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Date:

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Ref:

CE/47131/SAAA/DE0115

Sent by email:

Hilton Parish Council: audit of accounts for the years ended 31 March 2020 and 2021

Dear Mr Cooper

Thank you for your emails and attachments dated 16 July 2020 and 22 July 2021 in connection with Hilton Parish Council ('HPC' or 'the Council'). You have raised matters in respect of the 2019/20 and 2020/21 Annual Governance and Accountability Returns (AGARs); the matters raised have been summarised below:

You have raised eight matters within your objection letter in respect of 2019/20 (numbered 1 – 8 below) and six related matters in respect of 2020/21 (numbered 9 - 14 below).

In respect of the 2019/20 AGAR, you have objected to:

1. the approval process for the AGAR;
2. the response given to Assertion 1 of the 2019/20 AGAR;
3. the level of reserves at the year-end;
4. the treatment of VAT in respect of councillors' expenses;
5. the response given to Assertion 3 of the 2019/20 AGAR;
6. the use of council staff to carry out work which is not the responsibility of the Council;
7. certain expenditure being made prior to being properly approved; and
8. high value expenditure being made without obtaining three quotations as required by the Financial Regulations.

In respect of the 2020/21 AGAR, you have objected to:

9. the response given to Assertion 1 of the 2020/21 AGAR;
10. the response given to Assertion 3 of the 2019/20 AGAR;
11. the approval process for the AGAR;
12. the level of reserves at the year end;
13. expenditure during the year on hedges/fencing/benches on land not belonging to the Council; and
14. the failure to follow financial regulations in respect of certain expenditure during the year.

You have not asked us to consider reporting on these matters in a public interest report or to consider the lawfulness of the expenditure in 2019/20 or 2020/21; however, we have considered whether each accepted objection should be included in a public interest report and whether we should apply for a declaration under section 28(3) of the Local Audit and Accountability Act 2014 in respect of those objections that relate to payments, i.e. objections 4, 7, 8, 13 and 14.

In this letter we:

- summarise the requirements for an eligible objection;
- set out with reasons the objection that we have formed the view is not eligible;
- explain the factors that we have taken into account in deciding which objections we are going to consider;
- set out the objections that we have decided to consider and not to consider and the reasons for those decisions;
- set out the conclusions of our consideration of the objections and any actions that we are minded to take as a result

Requirements for an eligible objection

Section 27 of the Local Audit and Accountability Act 2014 ('the 2014 Act') provides that local government electors for an area may object to the Council's accounts concerning a matter in respect of which the auditor could:

- make a public interest report under paragraph 1 of Schedule 7 of the 2014 Act. Paragraph 1 of Schedule 7 of the 2014 Act provides that auditor must consider whether, in the public interest, they should make a report on any matter coming to their notice during the audit and relating to the Council or an entity connected with the Council, so it can be considered in accordance with Schedule 7 of the 2014 Act or brought to the public's attention; and/or
- make an application to the court for a declaration that an item of account is contrary to law under section 28 of the 2014 Act.

Section 27 requires that objections must be made in writing and copied to the Council.

Regulation 14 of the Accounts and Audit Regulations 2015 ('the 2015 Regulations') provides that objections may only be made in a single 30-day period of which notice has been given under Regulation 15 of the 2015 Regulations.

Regulation 17 of the 2015 Regulations provides that a notice of objection under Section 27 of the 2014 Act must specify:

- the facts on which the local government elector relies;
- the grounds on which the objection is being made; and
- so far as is possible, particulars of any item of account which is alleged to be contrary to law; and any matter in respect of which it is proposed that the auditor could make a public interest report under section 24 of and paragraph 1 of Schedule 7 to the 2014 Act.

Furthermore:

- in 2015, in exercise of their duties under paragraphs 1 and 2 of Schedule 6 to the 2014 Act, the Comptroller and Auditor General prepared and published a Code of Audit Practice ('the 2015 Code') prescribing the way in which local auditors are to carry out their functions;
- paragraph 9 of Schedule 6 of the 2014 Act empowers the Comptroller and Auditor General to issue guidance to auditors;
- paragraph 1.11 of the 2015 Code states that auditors should 'have regard' to guidance issued under paragraph 9 of Schedule 6 of the 2014 Act.

In February 2018, in exercise of the power in paragraph 9 of Schedule 6 of the 2014 Act, the National Audit Office, on behalf of the Comptroller and Auditor General, issued Auditor Guidance Note 4: Auditors' Additional Powers and Duties ('AGN 04'). Paragraphs 20 to 28 of AGN 04 provide guidance on determining whether an objection is eligible. We have had regard to that guidance, which can be found here: <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2017/01/Auditor-Guidance-Note-04-Auditors-Additional-Powers-and-Duties.pdf>

Eligibility of objections

We have to satisfy ourselves that:

- at the time you objected to the Council's accounts for each of the years ended 31 March 2020 and 2021 you were a local government elector for the Council's area;
- your objections have been made in writing;
- you provided a copy of your objections to the Council; and
- you gave notice of your objections within the requisite 30-day period.

We have formed the view that, except for the objection detailed below, your notices of objection to the 2019/20 AGAR meet the requirements of Regulation 17 of the 2015 Regulations.

Objection 7:

You object to items of expenditure being spent in advance of any proper decision being made and then ratified after the fact at following meetings.

We note that you have not provided any specific examples of payments that you contend were made in this way and therefore the objection does not meet the requirements of Regulation 17 of the 2015 Regulations.

Conclusion: We have assessed the objection as ineligible since the objection does not provide detailed facts and grounds on which the objection is being made; however as a general point, in our opinion the ratification of emergency expenditure after the fact should be the exception and not the rule in terms of procedure.

Factors taken into account in deciding whether to consider objections

Section 27(3) of the 2014 Act requires that we decide whether to consider an objection. Section 27(4) of the 2014 Act provides that we may decide not to consider an objection if, in particular, we think that:

- the objection is frivolous or vexatious;
- the cost of the auditor considering the objection would be disproportionate to the sums to which the objection relates, or;
- the objection repeats an objection already considered by an auditor of the Council's accounts, whether appointed under the 2014 Act or section 16 of the Audit Commission Act 1998.

By virtue of section 27(5) of the 2014 Act, we are not entitled to refuse to consider an objection which we think might disclose serious concerns about how the relevant authority is managed or led.

By virtue of section 27(6) of the 2014 Act, if we decide not to consider an objection, we may recommend that the Council should instead take action in response to the objection.

Section 28 of the 2014 Act gives a person who has objected to the Council's accounts asking that the auditor make an application for a declaration that an item of account is contrary to law and who is aggrieved that the auditor decides not to do so:

- the right to receive written reasons for that decision; and
- the right to appeal against that decision to the court.

Paragraphs 29 to 38 AGN 04 provides guidance on deciding whether to consider objections. Paragraph 33 emphasises that the grounds set out in section 27(3) of the 2014 Act do not constitute an exhaustive list.

We have written to the Council and received its formal response and all of the additional information that we requested.

Objections we are going to consider and not consider

We have carefully considered all the objections you have made and decided which objections we will consider, in particular by reference to the matters detailed in section 27(4) of the 2014 Act.

We would emphasise that in so doing we have:

- considered both the likely individual and aggregate cost of consideration of objections and the sums to which the objections relate in the context of the scale of the Council's activities; and
- had regard to the fact that, under section 27(7) of the 2014 Act, our reasonable costs of considering objections fall on the Council.

We have previously written to you to confirm that none of the eligible objections raised in respect of the 2020/21 AGAR were accepted under Step 2 of AGN 04. Our correspondence dated 1 September 2021 set out the reasons below:

Objection 9: You object to the response given to Assertion 1 of the 2020/21 AGAR. You assert that the Council's bank reconciliation procedures are not adequate and therefore the response to this Assertion should have been 'No'.

We note that this objection is a repeat of part of the objection you made to the response given to Assertion 1 of the 19/20 AGAR.

Conclusion: We do not accept this objection for further consideration, since it repeats an objection already being considered by the auditor. Please refer to our consideration of objection 2.

Objection 10: You object to the response given to Assertion 3 of the 2020/21 AGAR. You assert that the Council's meeting agendas and contract tendering arrangements are not adequate and therefore the response to this assertion should have been 'No'.

We note that the part of this objection relating to the Council's meeting agendas is a repeat of part of the objection that you made to the response given to Assertion 3 of the 2019/20 AGAR. We further note that the evidence provided by the objector indicates that the Council did not approve a five year contract in 2018.

Conclusion: We do not accept this objection for further consideration since the first part of the objection repeats an objection that is already being considered by the auditor and the cost of the auditor considering the second part of the objection would be disproportionate to the sums to which the objection relates. Please refer to our consideration of objection 1.

Objection 11: You object to the approval process for the AGAR.

We note that this objection is a repeat of an objection you raised to the 2019/20 AGAR.

Conclusion: We do not consider this objection for further consideration since the objection repeats an objection that is already being considered by the auditor. Please refer to our consideration of objective 1.

Objection 12: You object to the level of reserves at the year end.

We note that this objection is a repeat of an objection that you made to the 2019/20 AGAR.

Conclusion: We do not accept this objection for further consideration since the objection repeats an objection that is already being considered by the auditor. Please refer to our consideration of objection 3.

Objection 13: You object to expenditure during the year on hedges/fencing/benches on land not belonging to the Council.

We note that the part of this objection relating to the Council's expenditure during the year on fences/hedging is a repeat of an objection that you made to the 2019/20 AGAR. We further note that expenditure during the year on land managed by the Council is within the Council's powers and according to the Council it was approved by the landowner.

Conclusion: We do not accept this objection for further consideration since the first part of the objection repeats an objection that is already being considered by the auditor and the cost of the auditor considering the second part of the objection would be disproportionate to the sums to which the objection relates. Please refer to our consideration of objection 6.

Objection 14: You object to the failure to follow financial regulations in respect of certain expenditure during the year.

We note that this objection is a repeat of an objection that you made to the 2019/20 AGAR.

Conclusion: We do not accept this objection for further consideration since the objection repeats an objection that is already being considered by the auditor. Please refer to our consideration of objection 8.

All of the eligible objections raised in respect of the 2019/20 AGAR have been accepted under Step 2 and considered under Step 3 of AGN 04. Our findings and conclusions are set out below:

Objection 1: You object to the approval process for the AGAR. You assert that HPC has not dealt with the signing of the AGAR correctly in accordance with the Accounts and Audit Regulations 2015 and has also not taken into account the *JPAG Practitioners' Guide* (the Practitioners' Guide). You assert that HPC should have confirmed and minuted the response for each of the Assertions in Section 1 and that the approval of Section 1 should have taken place in advance of Section 2 being approved. You assert that HPC did not carry out a Review of the Effectiveness of the System of Internal Control as per Regulation 6 of the Accounts and Audit Regulations 2015. As part of this objection, you have also stated that HPC does not list items on their agenda properly for residents to be clear on what is to be discussed and what decisions may be made.

Findings: We have reviewed the approval process for the AGAR as recorded in the minutes. The 2019/20 AGAR was approved in the meeting on 28 May 2020 under minute reference 205/20 which states "Cllr Pollard presented details of the documents to be submitted for external audit. The internal audit is now complete. There was a unanimous vote and it was RESOLVED to sign off the AGAR, and accept all accompanying documents as presented. It was RESOLVED to agree the dates for Public Right to Inspect Accounts to cover the first 10 working days of July, being 15 June to 24 July 2020."

The Accounts and Audit Regulations Section 6 (4) (a) state "The annual governance statement, referred to in paragraph (1) (b) must be – (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9 (2) (b) or 12 (2) (b) (as the case may be). The Practitioners' Guide paragraph 1.43 states "The authority needs to approve the annual governance statement by resolution of members of the authority meeting as a whole, in advance of the authority approving the accounting statements in Section 2 of the Annual Governance and Accountability Return. The Chair of the meeting and the Clerk need to sign and date the annual governance statement and a minute reference entered."

The legislation and the guidelines therefore require the Annual Governance Statement (Section 1) and the Accounting Statements (Section 2) to be approved separately, in the correct order, and minuted as such. There is no requirement to separately minute the response to each assertion; however, it would be good practice to indicate that the responses to each assertion had been agreed by the Council and to note the reasons for any "No" responses.

The Council has confirmed that it carried out a Review of the Effectiveness of the System of Internal Control in conjunction with the internal audit, which included a detailed discussion of each assertion with the appointed internal auditor. The internal audit was completed prior to the Meeting where the AGAR was approved. In the Annual Internal Audit Report dated 13 May 2020, the internal auditor has reported that all internal control objectives, other than those which were not applicable, have been met for the year under review. In the minutes, the internal audit is referred to prior to the approval of the AGAR. Whilst there is no specific requirement in the legislation for the Review of the Effectiveness of the System of Internal Control to be separately minuted, we would recommend that it is as a matter of good practice.

Schedule 12 paragraph 10 of the Local Government Act 1972 requires that the agenda for a meeting must specify the business which it is proposed to transact in such a way that the member who receives it can identify the matters which they will be expected to discuss. We have reviewed the agendas for meetings during 2019/2020 and, in our view, these appear to comply with this requirement. The matters for discussion are listed separately with enough information for the members to identify each one. There is no provision made for any other business and so only the matters listed should be covered in the meeting. We did not identify any non-compliance with the legislation.

Conclusion: In our view, the way that the approval of the 2019/20 AGAR has been minuted does not make it clear whether the documents have been approved in the correct order, although there is no evidence that they have not. In this situation, we would consider recommending that in future, the Council should ensure that Sections 1 and 2 of the AGAR are approved with two separate resolutions, in the correct order and minuted as such. We note that Sections 1 and 2 of the 2020/21 AGAR were approved separately and in the correct order and we therefore have no further comment on this matter.

Objection 2: You object to the response given to Assertion 1 due to bank reconciliations not being carried out and bank account balances not being separately disclosed in the minutes. You also claim that HPC has not complied with its Financial Regulation 2.2 as the bank reconciliations have not been verified by another member on a quarterly basis throughout the year.

Findings: The RFO has confirmed that the bank accounts are reconciled every month. We have checked the minutes throughout 2019/20 and can see that the Finance Report each month includes the total cash and bank balance and a statement that this has been reconciled to the bank statements. We have checked a random sample of two bank reconciliations during the 2019/20 year and these appear reasonable, agree to the bank statements and can be reconciled to the figures declared in the relevant minutes. We are satisfied that bank reconciliations have been carried out regularly throughout the year. There is no requirement to include the details of the bank reconciliations in the minutes or to state the balances of the two bank accounts separately.

Paragraph 2.2 of the 2019 Financial Regulations state “On a regular basis, at least once in each quarter, and at each financial year end, a member other than the Chairman (or a cheque signatory) shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification. The activity shall on conclusion be reported, including any exceptions, to and noted by the Council (Finance Committee).”

The Council has confirmed that it did not comply with this regulation during 2019/2020. It was not considered to be a necessary control since the new RFO, who is a councillor and qualified Chartered Accountant, was now carrying out the monthly bank reconciliations and from May 2019 the Council had ceased using cash and cheques leading to the reconciliations containing very few reconciling items. When the Financial Regulations were updated in July 2020 this requirement was removed. In May 2020, after consultation with the internal auditor, the monthly procedure was amended such that the monthly bank reconciliation and a copy of the relevant bank statements are included in the monthly finance pack issued to members by the RFO. In this way, any councillor is able to review the reconciliations. The year-end bank reconciliation is also independently verified by the internal auditor.

The Council is relying on the skills and experience of the RFO, who is also a councillor and is therefore unpaid, to ensure the accuracy of the financial statements and compliance with relevant laws and regulations. There are risks relating to segregation of duties and temporary coverage if the RFO was absent for whatever reason, especially as there is no clerk. We note that the Council’s risk assessment refers to continuity of personnel and that the key activities of the RFO should be fully documented. We have reviewed those documents and in our view they comprehensively document the activities that would need to be covered were the RFO to be absent.

Conclusion: In our view, there was a breach of the 2019/2020 Financial Regulations in that bank reconciliations were not verified by a second councillor on a quarterly basis. We are minded to raise this point in our external auditor reports in respect of the responses to Assertion 3 in the 2019/20 and 2010/21 AGARs due to non-compliance with laws and regulations in place at the time. In our view, there has been no breach after July 2020 when the Financial Regulations were updated. Whilst there is no evidence of any inaccuracies in the financial statements or lack of governance as a result of removing this control, there is a risk associated with the lack of segregation of duties, especially as the Council does not have a clerk. We note

that this risk has been identified and, in our view, is being appropriately managed by the Council.

Objection 3: You object to the level of reserves at the year end. You state that HPC has failed to identify as part of the year end documentation sent to the external auditor, the split between restricted and unrestricted funds. You consider that HPC is sitting on a considerable sum of public money without any clear explanation.

Findings: As external auditors, we do not request any analysis of reserves or breakdown between restricted and unrestricted reserves at the year-end unless the level of total reserves appears excessive; the benchmark for acceptable general reserves is two times the precept. As at 31 March 2020, the total reserves were £154,290 compared to a precept for the year of £172,900. We would therefore not require any breakdown or explanation to be provided.

The Council has confirmed that the earmarked reserves brought forward from the 2018/19 year in respect of the Scout Hut and Adventure playground have been maintained. We have reviewed the budget papers for 2020/21 which show these reserves being deducted from the surplus carried forward in order to calculate the unrestricted reserves. They are therefore being shown as restricted reserves in the budget.

Conclusion: In our view, the level of reserves is not inappropriate and the restricted reserves are clearly documented. We have no further comment on this matter.

Objection 4: You object to the treatment of VAT in respect of councillors' expenses. You claim that VAT has been reclaimed on these expenses where the invoice or receipt is not in the name of HPC. You have stated that this was raised by the internal auditor in 2018/19 but has not been addressed.

Findings: The Council has clarified that this refers to online purchases where the only practical solution was for a councillor to make the purchase on behalf of the Council and then be reimbursed. The Council consider that as long as the purchase was genuinely on behalf of the Council and supported by a VAT invoice then the VAT could be reclaimed.

One of the requirements for claiming back VAT, under VAT126, when not registered for VAT, is that the invoice is addressed to the Council. This is referred to in the HMRC guidance on their website where it refers to "the name of the organisation receiving goods or services on the invoice" as one of the pieces of information required on the form. It is further clarified in Section 6 of VAT Notice 749 where Condition 3 for recovering VAT is "Receive a tax invoice addressed to you".

VAT regulations covering VAT registered bodies allow for VAT to be reclaimed using retailers' simplified invoices which do not need to include the name of the organisation receiving the goods as long as the cost of the goods is less than £250.

You have not detailed any specific items where you believe VAT has been incorrectly claimed and so we have been unable to investigate this further to ascertain whether any VAT has been incorrectly reclaimed.

We have reviewed the internal audit report for 2018/19 and can see no issue raised in respect of the reclaiming of VAT. The issue raised by the internal auditor was in relation to some payments being made by councillors personally on behalf of the Council and then reimbursed and that this represented expenditure authorised outside the Financial Regulations. The Council has responded that it does not agree with the internal auditor's conclusion as no supporting guideline or legislation was quoted to substantiate the point. You have not specified any items of expenditure that you believe to be unlawful in this respect and so we have not been able to investigate this further.

Conclusion: In our view, there is no evidence that VAT has been incorrectly claimed. We will remind the Council to ensure that all relevant HMRC guidance is followed when reclaiming VAT.

Objection 5: You object to the response given to Assertion 3 to the 2019/20 AGAR. You state that HPC does not have a Proper Officer/Clerk as three have resigned since May 2019. Work is currently being completed by councillors and Councillor Russell Pollard, has been appointed as the RFO. In this situation, the Practitioners' Guide recommends that a risk assessment should be carried out and you believe that this did not take place. You interpret the requirement to have proper segregation of duties to mean that councillors should not be appointed as Clerk or RFO even on a temporary basis. Your understanding is that the Proper Officer/Clerk is statutory position and that without a Proper Officer/Clerk HPC is not properly constituted and cannot function correctly. You consider that there is a conflict of interest with a Councillor being appointed as RFO. You also consider that HPC's decision to discontinue its membership of the Derbyshire Association of Local Councils (DALC) will lead to the Council struggling to be compliant with any new laws and regulations and proper practice.

Findings: From a review of the response to your objection from HPC, the minutes for the year and other relevant documentation, we note that there was no clerk in place when the new Council came to office in May 2019, the previous clerk having resigned in March 2019; then there were difficulties recruiting and retaining staff; then in March 2020 COVID restrictions were introduced and the Council had to consider how to continue operating throughout the COVID restrictions. At the June 2020 meeting the decision was made not to employ a clerk, to cover those duties by councillors on a voluntary basis and to take on an administration officer to cover the clerical duties. This decision was therefore not taken until the 2020/21 year. During the periods of 2019/20 that there was no clerk in place, the duties were covered by locum clerks and the councillors themselves on a voluntary basis. We further note that Councillor Pollard was appointed as RFO on 29 March 2019.

Whilst the legislation does refer to the Proper Officer of a council, it does not state anywhere who that officer should be. In most councils it is the clerk but there is nothing in the legislation that says a council must have a clerk, as long as the statutory responsibilities of the clerk are covered and there is proper governance.

Paragraph 5.10 of the Practitioners' Guide states the following:

"All authorities, other than parish meetings where there is no parish council, need to appoint an officer, the RFO, to be responsible for the financial administration of the authority in accordance with Section 151 of the Local Government Act 1972. The clerk to the authority is often also appointed as RFO, but this is not automatically the case. The authority should formally determine in who the responsibility vests, recognising that there are particular risks that arise in the unusual circumstances where an elected member is appointed (unpaid) as the RFO. Decisions about appointing the RFO should always be the subject of a full risk assessment and consideration evidenced in the minutes. The proper segregation of duties means that the Chairman of the authority or of the Finance Committee should never be appointed (even on a short term basis) either as clerk or as RFO, except that the Chairman of a parish meeting (where there is no parish council) is required to keep its accounts by Section 150(6) of the Local Government Act 1972."

The legislation and proper practices therefore do allow for the RFO to be a councillor as long as they are not paid for the position and are not the Chair. Councillor Pollard is not the Chair and is not paid and is therefore not precluded from taking on this role.

A risk assessment should have been carried out when deciding to appoint a councillor as RFO and this should have been minuted, this issue should be included in the Council's risk assessment and reviewed annually. The Council should consider all risks in respect of the RFO appointment in particular in relation to segregation of duties and should record how those risks are to be mitigated. The Council has stated that the qualifications and experience of the councillor who had taken on the role of RFO mitigate any risk and therefore they did not consider it necessary to carry out a formal risk assessment at the time of his appointment. We

believe that this should have been documented formally and the specific risks, in particular those associated with the lack of segregation of duties, should have been identified and measures to mitigate those risks explained.

There is no requirement for local councils to be members of a local association. Membership of the local association is a matter of council policy and therefore is not within our remit.

Conclusion: In our view there is nothing in the legislation or proper practices to preclude the Council from operating without a clerk or for a councillor, who is not the Chair, to act as RFO as long as they are unpaid. In the case where there is no clerk acting as proper officer and the appointed RFO is a councillor who is also carrying out all the financial aspects of the Clerk's role, there are risks associated with the lack of segregation of duties, compliance with proper practice and laws and regulations and governance in general. The Council should continue to ensure that it has procedures in place to mitigate these risks. Since the Council did not formally document the risk assessment in respect of the appointment of a Councillor as RFO, we are minded to raise the matter regarding this issue in our external auditor report on the 2019/20 AGAR.

Objection 6: You object to the use of Council staff to carry out work which you assert is not the responsibility of the Council. You consider that it is not appropriate for HPC staff to carry out work cutting hedges and repairing/removing fencing that are either privately owned or owned by other local authorities. You consider that HPC should not be spending public money on land they do not own, lease or manage. You believe that residents are in some cases paying twice, through their council tax, for work that is not the responsibility of HPC. You state that HPC does not have the General Power of Competence and you question under what legal power they have spent money in this way. You also believe that this work is not within the employees' current contracts of employment.

Findings: Based on the Council's response and additional information provided by the internal auditor, our understanding is that the decision to carry out this work was taken on a health and safety basis as the hedges were encroaching on common land and causing a nuisance to the public. The work was carried out with the full consent of the landowner and the time spent was less than one working day in total over the whole year. This was carried out by experienced staff of the Council within their working time with no additional overtime costs being incurred and so there was no additional cost to the Council for carrying out this work. Whilst HPC does not hold the General Power of Competence, we have no seen no evidence to suggest that this activity incurred any additional costs and it was carried out with the permission of the landowner for what we understand to have been for the benefit of local residents.

Conclusion: In our view, the work was carried out using HPC's powers under the Local Government Act 1972. We have no further comment on this matter and do not intend to investigate this further since the costs of additional work would be disproportionate to the expenditure relating to the issue.

Objection 8: You object to high value expenditure being made without obtaining three quotations as required by the Financial Regulations. You provided the example of the Christmas tree lights as recorded in the minutes of the meeting of 30 October 2019 where three quotations were not obtained; you assert that there are other companies that provide the same or similar services.

Findings: Paragraph 10.3 of the Financial Regulations in force during 2019/2020 states that "All members and officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11.1 below." Regulation 11.1 details conditions of contracts where the regulations need not apply. One of these exceptions, Regulation 11.1.a.vi is for "goods or materials proposed to be purchased which are proprietary articles and/or are only sold at fixed price."

Minute 58/19 of the meeting on 30 October gives some information regarding the nature of the lights being proposed as well as the cost. These were to be supplied by a company called Plantscape. HPC resolved to go ahead with the proposal. There is no explanation in the minutes as to why only one proposal was being considered rather than three as required by the Financial Regulations.

Subsequently HPC published a note on the website in the "Transparency of Contracts" section explaining the decision more extensively. This included the information that these Christmas tree lights were proprietary products and as such under the Financial Regulations there was no need to obtain three quotes. This ties in with Regulation 11.1.a.vi as detailed above; however, it is not clear from the Minutes or the statement on the website why a proprietary product was selected rather than any other generic Christmas lights solution.

We requested further information on this matter from HPC and were provided with the explanation that any generic solutions for Christmas tree lights throughout the village required an independent electrical supply which was not considered practical due to health and safety concerns. The only supplier that provided a solution that met the specification required i.e. the solution was turnkey and did not involve the need for an electrical supply, was Plantscape with their proprietary product. In HPC's view the only alternative would have been to have no Christmas tree lights.

We note HPC's comment that the lights proved extremely popular with residents, to the extent that further coverage was requested in future.

We also note that you provided another example relating to this objection in 2020/21 in respect of the hanging baskets expenditure. We note that this is related to the Christmas Tree solution in that it uses the equipment already put in place by Plantscape, that a similar pattern of approval was followed for this expenditure and an explanation has been published in the "Transparency of Contracts" section of the website. We have no further comment on this matter.

Conclusion: In our view, the reason provided for not obtaining three quotes is reasonable and is in line with the Financial Regulations. In our view, more information in the minutes and/or the note on the website could have been provided to make it clear why the only solution was this proprietary product; however, from a review of the Council's website, this would appear to be an isolated case.

Please note that there is no right of appeal against a decision not to issue a public interest report in respect of any of the objections. With regard to those objections that relate to payments that we had not previously written to you about (i.e. objections 4, 7 and 8), you have a right to appeal our decision not to apply for a declaration under section 28(3) of the Local Audit and Accountability Act 2014. Should you wish to do so, you must issue your appeal with the High Court within the period of 21 days beginning with the day after you receive this statement of written reasons.

Yours sincerely



PKF Littlejohn LLP

cc Hilton Parish Council c/o Cllr Pollard – RFO