, and compliance with the principles set out in the Code enables the organisations to demonstrate effective financial stewardship of public funds.
- 4.2 The principles are:
- Acknowledge the responsibility for countering fraud and corruption;
  - Identify the fraud and corruption risks;
  - Develop an appropriate counter fraud and corruption strategy;
  - Provide resources to implement the strategy; and
  - Take action in response to fraud and corruption.
- 4.3 The Head of Internal Audit undertakes a periodic self-assessment against the requirements of the Code of Practice. The outcomes of these assessments are presented to the Audit, Risk and Governance Board and Audit and Governance Committee, and any actions arising will be monitored through these fora. This process ensures that the implementation of this Policy is subject to regular monitoring, that the success of the Policy can be measured and that actions are clearly defined, with target dates of implementation and clear intended outcomes.
- 4.4 In demonstrating how the organisations meet the requirements of the Code of Practice, the key elements of the internal control framework are set out in the paragraphs that follow.

## **Corporate Policy Framework**

4.5 There is a comprehensive corporate policy framework in place, which details the requirements, considerations and key internal controls to prevent and detect fraud, bribery and corruption. The key policies are:

- Anti-Money Laundering Policy and procedure;
- Anti-Bribery Policy;
- Confidential Reporting (Whistleblowing) Policy;
- Surveillance Policy;
- Investigations Protocol;
- Information Management Policy Framework;
- Standing Orders and Financial Regulations;
- Guidelines on Cash Handling;
- Guidance on Travel and Expenses;
- Gifts and Hospitality Policy for Employees;
- Code of Conduct for Employees;
- Employee Ethics Policy; and
- Risk Management Policy.

## **Fraud, Bribery and Corruption Prevention**

4.6 One of the key elements of managing the risk of fraud, bribery and corruption is ensuring that there are preventative measures in place that make the offences more difficult to undertake. Prevention seeks to establish physical, logical and procedural barriers to discourage fraud, bribery and corruption, by implementing cost-effective countermeasures to prevent or reduce the identified fraud risk:

- Management at all levels within the organisations have a responsibility for the prevention of fraud and corruption. This is achieved by ensuring the operation of effective internal control systems. In addition, management is responsible for ensuring that their staff are aware of relevant policies and procedural documents, and that the requirements within these are being followed.

- Officers must follow the requirements set out in the organisations' policies and any local procedures implemented by management. This includes the requirements contained within the Conditions of Employment issued upon appointment to their role.
- Internal Audit plays an important preventative role in reviewing the controls in place within systems to prevent fraud, bribery and corruption and making recommendations to management where improvements in the design of, or compliance with, internal controls are required. Internal Audit develops and delivers an annual risk-based Internal Audit Plan that gives consideration to fraud and corruption risk, and makes provision for the investigation of allegations into irregularity. The Internal Audit Plan is informed by the organisations' risk registers, which include fraud risks.
- The system of internal control is the set of measures, financial and otherwise established in order to provide reasonable assurance of effective and efficient operations, reliability of internal financial control and reporting, and compliance with applicable laws and regulations. The effectiveness of the system of internal control in preventing and detecting fraud, bribery and corruption is reported upon in the Annual Governance Statement. This Statement is supported by the Head of Internal Audit's Annual Opinion, expressed in the Annual Report.
- All the organisations' systems and processes should be fully documented, kept up to date, and made available to the staff operating those systems. A lack of systems documentation reduces control and creates the opportunity for unacceptable practices to occur without check, inevitably weakening the system's operation. It should be clear to all involved what the processes are to achieve the system's objectives. Documenting the system ensures that everybody involved is aware of the authorised process for undertaking the various stages of the system's operation. This awareness, together with the management authorisation of a documented system, establishes a culture of formality that assists the prevention of the introduction of informal changes. Documenting a system provides clarity of purpose and intent, both for the operator of a system and any interested third party.
- It is a prerequisite to sound control that duties involved in financial transactions are as separated as possible. Financial Regulations specifically state that the principle of "separation of duties" should be observed in the calculating, checking and recording of sums payable and receivable from the duties of collection and disbursing of such sums; and in other obvious areas of susceptibility. The separation of duties principle is an important preventative control over fraudulent and corrupt practices.
- Authorisation controls are there to ensure that approval has been granted to allow a particular course of action.

- The Director of Corporate Services has a duty to ensure the proper administration of the organisations' financial affairs. Accordingly, Financial Regulations have been developed and outline the systems, procedures and responsibilities of employees in relation to financial activity. These are available to all employees, contractors or agents via the organisations' intranet and website.
- The Director of Corporate Services may, from time to time, supplement the Financial Regulations by other documents, such as Financial Instructions relating to detailed procedures. These are considered as part of the Financial Regulations and have the same status and authority.
- Recruitment and selection of employees is a key preventative measure in the fight against fraud and corruption and it is important to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of propriety and integrity. The recruitment of employees is therefore required to be in accordance with the organisations' Recruitment and Selection Policy. In particular, written references are sought directly from referees regarding known honesty and integrity of potential employees before employment offers are made.
- All employees should be aware of the Gifts and Hospitality Policy and associated guidance.
- Employees must ensure that they avoid situations where there is a potential for a conflict of interest. Effective role separation ensures that decisions made are based upon impartial advice, so as to avoid accusations of the improper disclosure of confidential information. There is a duty on employees to declare pecuniary and non-pecuniary interests by completing a Declaration of Interests form on an annual basis.
- Fraud Awareness training is provided to all employees of the organisations in the form of e-learning, but employees should be made aware of all fraud risks pertinent to their role as part of on-the-job training. Staff are also required to read and acknowledge understanding of corporate policies, including those relating to conduct.

## **Fraud, Bribery and Corruption Deterrence**

4.7 There is a range of measures in place to deter employees from engaging in fraud, bribery or corruption:

- The organisations have a well-established and fully implemented disciplinary process. It is important in maintaining an anti-fraud culture within the organisations, that all offences are dealt with in a consistent manner and that minor unethical practices are not overlooked (such as



petty theft or small scale expenses fraud) or dealt with in a unduly lenient manner.

- Where there is evidence of fraud, bribery or corruption, the matter will be referred to the Police for investigation, who in turn may refer the matter to the Crown Prosecution Service to consider prosecution. It is recognised that it may not always be in the public interest to refer cases for criminal proceedings.
- Where fraud and corruption is proved and a financial loss has been suffered, the organisations will seek to recover the full value of any loss from the perpetrators. This may involve civil proceedings being instigated through the courts.
- Where appropriate, the organisations will publicise successful actions it has taken against fraudsters.

### **Fraud, Bribery and Corruption Detection**

4.8 The organisations actively seek to detect any incidents of fraud, bribery and corruption, to allow it to respond openly, promptly and responsibly to any suspected cases. All officers, suppliers, contractors and customers have an important role to play in the detection and reporting of fraud:

- The organisations encourage anyone who knows or suspects any inappropriate behaviour to report it. The Confidential Reporting (Whistleblowing) Policy provides advice and guidance on how specific matters of concern may be raised and aims to give employees the confidence to raise concerns internally. The Policy is regularly reviewed to ensure it is compatible with current legislation and to assess its effectiveness. Employees are expected to act responsibly when using the whistleblowing process. If it is proven that an allegation is made frivolously, maliciously or for personal gain, this will be regarded as serious or gross misconduct.
- Heads of Service must act in accordance with the Confidential Reporting (Whistleblowing) Policy to support any members of staff who have 'blown the whistle'. They must instigate appropriate disciplinary procedures should the result of any investigation identify evidence of fraud, bribery or corruption.
- Budgetary control is important in identifying fraudulent activity at significant levels. Heads of Service, Managers, Budget Holders and Business Accountants have a responsibility to be aware of the transactions affecting budget lines under their control. They should ensure that all transaction correspond to expectations.
- Whilst it is management's responsibility to prevent and detect fraudulent and corrupt activity, Internal Audit conducts a programme of audits designed to test for signs of inappropriate activity. Internal Audit

utilises fraud detection techniques and data analytics to extend the audit coverage.

- For the purposes of the prevention and detection of fraud and corruption, the organisations will work jointly with other agencies and will share intelligence data with these agencies as appropriate. These agencies include, but not limited to Merseyside Police, HM Revenue and Customs and other Local Authorities.

### **Investigation of Allegations of Fraud, Bribery and Corruption**

- 4.9 The aim of any investigation is to establish the facts surrounding the allegation that has been made, so as to establish whether there is evidence of fraud, bribery or corruption.
- 4.10 Cases for investigation must be referred to Internal Audit, in accordance with the Investigation Protocol. The Head of Internal Audit will liaise with Heads of Service to determine the investigative action required and to establish the best route for the investigation to take, for example Head of Service, Internal Audit, or the Police.