

AUDIT AND GOVERNANCE COMMITTEE AGENDA



Thursday 12 December 2013

at 9.30 am

**in Committee Room B,
Civic Centre, Hartlepool.**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Ainslie, S Akers-Belcher, Brash, Fisher, Loynes, Robinson and Shields

Standards Co-opted Members; Mr Norman Rollo and Ms Clare Wilson.

- 1. APOLOGIES FOR ABSENCE**
- 2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**
- 3. TO CONFIRM THE MINUTES OF THE MEETING HELD ON 28 NOVEMBER 2013**
(to follow)
- 4. AUDIT ITEMS**
 - 4.1 Mazars Report – Annual Audit Letter 2012/13 – *Chief Finance Officer*
 - 4.2 Mazars Report – Audit Progress Report 2013/14 – *Chief Finance Officer*
 - 4.3 Mazars Report – Internal Audit/External Audit Joint Working Protocol 2013/14 – *Chief Finance Officer*
 - 4.4 Internal Audit Plan 2013/14 Update – *Head of Audit and Governance*
 - 4.5 Treasury Management Strategy – *Chief Finance Officer*
 - 4.6 Benefit Fraud and Local Council Tax Support Sanctions Policy – *Chief Finance Officer*
 - 4.7 Better Governance Forum – Audit Committee Update – *Head of Audit and Governance*



5. STANDARDS ITEMS

None.

6. STATUTORY SCRUTINY ITEMS

6.1 Alcohol Strategy Update Report – *Director of Public Health*

7. MINUTES FROM THE RECENT MEETING OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH

No items.

8. MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELL BEING BOARD

8.1 To receive the minutes of the meeting held on 28 October 2013 (to follow)

9. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP

None.

10. MINUTES FROM RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE

None.

11. REGIONAL HEALTH SCRUTINY UPDATE

None.

12. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

FOR INFORMATION:

Date of next meeting – Thursday 23 January 2014 at 9.30 am at the Civic Centre, Hartlepool.



AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Chief Finance Officer

Subject: MAZARS REPORT- ANNUAL AUDIT LETTER
2012/13

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the Annual Audit Letter 2012/13.

2. BACKGROUND

- 2.1 This report updates the Audit Committee on the key messages from the 2012/13 audit of Hartlepool Borough Council by Mazars. The audit was made up of two elements:
- Mazars audit of the financial statements; and
 - Mazars assessment of arrangements for achieving value for money in the use of resources.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages are included in the main body of the report attached as Appendix 1.

4. RECOMMENDATIONS

- 4.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

5. REASON FOR RECOMMENDATIONS

- 5.1 To ensure the Audit Committee is kept up to date with the work of our External Auditor.

6. BACKGROUND PAPERS

- 6.1 2010 Code of Audit Practice.

7. CONTACT OFFICER

- 7.1 Chris Little
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Annual Audit Letter

Hartlepool Borough Council – year ended 31 March 2013

October 2013



Contents

- 01 Key messages
- 02 Financial statements
- 03 Value for money
- 04 Added Value
- 05 Fees and closing remarks

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or Officers are prepared for the sole use of the Council and we take no responsibility to any Member or Officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Key messages

Our 2012/13 audit of Hartlepool Borough Council (the Council) was made up of two elements:

- our audit of the financial statements; and
- our assessment of arrangements for achieving value for money in your use of resources.

We summarise below the key conclusions for each element.

Audit opinion and financial statements

We issued an audit report including an unqualified opinion on the Council's financial statements on 26 September 2013.

Value for money

We undertook work in line with Audit Commission guidance, focusing on the two specified criteria. We concluded the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.

We also issued our certificate, closing this year's audit, on 26 September 2013.

Forward look

This letter represents the completion of our first year as your appointed auditor. We look forward to continuing the effective working arrangements we have developed with you since our appointment and working with you as you face the challenges ahead. In particular:

- the achievement of further budget cuts of £16.2m before the start of 2016/17 in line with the Council's updated Medium Term Financial Strategy;
- any further budget cuts required following the announcement of the Local Government Finance Settlements for 2014/15 and 2015/16;
- a potential reduction in Business Rates arising from the level of the 'safety net' and the Power Station, which the Council has recognised as a continuing risk and earmarked a specific risk reserve to mitigate the in-year financial impact if this risk occurs;
- the implementation of the Local Council Tax Support scheme and cut in grant, and any disproportionate impact from amalgamating this grant with the Council's core grant funding.

We focus our audit on the risks these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money. Where relevant we will also share useful insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

02 Financial Statements

The financial statements are an important tool for the Council to communicate how it has used public money. We issued an audit report including an unqualified opinion on the financial statements on 26 September 2013.

We identified some areas for improvement in the preparation of the financial statements, acknowledging the tight timescales and the continued high level of responsiveness and cooperation of the finance team.

Audit findings

Our detailed findings were reported in our Audit Completion Report to the Council at its Audit and Governance Committee meeting on 24 September 2013.

Our audit identified a number of potential adjustments to the draft financial statements and the accompanying notes. There were no material unadjusted errors and no material errors impacting upon the reported outturn or earmarked reserves.

We did not identify any significant deficiencies in the accounting and internal control systems during the course of the audit.

We highlighted two areas of focus which may help reduce the amendments to disclosures in future and the number of audit queries. These related to:

- the Council's own quality assurance review of the draft statement of accounts; and
- a more detailed analytical review of the primary statements.

We also recommended the Council undertakes specific work in respect of Property, Plant and Equipment, Investment Properties and Assets Held for Sale, and that the school bank account reconciliations process is improved for 2013/14 following issues identified in respect of two schools.

03 Value for money

To inform our work in this area we drew upon:

- our audit work on the Council's Annual Governance Statement as part of the audit of the financial statements; and
- consideration of the robustness of the Council's medium-term financial strategy, including progress on plans to achieve the required savings.

Our work in these areas allowed us to satisfy ourselves, against the backdrop of a period of unprecedented change and challenges in recent years, that the Council has maintained proper arrangements for securing value for money in its use of resources during 2012/13.

Annual Governance Statement

There were no issues arising from our review of the Council's Annual Governance Statement.

Arrangements to secure value for money

Financial resilience

We found the Council has proper arrangements in place to secure financial resilience. We highlighted the following key areas of focus in maintaining this on-going financial resilience:

- consistent and clear reporting of the cumulative financial position (revenue and capital) and progress in achieving savings throughout the year to Members; and
- maintaining the rigorous budgetary control of previous periods, particularly as redundancies continue and savings become harder to achieve.

Securing economy, efficiency and effectiveness

We found the Council has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness. We highlighted the following key issues the Council has recognised itself for the near future as including:

- reviewing the adequacy and efficiency of the newly implemented governance arrangements after a suitable period;
- on-going monitoring of the adequacy of capacity and succession planning to build resilience at a senior officer level; and
- continued work on a strategic structured plan for achievement of the savings required for 2014/15-2015/16.

04 Added value

As a major firm of accountants and advisors with a commitment to improving public services we are well placed to support the Council. We do this within the ethical standards applicable to external auditors and with the agreement of the Council. No additional services were provided in 2012/13.

Additional services

We provide you with relevant and practical insights from our knowledge of local government and experience of other public and private sector organisations. During the year, through our regular meetings with senior officers and through our attendance at Audit and Governance Committee meetings, we have provided insights on the latest developments, e.g., the national fraud initiative.

In addition, in February 2013 members of your finance team attended our workshop aimed at supporting councils in preparing their financial statements for 2012/13 and highlighting potential future accounting issues.

05 Fees and closing remarks

Our audit fees for the year are in line with those communicated to you in our Audit Strategy Memorandum in March 2013, being £144,180 (plus VAT). We did not undertake any non-audit services for the Council in 2012/13.

We have discussed this letter with the Chief Executive and Chief Finance Officer and will provide copies to all members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
2012/13 Fee Letter	28 November 2012
Audit Strategy Memo	1 March 2013
Audit Completion Report	5 September 2013
Auditor's report on the financial statements and value for money	26 September 2013
Annual Audit Letter	October 2013

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit in the past year.

Mark Kirkham

Director
October 2013

AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Chief Finance Officer

Subject: MAZARS REPORT- AUDIT PROGRESS
REPORT 13/14

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the Audit Progress Report.

2. BACKGROUND

- 2.1 This report updates the Audit Committee on Mazars progress in meeting their responsibilities as the Councils external auditor. It also highlights key emerging issues and national reports which may be of interest to the Audit Committee.

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages are included in the main body of the report attached as Appendix 1.

4. RECOMMENDATIONS

- 4.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

5. REASON FOR RECOMMENDATIONS

- 5.1 To ensure the Audit Committee is kept up to date with the work of our External Auditor.

6. BACKGROUND PAPERS

- 6.1 Code of Audit Practice 2010.

7. CONTACT OFFICER

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Hartlepool Borough
Council

Audit Progress report

November 2013

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Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or employees of Hartlepool Borough Council are prepared for the sole use of the Authority. We take no responsibility to any Member or employee in their individual capacity or to any third party.

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1. Introduction

The purpose of this report is to update the Audit and Governance Committee of Hartlepool Borough Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

Finally, please note our website address (www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

2. 2013/14 audit planning

This Audit Progress Report marks the start of our 2013/14 audit year work.

Our work in the next period will include:

- assessment of the risks in respect of the 2013/14 opinion and Value for Money conclusion;
- documentation and walkthrough of the key financial information systems (joint walkthroughs with Internal Audit as in previous years);
- completing an IT risk assessment; and
- planning any early substantive testing;

As usual, we will also have regular meetings with senior officers and will read and consider committee papers.

We plan to issue our Audit Strategy Memorandum 2013/14 (i.e. the plan) to the next Audit and Governance Committee and we will, as in previous years, report on progress on the audit and any other issues arising to the Audit and Governance Committee throughout the year.

3. National publications and other updates

Protecting the public purse 2013: fighting fraud against local government, Audit Commission, November 2013

The Audit Commission has published its annual report on fraud. This report is produced for those responsible for governance in local government, particularly councillors. It is intended to help them protect valuable and increasingly scarce public resources. It covers the following themes:

- the scale and value of fraud detected by local government bodies in 2012/13;
- whether fraud is in decline;
- trends in housing tenancy and council tax discount fraud;
- trends and threats in other significant fraud types; and
- national developments impacting on local government counterfraud.

In addition, this report:

- gives details of detected frauds and losses by region;
- updates the checklist for those responsible for governance; and
- highlights a series of questions to help councillors challenge and inform their own organisation's approach to fighting fraud, designed to be used in conjunction with the Commission's programme of individual fraud briefings (due to be issued soon).

Council officers are currently considering the above report and intend to report to the Audit and Governance Committee in due course.

<http://www.audit-commission.gov.uk/2013/11/councils-find-178m-in-frauds-against-local-government-but-detection-rates-are-patchy/>

Business rates: using data from the VFM profiles, Audit Commission, October 2013

The Commission has published a further briefing on business rates collection: this presents the Commission's analysis of English councils' collection rates and costs of collecting business rates.

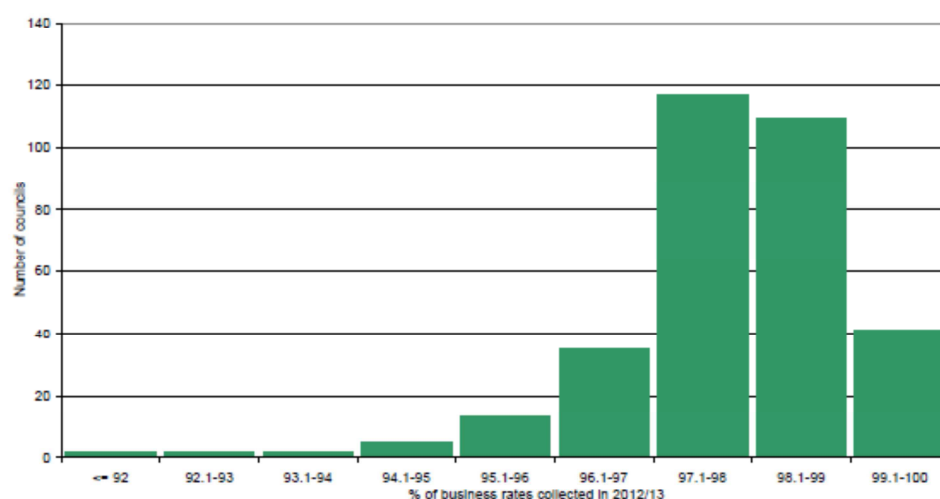
The Commission found that in 2012/13, councils collected £21.9 billion in business rates of £22.4 billion due. The amount collected by each council ranged from £1.3 million to £1.6 billion. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. In 2012/13, the uncollected in-year amount was £513 million.

In April 2013, the government introduced a business rates retention scheme. Councils will now be able to keep up to half of the business rates income they collect, rather than – as previously – paying it all into a ‘national pool’. So, from 2013/14, a council’s income will be directly affected by the business rates it collects.

This briefing is included for information only.

9 Figure 3 shows that most councils (82 per cent) collect around or above the median.

Figure 3: Percentage of business rates collected in 2012/13



Source: DCLG, NNDR 3: national non-domestic rates 2012 to 2013

<http://www.audit-commission.gov.uk/2013/10/1-2-billion-owed-to-councils-in-uncollected-business-rates/>

Audit Commission publication of 2013/14 Value for Money (VFM) conclusion guidance, October 2013

The Commission has updated the guidance for auditors on the conclusion on arrangements to secure value for money (VFM) for 2013/14 local VFM work. This will be available on the Commission’s website on Tuesday 15 October.

The guidance supports auditors’ work on arrangements to secure VFM.

The key principles underpinning the Commission’s approach on the conclusion on arrangements to secure VFM continue to be that it:

- enables auditors to fulfil their responsibility under the Audit Commission Act 1998, relating to an audited body’s arrangements to secure economy, efficiency and effectiveness; and
- is applied proportionately to reflect the size, capacity and performance of different types of audited body and, as far as possible, consistently across all sectors of the Commission's regime.

The main changes in the update for 2013/14 are set out in section 1.1 of the guidance. For the Council, the main area is that sector context and risk indicators for all bodies have been updated to reflect relevant changes. The Commission will update the guidance through the year to take account of sector developments that may impact on auditors' local VFM work.

There are no specific new issues to highlight for the Council.

<http://www.audit-commission.gov.uk/technicaldirectory/vfm1314/>

Audit Commission consultation on 2014/15 fees, October 2013

The Audit Commission is consulting on its 2014/15 proposed work programme and scales of fees. The consultation document sets out the work the Audit Commission plans to undertake at local government bodies during 2014/15, with the associated scales of audit fees.

In March 2012, the Commission announced significant reductions of up to 40 per cent in audit and certification fees from 2012/13 onwards. These fee reductions were achieved as a combined result of the Commission's bulk purchasing power and internal efficiency savings. When it announced the reductions, the Audit Commission said it expected these lower fees to apply for five years, from 2012/13 to 2016/17, subject to annual review.

The Audit Commission does not plan to make any changes to the work programme for local government bodies for 2014/15. It therefore proposes that scale audit fees are set at the same level as the fees applicable for 2013/14.

The Audit Commission is currently undertaking another audit procurement exercise, covering the contracts with audit firms that it let in 2006 and 2007. These contracts cover 30 per cent of principal bodies in the Audit Commission's regime. Any savings achieved as a result of this procurement will be reflected in further fee reductions from 2015/16 for all principal audited bodies. An announcement on the outcome of the procurement is expected in April 2014.

The consultation closes on Friday 10 January 2014 and the Commission plans to publish the final work programme and scales of fees for 2014/15 in March 2014. **The proposed 2014/15 scale fee for the Council is unchanged from 2013/14 at £144,180.**

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415/>

Audit Commission: public briefing on the Local Audit and Accountability Bill, September 2013

The Audit Commission is working alongside its sponsor Departments and other key stakeholders to help design a new regime for local public audit, that will be robust and sustainable, following the closure of the Audit Commission as outlined in the Local Audit and Accountability Bill.

As the Bill is passing from the House of Lords to the House of Commons, this briefing provides an up-to-date view of where the Commission believes that amendments and refinements could further improve and strengthen the Bill. The briefing provides background information for those unfamiliar with the Bill as well as a detailed synopsis of some of the views expressed by key contributors to the shaping of the legislation to date.

The Audit Commission's view is that the Bill can be further improved in several issues in order to meet the stated policy objectives. The areas that could be improved are:

- collective procurement arrangements;
- audit appointment arrangements;
- the National Fraud Initiative;
- small bodies;
- supporting accountability to Parliament and the public;
- reporting on arrangements to secure value for money; and
- updating the legislative framework governing local public audit.

<http://www.audit-commission.gov.uk/2013/09/public-briefing-on-the-local-audit-and-accountability-bill/>

Audit Commission oversight of audit quality, *quarterly reports*

Our regulator, the Audit Commission, also publishes quarterly and annual reports on the quality of the work it has outsourced to the firms. **There are no significant issues highlighted in respect of Mazars LLP.**

<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/>

4. Contact details

Please let us know if you would like further information on any items in this report.

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AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Chief Finance Officer

Subject: MAZARS REPORT- INTERNAL
AUDIT/EXTERNAL AUDIT JOINT WORKING
PROTOCOL 2013/14

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the Internal Audit/External Audit Joint Working Protocol Report.

2. BACKGROUND

- 2.1 This report updates the Audit Committee on the protocol that covers the audit of Hartlepool Borough Council and establishes a framework for co-ordination, co-operation and exchange of information between internal and external audit (Mazars).

3. FINDINGS OF THE AUDIT COMMISSION

- 3.1 Details of key messages are included in the main body of the report attached as Appendix 1.

4. RECOMMENDATIONS

- 4.1 That the Audit and Governance Committee:
- i. Note the report of Mazars.

5. REASON FOR RECOMMENDATIONS

- 5.1 To ensure the Audit Committee is kept up to date with the work of our External Auditor and their relationship with Internal Audit.

6. BACKGROUND PAPERS

- 6.1 2010 Code of Audit Practice.
Public Sector Internal Audit Standards (PSIAS).

7. CONTACT OFFICER

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Hartlepool Borough Council

Protocol for liaison between internal and external audit 2013/14

November 2013

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1. Introduction

Mazars is committed to carrying out the audit economically, efficiently and effectively. The 2010 Code of Audit Practice incorporates this principle, requiring external auditors to establish effective co-ordination arrangements with internal audit and seek to place maximum reliance on internal audit work whenever possible.

Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is sensible and good professional practice that they should work together closely.

This protocol covers the audit of Hartlepool Borough Council and establishes a framework for co-ordination, co-operation and exchange of information between internal and external audit (Mazars). It outlines:

- the respective roles of external and internal audit;
- the Audit Commission Code of Audit Practice (the Code);
- the requirements of the International Standards on Auditing (UK and Ireland) and their impact on the work of external auditors;
- working with internal audit;
- areas of work;
- liaison arrangements; and
- data protection.

2. Objectives

Overall, the protocol should promote an effective working relationship within the bounds of the respective roles of internal and external audit, and maximise the benefit to the Council from available audit resources.

This protocol covers all aspects of audit, including IT audit and value for money, and takes account of external audit responsibilities under the International Standards on Auditing (UK and Ireland).

3. Respective roles of auditors

The table below outlines the respective roles of external and internal audit. The roles and objectives are different but complementary. There are therefore benefits to be gained from working together, and from external audit relying on internal audit's work. Any such reliance is governed by International Auditing Standard (ISAs) (UK and Ireland) 610. This standard requires external audit to review internal audit's work, which usually involves re-performing specific tests as well as a more general review.

Internal audit	External audit
<p>Public Sector Internal Audit Standards (PSIAS) define internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>Internal audit must have documented terms of reference that accord with the requirements of the PSIAS.</p>	<p>External audit conduct their work in accordance with International Standards on Auditing (ISAs) (UK and Ireland) and with the Audit Commission's Code of Audit Practice.</p> <p>To reflect the special accountability attached to public money and the conduct of public business, external audit in local government is characterised by three distinctive features.</p> <p>Auditors are appointed independently by the Audit Commission.</p>

Internal audit	External audit
<p>The key output from internal audit is the annual opinion on the Council's control environment which is reported to the Audit Committee.</p> <p>Internal audit's strategy and plan is agreed between internal audit and management and is approved by the Audit Committee, and cannot be directed by external audit.</p>	<p>The scope of auditors' work covers the audit of financial statements, probity in the use of public money and value for money in the use of resources.</p> <p>Auditors may report aspects of their work widely to the public and other key stakeholders.</p>

4. Code of Audit Practice

The Audit Commission's Code of Audit Practice (updated March 2010) sets out what is required from external auditors.

The audit consists of:

- Opinion on the accounts, including the annual governance statement; and
- Value for money conclusion.

The Audit Commission issues separate guidance on the value for money conclusion audit requirements. For 2013/14, the approach is based on two criteria, specified by the Audit Commission, about audited bodies' arrangements for:

- securing financial resilience; and
- prioritising resources.

5. International Standards on Auditing (UK and Ireland)

The external audit is undertaken in accordance with International Standards on Auditing (ISAs). The standards that principally affect our working relationship with Internal Audit are:

- ISA 315 – understanding the entity, its environment and assessing the risks of material misstatement;
- ISA 330 – procedures in response to assessed risks;
- ISA 240 – consideration of fraud; and
- ISA 610 – considering the work of Internal Audit.

In summary, the approach requires us, as external auditors, to:

- gain an understanding of the information systems that are relevant to producing material figures in the accounts;
- gain an understanding of the way transactions in these systems are initiated, recorded, processed and reported;
- carry out interim opinion audit planning – identifying risks of material misstatement (inherent risks in the systems, or specific risks that are identified), and planning tests of controls that are designed to prevent the material misstatements;
- carry out tests of controls where those controls are key to ensuring there are no material misstatements in the assertions in the financial statements;
- reassess the risks at the time the draft financial statements are produced; and
- plan and carry out tests of control or substantive tests of detail against the remaining risks for each of the assertions for material entries in the accounts.

Where the work internal audit undertakes for its own purposes overlaps with work that the external auditor would undertake, external audit may seek to place reliance upon the work of internal audit.

Internal audit undertake the following activities and external audit will seek to place reliance on this work wherever possible:

- systems documentation;
- identification of controls; and
- testing of controls.

ISA 610: Using the work of Internal Auditors

We will seek to maximise our reliance on the work of Internal Audit particularly in relation to the Council's core financial systems. In this respect, ISA 610 requires external auditors to:

- review internal audit to confirm that it meets, as a minimum, the requirements of the Public Sector Internal Audit Standards. This will provide assurance that work is to a standard that can be relied on to inform external audit conclusions;
- review whether internal audit is effective as a management control, as part of the control environment assessment; and
- review (and seek to place reliance on) specific pieces of internal audit work, where that work covers areas relevant to our Code of Audit Practice objectives.

Where external auditors intend to use internal audit work to inform conclusions, the specific work must be evaluated and this may involve re-performance of this work, testing of similar items or observing internal audit work.

6. Working with internal audit

Where internal and external audit work closely together, the following benefits should accrue.

Internal audit	The Council	External audit
Increased credibility and presence with management and councillors (those charged with governance).	Clearer, more consistent reporting of audit issues.	Better understanding of the corporate framework.
Greater emphasis on internal audit's own objectives.	Reduced opportunity for duplication or omission of audit work.	The audit is more tailored and relevant to the Council.
Greater awareness of risk from an external observer's perspective.	Better focused audit work that provides relevant information.	Increased awareness of risk factors at the Council.
Opportunity for cross training, eg IT audit.	Maximises the positive impact of audit.	More efficient audit approach.

Effective co-operation between external and internal auditors means more than avoiding duplication. An effective framework of co-operation and co-ordination ensures liaison, co-operation on work programmes and the sharing of information. Reflecting this, our joint working protocol covers:

- liaison meetings;
- external audit reliance on internal audit work;
- arrangements for sharing documents and information
- arrangements for undertaking joint walkthroughs of key systems;
- arrangements for pre-audit committee liaison; and
- external audit's review of internal audit's work.

The principles of co-operation and co-ordination, and agreed actions are set out in the table below.

Co-operation – principles and details

Liaison meetings. Regular meetings to be established between the Head of Audit and Governance / Principal Auditors and the External Audit Manager / Team Leaders to discuss audit planning (in particular, to avoid unnecessary duplication of planned audit work), audit progress and any other issues of mutual interest. These meetings are typically to be held quarterly, aligned with the IA quarterly planning meetings. In between these meetings, other communication to take place via email and/or telephone on an ad hoc basis as and when any relevant issues arise.

External audit reliance on internal audit work. Internal audit prepares its audit plans independently, on the basis of its assessment of the risks existing at the Council. It is likely that some of this work will be in areas in which external audit will wish to obtain assurance to meet their Code of Audit Practice responsibilities. It is appropriate for external audit to seek to place reliance on internal audit's work, wherever it is practical to do so.

There is an on-going dialogue between internal and external audit and this includes discussion of work where reliance on internal audit work is sought.

Arrangements for sharing documents and information. It will enhance understanding and effectiveness if audit reports and other audit information are shared promptly.

Internal audit will provide external audit with:

- all final audit reports;
- access to electronic working paper files;
- details of any significant changes to the audit plan;
- key documents, in particular the terms of reference, audit strategy and audit plan; and
- formal details of all significant frauds (all frauds of £10,000 or more) and all instances of corruption. These are required for submission to the Audit Commission using form AF70.

External audit will provide internal audit with copies of:

- final reports, including relevant working papers by agreement; and
- details of any significant changes to the audit plan.

External and internal audit will communicate promptly to the other auditor any significant concerns arising that the auditor feels should be dealt with other than through the usual reporting arrangements set out in this protocol.

Arrangements for undertaking joint walkthroughs of key systems. As a part of understanding the Council's internal controls, external audit is required to document and undertake an annual walkthrough of the critical business processes and key controls. Internal audit also undertakes work on the Council's systems and key controls as part of its annual audit plan. Wherever possible, to minimise duplication and reduce the impact on officers' time, we will arrange joint meetings to perform these walkthroughs and obtain audit evidence.

Arrangements for pre-audit committee liaison. It is important that an audit committee meeting focuses on dealing effectively with the issues set out on the agenda. We will consider whether prior to an audit committee meeting there is a need for auditors to liaise to address any issues that may have arisen.

External audit's approach to its review of internal audit. External auditors review the work of internal audit for two main purposes:

- to establish if internal audit is undertaking its role effectively in accordance with internal audit standards; and
- to determine what reliance can be drawn from internal audit work in relation to the external auditor's Code of Audit Practice responsibilities.

External audit will update its overall assessment of internal audit and review internal audit work that it intends to place reliance on.

The Accounts and Audit Regulations 2011 require authorities to review the effectiveness of the system of internal audit. This review is the responsibility of the Council and is not intended to be a review carried out by the external auditor.

7. Areas of work

The table below sets out our main areas of work and where co-operation with internal audit may be possible.

Areas of work – potential for co-operation

Walkthroughs. Where appropriate we may seek to rely on Internal Audit's work for efficiency, however, we are required to carry out walkthroughs of all key systems ourselves each year (see Appendix 1 for a schedule of key systems). A walkthrough involves taking a transaction and following it through the system from the very start of when the transaction is initiated to the end of the system. Wherever possible, joint visits will be made by internal audit and external audit to carry out the walkthroughs and any other initial planning discussions with appropriate Council officers.

Key controls testing. The controls that we consider to be "key" controls within each of the Council's material systems are summarised in Appendix 2. Although our approach for 2013/14 may possibly shift from key controls testing towards more substantive testing (due to the need to obtain classification assurance within the accounts and also for efficiency reasons), key controls testing is still important as part of our overall control environment assessment. We will review internal audit's reports which cover key control testing and discuss any issues arising. Where our testing strategy involves key controls testing, for example journal controls, we will seek to place reliance on any relevant internal audit testing and undertake any top-up testing as required, for example if internal audit's testing does not cover the full financial year.

Substantive testing. We carry out substantive testing including brought forward balances in the general ledger, non-pay and payroll expenditure, and non-grant and grant income. Where possible, we may be able to rely on internal audit's work in these areas, except where it is more efficient for us to drill down from the Council's financial statements (for example grant income).

Sample sizes for controls and substantive testing are shown in Appendix 3.

Value for money conclusion. Our areas of focus are likely to include the robustness of the Council's medium term financial strategy and a review of the quarterly finance reports presented to the Finance and Policy Committee. We will review any relevant internal audit report, for example covering the loading of the agreed budget to the general ledger and testing of budget virements.

Grant claims and returns certification. There is limited scope for any specific reliance on internal audit's work given the reduced number of claims and returns we are now required to certify. However, we will take relevant internal audit work into account in completing our control environment testing assessment as part of establishing whether Part A (basic) or Part B (more detailed testing) work is required.

8. Liaison arrangements

We will continue to meet regularly with internal audit to update issues identified in relation to the audit, review progress and exchange information, including quarterly meetings as indicated. The agreed contacts for Mazars and internal audit are identified in the table below.

Contact list		
Key contact	email	Telephone
Mazars NB telephone number of audit room at HBC - 01429 523490		
Diane Harold Senior Manager	diane.harold@mazars.co.uk	0191 383 6322 07971 513 174
Rebecca Dearden Assistant Manager	rebecca.dearden@mazars.co.uk	0191 383 6305 07881 283 351
Tim Lloyd Senior Auditor	tim.lloyd@mazars.co.uk	0191 383 6333

Contact list		
Internal audit		
Noel Adamson Head of IA & Governance	Noel.Adamson@Hartlepool.gov.uk	01429 523173 07825 272782
Catherine Magog, Principal Auditor	Catherine.Magog@Hartlepool.gov.uk	07825 272793
Sharon Bramley, Principal Auditor	Sharon.Bramley@Hartlepool.gov.uk	07825 272790

9. Data protection

All client data obtained by Mazars staff will be securely and confidentially maintained. We will not retain confidential or sensitive data on file, or any such data will be deleted after our review process has been completed.

If we require access to confidential or sensitive data maintained on internal audit's files, such as payroll information, we will arrange to view this on-screen if possible. We do not retain personal details on file once they have been reviewed.

Alternatively, for transfer of data, we can now access the Council's 'secure file transfer' site – we have agreed that we will trial sharing of data via this site, starting with the system walkthroughs.

Appendix 1 – Key systems and walkthroughs

List of the key systems for Hartlepool Borough Council – for which a walkthrough is required on an annual basis

- 1 General Ledger - Integra
- 2 Creditors
- 3 Debtors
- 4 Payroll – ResourceLink (including Pensions)
- 5 Housing Benefits
- 6 Council Tax
- 7 National Non-Domestic Rates (NNDR)
- 8 Cash Collection - AIM
- 9 Loans & Investments - LATIMA
- 10 Schools Financial Management System - SIMS
- 11 Residential Care Payments - CONTROCC
- 12 Property, Plant & Equipment

Notes

- A walkthrough involves taking a transaction and following it through the system from the very start of when the transaction is initiated to the end of the system.
- A more detailed schedule, including officer contact names, agreed dates and auditors to be involved from both external audit and internal audit will be agreed each year.
- System workbooks, including flowcharts, will be shared in advance of the joint walkthroughs.

Appendix 2 – Key controls schedule

Controls within each material system regarded by Mazars as “key” controls

General Ledger (GL):

- Weekly bank account reconciliations between GL and bank.
- Check on bringing forward of prior year closing balances into GL via journal.
- Various journal controls including unique number, system will not post journals that do not balance or have invalid codes, and review of journal reports by Head of Finance – Corporate & Schools.
- Trial balance to ensure GL nets to zero at year-end.

Creditors system:

- Goods receipt and invoice are matched and invoices are properly certified and authorised for payment.
- Creditors system fully reconciled to GL on a monthly basis.

Debtors system:

- Requisitions value and coding checked by member of staff who is inputting the data into the system and income received is matched to invoice/requisition
- Debtors system fully reconciled to GL on a monthly basis.

Payroll:

- Exception Reports are scrutinised and amendments annotated before payroll calculation step is completed each month. A control sheet identifies that all reports have been run/corrected which is signed by a manager to show that it has been checked.
- Monthly holding account reconciliations completed by Accountancy staff.
- Monthly reconciliation of GL to Payroll system.

Housing Benefit & Council Tax Benefits:

- Parameters entered at start of the year in accordance with Department for Work and Pensions circular. Changes put into test system first and once these have been checked they are then put into live system. Threshold changes are checked by benefits officer for accuracy prior to upload, and then by another person after the upload to ensure they have been entered correctly.
- 10% checks of all claims including high risk areas such as new starters, tax credits & self-employed are completed. These tests are documented.
- 4-weekly reconciliations of payments to subsidy using Northgate Rec 580 workbook.
- Year-end reconciliation of expenditure in GL to iWorld reconciliations Creditors 248 total carried out by Accountancy staff.
- Benefits Team Leader reconciles payments in Northgate to GL on a monthly basis.
- Benefits Manager completes a year-end reconciliation between subsidy paid and Northgate report figures.

Council Tax:

- Council Tax system reconciled fully to GL at year-end.

National Non-Domestic Rates (NNDR):

- Valuation office listing reconciled to NNDR system weekly. RV Report (RKC093C) reconciled by Team Leader to Valuation Office schedule of alterations. Counter signed by Team Leader.
- NNDR system fully reconciled to GL at year-end.

Cash receipting:

- Daily control report (Integra) reconciliation to I-world.
- Daily reconciliation of cash receipting to GL.

Property, Plant and Equipment:

- Year-end reconciliation of asset register to GL.

Treasury Management:

- Separation of duties to ensure that all documentation relating to the payment is prepared by one officer & checked & authorised by appropriate approver.
- GL records are regularly reconciled to the investment/loans schedule spreadsheet.

Schools Financial Management System (SIMS):

- VAT submitted sheet must be signed and received from the school Head prior to loading the file into the GL. Balances agreed to the system file.
- Year-end reconciliation of SIMS to GL.
- Half-yearly and year-end bank reconciliations for each school.

Residential Care Payments (CONTROCC):

- Separation of duties between the Financial Assessment team and care home contracts. Residential service packages are agreed annually through the Commissioning Services Team which enters contract details onto CONTROCC.
- Reconciliation of payments from CONTROCC to that paid in the GL completed monthly by the Finance team.

Appendix 3 – Sample sizes – extracts from Mazars' audit manual

Weekly, monthly and annual controls

	Frequency of control		
	Weekly	Monthly	Annual
Sample size	12	3	1
Tolerable error in original sample	1	0	0
Extended sample size	2	N/A	N/A
Satisfactory result to enable reliance	13	3	1

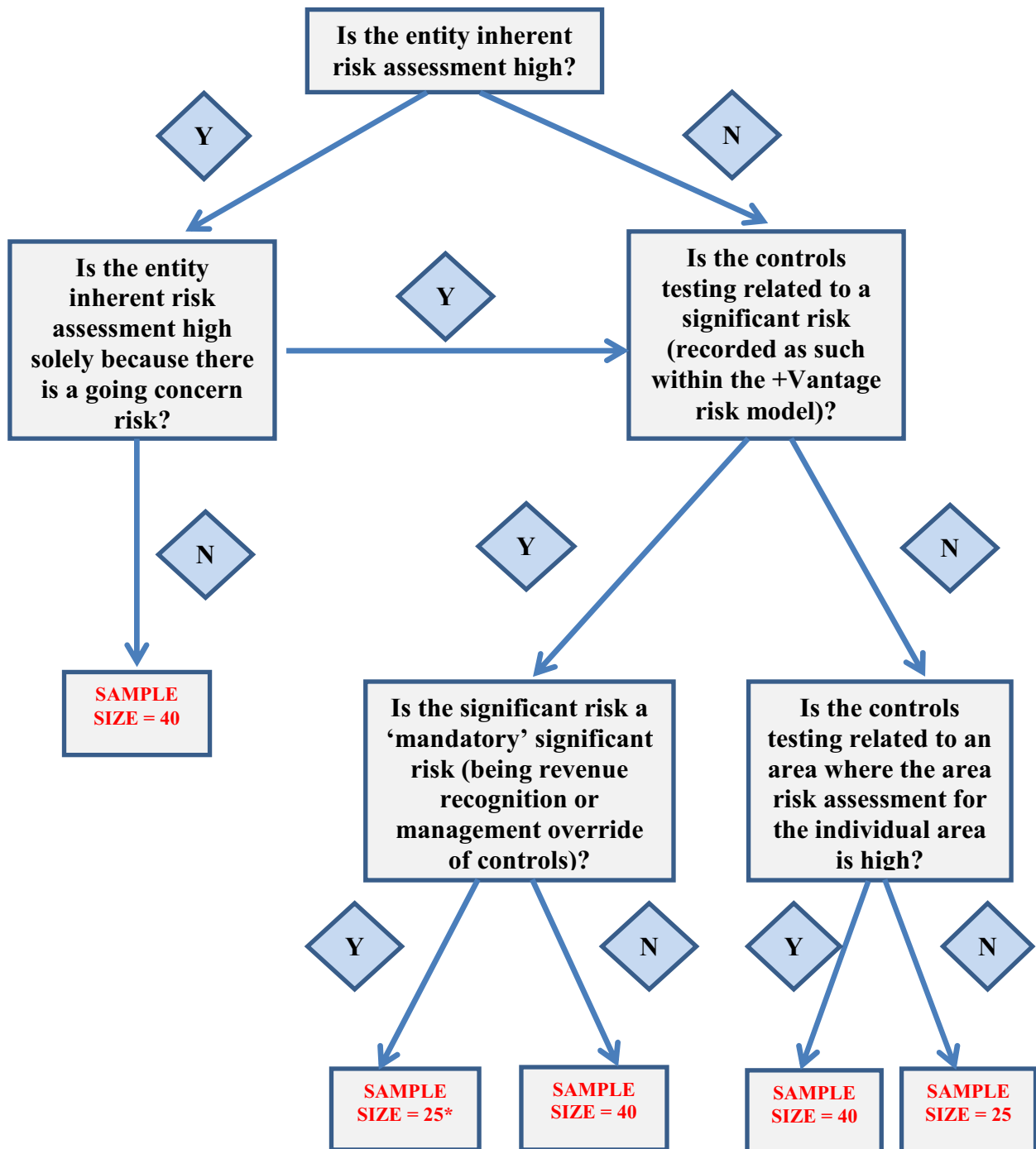
Controls operating daily/numerous

1. Where the inherent risk of the entity is assessed as HIGH, then there is a default position that controls sampling sizes are the higher sample sizes for controls operating with 'daily/numerous' frequency i.e. 40 rather than 25. This default can ONLY be rebutted where the driver for the high inherent risk assessment is solely going concern and the audit team consider that the going concern risk has not impacted the control environment. If the higher sample size is rebutted then this consideration needs to be clearly documented on the audit file.

2. Where the inherent risk of the entity is not assessed as high, then we need to consider our overall risk assessment in respect of each area as set out in the area risk screen within +Vantage (e.g. revenues) and whether the control relates to a significant risk. Where the overall risk assessment in respect of the area is high, we will need to do the 40 rather than the 25 for controls operating with 'daily/numerous' frequency. If the overall risk assessment in respect of the area is medium or low then we need to do 25 for controls testing. If the control relates to a significant risk that is a 'mandatory' significant risk (i.e. revenue recognition or management override of controls) then the lower sample size of 25 can be used. If the control relates to a significant risk that is not a 'mandatory' significant risk then the higher sample size of 40 is to be used.

The policy for controls operating daily/more than daily is reflected in the flowchart on the next page:

Flowchart for sample sizes for controls operating with 'daily/numerous' frequency



* The sample size of 25 may be rebutted by the audit team where they consider required by the specific circumstances and the higher sample size of 40 applied.

Tolerable error and extended sample sizes for controls operating with ‘daily/numerous’ frequency:

	Daily/numerous frequency
Sample size	25 / 40 (As per flowchart)
Tolerable error in original sample	1
Extended sample size	10 / 15
Satisfactory result to enable reliance	34 / 54

Controls that occur during the year depending on when the specific transaction occurs

There may be certain instances where controls only occur when the transaction occurs (for example credit approval for a new customer which may occur infrequently during the year rather than on a weekly basis). In these instances our policy is that the controls testing sample size should be the lower of 20% of the number of the times the control operates or the number that would be determined for ‘daily/numerous’ frequency controls (i.e. the 25 or 40).

We must test controls throughout the period for which we intend to rely on those controls.

AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2013/14 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2013/14.

2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan. Regular updates allow the members of the Committee to form an opinion on the controls in operation within the Council. This in turn allows members of the committee to fully review the Annual Governance Statement, which will be presented to a future meeting of the Committee, and after review, will form part of the statement of accounts of the Council.

3. PROPOSALS

- 3.1 That members consider the issues within the report in relation to their role in respect of the Councils governance arrangements. Table 1 of the report detailed below, sets out the school audits that have been completed and the recommendations made.

Table 1

Audit	Objectives	Recommendations	Agreed
St Begas Primary	Ensure school finance and governance arrangements are in line with best practice.	- Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending.	Y
		- Contract Procedure Rules should be followed when acquiring goods/services in excess of £5000.	Y
		- Guidance produced by the Schools information Governance Group should be used to develop Information Governance Policies for the school and also ensure that the school is meeting	Y

Audit	Objectives	Recommendations	Agreed
		all its legal responsibilities in relation to the data it retains. The school website should be reviewed to ensure that it contains the required information in respect of Freedom of Information, Data Protection and Fair Processing.	
Barnard Grove Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - All necessary duties are performed by the Governing Body including the regular monitoring of the school budget where budget monitoring statements should be presented to governors and copies retained to provide evidence as to the accuracy of such reports. However, the school should consider the frequency of committee meetings if the GB is unable to perform such duties. - Staff reimbursements should be kept to a minimum and where a purchase order is not feasible, the school purchase card should be utilised. Orders should be used for all goods and services with a few limited exceptions. These orders should then be committed on the school's financial system to prevent overspending. - Contract Procedure Rules should be followed when acquiring goods/services in excess of £5000. Records of the evaluation should be retained and the decision reported to the Governing Body for ratification. - Recovery arrangements should be extended to out of school care arrears and debts exceeding £50 should be referred to HBC in order that recovery action can be taken. - All items of equipment costing in excess of £500 or of a portable and attractive nature should be recorded in the inventory record and should contain sufficient details such as serial number. Annual stock checks are undertaken to verify the existence of recorded assets and such checks are evidenced by signature/date. - Access to SIMS should be restricted to authorised staff only. The level of access given to such users should be the minimum required for them to perform their duties. - DBS clearances should be in place for all staff and governors and should be reviewed every three years. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Throston Primary	Ensure school finance and governance arrangements are in line with best	- The school requires a new fireproof safe which should be big enough for the schools banking arrangements and also	Y

Audit	Objectives	Recommendations	Agreed
	practice.	<p>bolted to the floor to ensure it is insured for the cash the school holds on a weekly basis. Insurance limits should be confirmed with HBC Insurance Officer.</p> <p>- The school should contact HBC Children's Services Finance with a view to obtaining a medium term budget.</p> <p>- The reason for the difference on Resource Link should be established and corrected.</p> <p>- Where applicable the school should obtain three quotes and follow Contract Procedure rules.</p>	<p>Y</p> <p>Y</p> <p>Y</p>

3.2 In order to continually improve the Internal Audit Service a review of the current process of reporting was carried out. In order to address areas for improvement the following changes to current reporting arrangements have been undertaken:

- Instead of Internal Audit providing recommendations to be agreed, the draft report will include a list of risks currently faced by the client in the area audited. It will be the responsibility of the client to complete an action plan with details of the actions proposed to mitigate those risks identified.
- Once the action plan has been provided to Internal Audit, it will be the responsibility of the client to provide Internal Audit with evidence that any action has been implemented by an agreed date. The level of outstanding risk in each area audited will be reported to the Audit Committee.

3.3 The benefits of the new arrangements are that:

- Ownership of both the internal audit report and any resulting actions lie with the client. This reflects the fact that it is the responsibility of management to ensure adequate procedures are in place to manage risk within their areas of operation. The new approach is much more focused on risk and will make managers more risk aware in the performance of their duties.
- Greater assurance is gained that actions necessary to mitigate risk are implemented. Less time is spent by both Internal Audit and management in ensuring audit reports are agreed. Greater breadth of assurance is given to management with the same Internal Audit resource. The approach to risk assessment mirrors the corporate approach to risk classification as recorded in covalent.

3.4 All audits for 2013/14, other than schools, have been undertaken using the new process with management embracing the changes and compiling their own action plans to mitigate risks identified. Table 2 below summarises the assurance placed on those audits completed using the new process. More detail regarding each audit and the risks identified and action plans agreed is provided in Appendix A.

Table 2

Audit	Assurance Level
Public Health	Reasonable
Procurement	Reasonable
Welfare Fund	Reasonable
Looked After Children	Reasonable
Recruitment and Selection	Reasonable
Freedom of Information Publication Scheme	Reasonable
Space to Learn Centre	Reasonable
Early Intervention Strategy	Reasonable
OSCARS	Reasonable
Children Centre's	Reasonable
Attendance Management	Limited
Community Grants	Reasonable

3.5 As well as completing the afore mentioned audits, Internal Audit staff have been involved with the following working groups:

- Information Governance Group.
- Procurement Working Group.
- Performance and Risk Management Group.

3.6 Table 3 below details the audits that were ongoing at the time of compiling the report.

Table 3

Audit	Objectives
Manor Residents Association/Who Cares North East	To give an opinion on the adequacy of the arrangements in place to manage and expend funding received from HBC.
Ward Jackson Primary	Ensure school finance and governance arrangements are in line with best practice.
Continuous Audit	Ongoing testing of fundamental systems.
New Homes Bonus	To review the following areas of risk; potential for inaccurate council tax base data, potential for inaccurate affordable homes data, non-compliance with the scheme expectation of consultation on use of the New Homes Bonus payments and the possibility of incorrect payments being received.
Payroll	Ensure arrangements around legislation & procedures, outsourcing, claim based pay, data security, master data, starters, leavers, variations to pay, data processing and reconciliations to the FMS are adequate.
Information Data Management	To identify where the information security risks are which could result in a security breach and identify what controls are already in place and/or what controls are intended to be put in place in the near future during or after the roll out phase to mitigate those risks.

I.T Network Controls	Ensure a network strategy exists and standards and policies are in place to support its delivery. Connections and access to the network are approved and secure. Unauthorised access to data transmitted over the network is minimised. Management commission independent penetration testing. The risk and impacts of network failure are minimised. An information security policy has been established and communicated to all staff. Where applicable the Public Service Network self assessment form has been used to identify the controls in place, this information has been added to the 'system notes'.
West View Primary	Ensure school finance and governance arrangements are in line with best practice.
NSD Income Generation	Ensure income generation schemes and adequately controlled.
Creditors	Ensure the systems and procedures in place for ordering, receiving and paying for goods/services to ensure that the supplies of goods and services are properly authorised and comply with Financial Procedure Rules.
Fuel Management	Ensure an effective fuel management system is in place which minimises consumption, provides for the security of fuel and reports usage accurately and completely.
Public Sector Social Value Act	Ensure the Council complies with its responsibilities under the Act.
Budgetary Control	Ensure adequate controls are in place in respect of budget setting and monitoring.
Main Accounting System	Ensure identified risks are managed at an acceptable level with regard to legislative and regulatory requirements and the accuracy and completeness of financial data.
Children Services Capital Programme	Review the arrangements for developing the 2013/14 Schools Capital Programme using condition data and other relevant criteria to determine priority schemes, the monitoring of the 2012/13 Schools Capital programme to ensure schemes are completed on schedule and within budget and arrangements for procuring works.
Town and Borough Hall	Ensure that arrangements for collecting and processing income received in respect of lettings and bar takings. Review insurance; use of resources; procurement and performance management.
Council Tax Support/Housing Benefit	Review of the Housing Benefit and Council Tax Support Scheme including the following areas: Claim Processing - new claims, backdated claims and changes in circumstances and the calculation of support; Arrangements for managing disputes to claim decisions; Payments of Housing Benefit, including arrangements for recovering overpayments that arise; Discretionary Housing Payments; Fraud prevention and detection and Data Security.
Greatham Primary	Ensure school finance and governance arrangements are in line with best practice.
Highways Repairs and Maintenance	Ensure adequate arrangements are in place to manage the highways programme and expenditure.
Council Tax	Ensure adequate arrangements are in place to meet all legislative requirements.
Integrated Mental Health Partnership	Ensure adequate arrangements are in place to mitigate partnership risk.
Debtors	The audit will focus on the following areas; System Security; Debtor Records (set up & use of); Charging framework; Debt collection; Debt recovery and Performance Management.
Integrated Transport Unit – Private Hire	The audit will focus on the current systems and processes in place relating to vehicle hire & recharging for both council and private hire use and also the booking of taxi process and recharging.
NNDR	The audit is intended to review the controls in place to mitigate identified risk with testing undertaken to ensure that the controls are working effectively.
Integrated Transport Unit – Children's Department	The audit will examine the following areas of control; Policies, Procedures & Legislation; Service Users (including concessions); Security; Contracts & SLA's; Income (private hire); Health & Safety; Budget Monitoring and Performance Management.

Members Allowances	Ensure members allowances are paid in line with the requirements of the scheme.
VAT	Ensure HBC and CFA have registered with HMRC; Effective planning and administration procedures ensure that relevant staff are aware of their responsibilities, there is compliance with VAT legislation and efficient & effective operations maximise cash flow for the organisation; Processes in place ensure that all VAT is correctly categorised and conditions required to reclaim VAT are met; Non-business/exemption values claimed under Section 33 of the Value Added Tax Act 1994 are monitored closely to ensure that they do not exceed de minimis values; Effective arrangements are in place to ensure that monthly VAT returns are completed fully and accurately and in a timely manner and that reclaimed VAT is received promptly; Relevant documentation is retained in a secure manner and Recommendations from HMRC inspections are implemented fully.

- 3.7 The work completed and currently ongoing is in line with expectations at this time of year, and audit coverage to date has allowed Mazars to place reliance on the scope and quality of work completed when meeting their requirements under the Audit Code of Practice.

4. **RECOMMENDATIONS**

- 4.1 It is recommended that Members note the contents of the report.

5. **REASON FOR RECOMMENDATIONS**

- 5.1 To ensure that the Audit Committee meets its remit, it is important that it is kept up to date with the ongoing progress of the Internal Audit section in completing its plan.

6. **BACKGROUND PAPERS**

- 6.1 Internal Audit Reports.

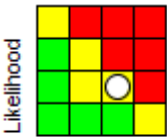
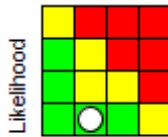
7. **CONTACT OFFICER**


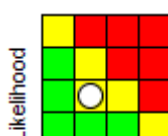
- 7.1 Noel Adamson
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Civic Centre
Victoria Road
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Tel: 01429 523173


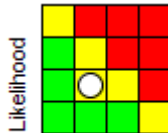
Email: noel.adamson@hartlepool.gov.uk


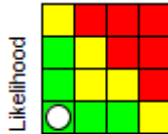
Appendix A



Audit	Objective			Assurance Level
Public Health	Review the links between the local and national strategies, - integration of agencies with substance misuse responsibilities and funding, - commissioning of services, - monitoring and reporting of outcomes and indicators.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
The risk of reports not being formalised is that the correct groups don't receive the correct information on which to base their in year decisions which could affect funding decisions and service provision decisions.		 Likelihood Impact	We will implement a structured reporting system that enables the correct groups receive the necessary information that will inform future decision making and funding arrangements for future services.	 Likelihood Impact

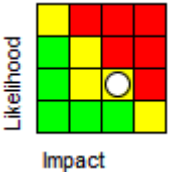
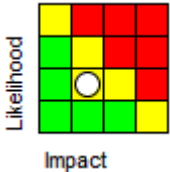
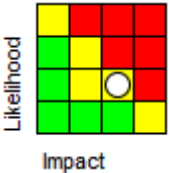
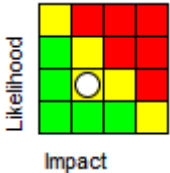
Audit	Objective			Assurance Level
Procurement	Ensure the procurement system complies with the organisation's standards and complies with statutory and professional requirements. Risks to procurement objectives are not and appropriate mitigating strategies developed. Procurement is undertaken in accordance with organisational rules. The Council fully utilises technology to deliver electronic procurement processes and achieve lower transaction costs. Procurement objectives / targets are effectively managed			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
A strategic approach to procurement may not be taken resulting in inefficient practices, inconsistencies with Council policy and non-compliance with statutory regulations and other best practice.		 Likelihood Impact	The Council's Commissioning and Procurement Strategy has been reviewed and rewritten. The current (new) strategy is written more as a statement of principles and practices, rather than providing a route map for future development. Future plans and activities will be developed on a project by project basis.	 Likelihood Impact

<p>The Council may not be fully utilising technology to deliver electronic procurement processes and achieve lower transaction costs.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Whilst no exercise has been undertaken to evaluate the level of savings derived from the adoption of e-procurement solutions, it is clear that operational benefits have been achieved. These include the management of tender and quotation documentation, with it all being held on one system and accessible not just in the department undertaking the procurement but also corporately. The handling of the procurement process has also improved with clear, auditable adherence to the Contract Procedure Rules and interactions with Bidders managed through the on-line system.</p> <p>As well as our own experience of benefits, many studies have been carried out which describe the benefits of adopting e-procurement practices.</p> <p>In a report produced by the Office of the Deputy Prime Minister in 2004, the following benefits of e-procurement were described:</p> <p>Process efficiencies:</p> <ul style="list-style-type: none"> • e-Purchasing can deliver savings of £26 per transaction; • Procurement cards can deliver average savings of £33 per transaction; • e-Tendering can deliver average savings of 13% for a RFQ, 21% for a non-OJEU tender and 25% for an OJEU tender; • e-Auctions can deliver savings in process time and costs associated with the Best and Final Offer (BAFO) stage of a procurement. There is insufficient evidence in local authorities to quantify this benefit. <p>Overhead costs: total potential savings of £8m are available across all authorities from reducing the overhead costs of tenders.</p> <p>Valuable intangible benefits to an authority include:</p> <ul style="list-style-type: none"> • Enabling staff to concentrate on their prime function; • Meeting the Prompt Payment Targets and statute; • Meeting e-government targets and; • Financial transparency and accountability. 	 <p>Likelihood</p> <p>Impact</p>
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		<p>Benefits to suppliers - reduction in ordering and processing costs, reduced paperwork, improved cash flow and reduced cost of credit control.</p> <p>As well as the above, there are multiple reports which describe the benefits available through the adoption of e-procurement.</p> <p>In the face of this evidence, our own experience of benefits and our ongoing commitment to maximise organisational use of e-procurement tools, it is felt unnecessary to substantiate specific benefit numbers.</p> <p>As procurement is simply a process to help the Council acquire and pay for the necessary goods and services, the tangible benefits of the e-procurement process will be realised in departmental budgets and the quality of goods and services acquired.</p>	
The Council may not be fully utilising technology to deliver electronic procurement processes and achieve lower transaction costs.	 <p>Likelihood</p> <p>Impact</p>	It is felt that Internal Audit's programme of regular review will provide an appropriate monitoring process to address the risk identified.	 <p>Likelihood</p> <p>Impact</p>



Audit	Objective			Assurance Level
Welfare Fund	Gain assurance regarding payments of discretionary support that replaced Community Care Grants and Crisis Loans for general living expenses.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Stocks of vouchers may not be adequately controlled resulting in vouchers being misappropriated.		 <p>Likelihood</p> <p>Impact</p>	<p>Separation of duties between assessment of applications and preparation of awards was already planned and full implementation will take place by 2.9.13.</p> <p>A new procedure is in place to reconcile stock on a daily basis. Retrospective reconciliation is ongoing and will be completed by 30.9.13.</p>	 <p>Likelihood</p> <p>Impact</p>


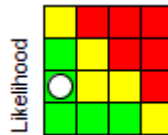
<p>Taken from Report to Cabinet March 2013: Currently funding for Community Care Grants and Crisis Loans within central government is demand led and therefore not cash limited. However the Council will be issued with a cash limited allocation within which to administer its new arrangements. This is potentially a significant additional financial risk and expenditure will need to be managed extremely carefully to avoid any overspend which would transfer to the general fund budget. This risk will be mitigated to some degree by the council's arrangements which will involve the provision of goods wherever possible (which have been procured under best value principles) as opposed to making cash payments for many items which was the model operated by the DWP. We anticipate that the Council's arrangements will enable support to be provided to more vulnerable individuals than the DWP was able to.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>The requested report is now available showing spend by type - Provided to Audit. Training is to be obtained in order to undertake meaningful reconciliation to Integra with a time scale set of 30.10.13. All expenditure on furniture, white goods, travel and hot food are monitored by maintaining records in excel which can also be compared to Integra/Metastorm on an individual basis. All invoices received are checked individually to Metastorm and Integra and differences noted – facility to edit in Metastorm is currently in test and testing should be complete by end of September, which will allow Benefits Manager to edit out rounding errors and correct any billing differences. The budget for LWS spend has always been divided into totals available per month split by Crisis and non Crisis and spend monitored weekly and reported to Line Manager and ACFO using system reporting facilities. A report is going to Finance and Policy in August which shows there is a significant under-spend in this area and risk of overspend is minimal due to the checks and balances in the team.</p>	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective	Assurance Level		
Looked After Children	Evaluate the arrangements in place for meeting legislative requirements, the arrangements for appointing carers with the necessary qualities including Fostering and Adoption Panel arrangements, whilst ensuring all appropriate checks are undertaken to safeguard children and the provision of support/training to develop skills needed to meet national standards.	Reasonable		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Inappropriate appointments may be made.		An audit of all foster carers files will be carried out to ensure that there is evidence of approval from the Assistant Director. In addition to this the ICS records of all foster carers and adopters will be checked/audited to ensure that information is accurately recorded and up to date and this includes decisions made by the Assistant Director as regards approval.		
Inappropriate appointments may be made.		The Family Placement Team are currently actively recruiting to increase the cohort of members able to undertake panel duties and interviews have taken place. Part of this recruitment campaign will be to update all existing Panel members' files to ensure that all checks are up to date and relevant for the purposes of this role. Discussions are currently taking place with a member of the welfare development team to establish the necessity and requirement of panel members to undertake regular DBS checks.		

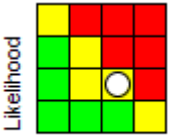
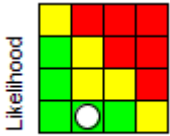
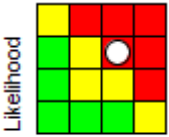
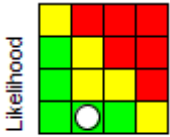
Audit	Objective			Assurance Level
Recruitment and Selection	Ensure that employee HR files contain all required documentation specifically in relation to safer recruitment requirements.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				



Audit	Objective			Assurance Level
Freedom of Information Publication Scheme	Review the adoption and implementation of the model publication scheme, - compliance with the model publication scheme, - the process in place for maintaining the scheme.			Reasonable
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Failure to comply with the requirements of Part 1 of the Freedom of Information Act 2000 could result in a decision notice being or an enforcement notice being issued by the Information Commissioner and further failure to comply could ultimately lead to fines and imprisonment for being found to be in contempt of court by the High Court. (No financial values available for information)	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	<p>The responsible officer will acquire 'webmaster' status which will enable them to add/amend links to and from the Publication Scheme pages on the HBC website. Each departmental IG rep will be made aware of the links relevant to their areas and will be required to inform the responsible officer of any changes. The IG reps will also be required to inform the responsible officer of any documents/information that is published which they consider should be available under the scheme.</p> <p>The responsible officer will also carry out a quarterly review of the scheme to ensure it is up to date and maintained in accordance with ICO guidance.</p>	<div><div>Likelihood</div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	



Failure to comply with the requirements of Part 1 of the Freedom of Information Act 2000 could result in a decision notice being or an enforcement notice being issued by the Information Commissioner and further failure to comply could ultimately lead to fines and imprisonment for being found to be in contempt of court by the High Court. (No financial values available for information)	 <p>Likelihood</p> <p>Impact</p>	At the deadline noted in the correspondence with information owners all responses and actions taken will be reviewed by Internal Audit. Any findings not responded to, or where action does not appear to have been taken, will be reported to the Information Governance representatives who should then arrange for response or action as appropriate. The additional queries' responses and actions will be reviewed by Internal Audit at the deadline noted in the correspondence.	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective			Assurance Level
Space to Learn	Ensure compliance with HBC policies, procedures and guidance in the following areas: - Strategic management, security, register of interests, budget management, expenditure, income, inventory and stocks, data protection.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Financial and Contract Procedure Rules and other procurement or purchasing guidance may not be complied with. No order raised would lead to inaccurate commitment data in budget reporting. Fraudulent payments could be made on invalid invoices or the organisation could be charged for goods/services it did not receive/order. The organisation could incur fines from HM C&E if VAT is not dealt with correctly and may not be able to reclaim the VAT.		 Likelihood Impact	Training has been arranged with regards the quick quote system which is due to be undertaken within the next week. Future procurement will follow the quick quote system where appropriate. Where the quick quote system is not being used, 3 quotes will be obtained for the required amount and all quotes will be retained. All agreements will be revised annually to check for value for money.	 Likelihood Impact
Financial and Contract Procedure Rules and other procurement or purchasing guidance may not be complied with.			A spreadsheet will be maintained highlighting all of the future purchases on the purchase card. This will include date of purchase, amount and description.	



<p>No order raised would lead to inaccurate commitment data in budget reporting. Fraudulent payments could be made on invalid invoices or the organisation could be charged for goods/services it did not receive/order. The organisation could incur fines from HM C&E if VAT is not dealt with correctly and may not be able to reclaim the VAT.</p>	<p>Likelihood</p> <p>Impact</p>	<p>Any invoice relating to purchase card will be kept in a file.</p>	<p>Likelihood</p> <p>Impact</p>
<p>The organisation may not adequately record and check all assets resulting in undetected losses and insufficient information to use insurance cover to reclaim losses.</p>	<p>Likelihood</p> <p>Impact</p>	<p>Asset inventory has now been revised and it includes all aspects mentioned in this report. All future purchases will include the date of purchase and value on this inventory. Asset tags are in the process of being assigned to all devices with the recorded serial numbers checked. The Asset tags will then form the basis of all signing out activities in the future. All staff equipment has been accounted for through the booking system. A furniture inventory will be created for insurance purposes. An annual inventory check is planned to be carried out over the summer with a completion at the end of September.</p>	<p>Likelihood</p> <p>Impact</p>
<p>The organisation may not adequately record and check all assets resulting in undetected losses and insufficient information to use insurance cover to reclaim losses.</p>	<p>Likelihood</p> <p>Impact</p>	<p>Asset codes are now to be used instead of serial numbers to identify equipment on loan forms with all serial numbers being matched to the asset code on the inventory form. Loan forms are to be modified and checked regularly. Any item that has been signed out to staff members will be recorded along with a form for writing off any equipment.</p>	<p>Likelihood</p> <p>Impact</p>

Audit	Objective	Assurance Level		
Early Intervention Strategy Performance Management	Review the collection, analysis and reporting of key performance indicators detailed in the EIS along with local indicators in relation to data collected and used within the Children's Centre's Data Packs. Data Packs are used to inform the Self Evaluation and create an action plan, which is required by OFSTED.	Reasonable		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Appropriate permissions may not be obtained for the collection and use of the data collected. Data may be inaccurate or untimely resulting in performance management information not being adequate for decision making. The systems used for data collection may not be secure resulting in loss or inappropriate disclosure of data.	 <p>Likelihood</p> <p>Impact</p>	<ol style="list-style-type: none"> 1. Present performance management framework to Children and Young People's Strategic Partnership for approval 2. Load performance management framework onto Covalent to ensure that PIs are monitored 	 <p>Likelihood</p> <p>Impact</p>	
Appropriate permissions may not be obtained for the collection and use of the data collected. Data may be inaccurate or untimely resulting in performance management information not being adequate for decision making. The systems used for data collection may not be secure resulting in loss or inappropriate disclosure of data.	 <p>Likelihood</p> <p>Impact</p>	<ol style="list-style-type: none"> 1. A system review has now eliminated this risk and forms are no longer transported from one centre to another manually. 2. Universal Plus Pathway process and co location of staff should remove the rare occasions this happens. A monthly check now identifies any birth information still not received. 3. A cross check has now been implemented to ensure registrations added are then checked by another member of staff before filing. In addition a monthly list of duplicates (some duplicates are valid; for instance a mother and teenager both living in the same house but both with children under 5) is being run and has been allocated to staff to check monthly. 4. E start has since been upgraded to eliminate this fault. A check to ensure the fault is rectified will be made at the end of October when the monthly report is run. 5. A consistent approach has been adopted to enter attendance details, keep for one month and then entries checked by another member of staff before being 	 <p>Likelihood</p> <p>Impact</p>	





		<p>destroyed.</p> <p>6. See above</p> <p>7. Attendance registers are taken by Family Support Workers facilitating the group and then passed to admin to enter. The process above should then be followed.</p>	
Data may not be securely held resulting in loss or inappropriate disclosure of data.	 <p>Likelihood</p> <p>Impact</p>	A review of access has been completed and non user names identified and removed. Quarterly checks will be requested.	 <p>Likelihood</p> <p>Impact</p>

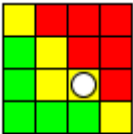

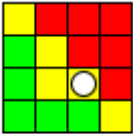
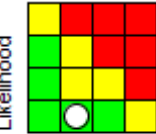
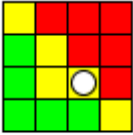

Audit	Objective		Assurance Level
Children Centre's	Review the collection, analysis and reporting of key performance indicators detailed in the EIS along with local indicators in relation to data collected and used within the Children's Centre's Data Packs. Data Packs are used to inform the Self Evaluation and create an action plan, which is required by OFSTED.		Reasonable
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Statutory requirements for Children's Centres are not complied with.	 <p>Likelihood</p> <p>Impact</p>	<p>1. As a multi agency service delivering through a partnership model it is difficult to separate accountability for some service actions as set out in the action plan. However it may be possible to state the EYPP is the responsible officer for ensuring the partnership model delivers that service. The strategic board will review accountability.</p> <p>2. A Governance model is in the early stages of delivery. First strategic board have yet to meet whose remit is to review progress and offer challenge.</p>	 <p>Likelihood</p> <p>Impact</p>

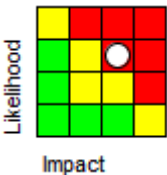
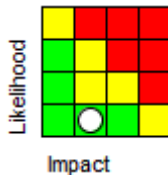
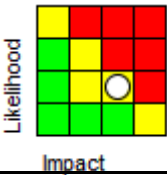
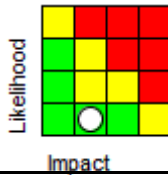
<p>Non compliance with the statutory requirement for a Children's Centre to have an Advisory Board (or share a Board where appropriate).</p>	 <p>Likelihood</p> <p>Impact</p>	<p>1. One requirement of the Board is involvement with Ofsted inspections and although discussions indicated that the Chair would be the first contact during an Ofsted inspection, this is not detailed in the Terms of Reference. Terms of reference will be reviewed following the first strategic board once the direction of travel for those groups is established through the strategic board and the OFSTED inspection responsibility acknowledged.</p> <p>2. A key aim is for parents and community groups to be involved in the running of the Centre via representation on the Board, minutes for one centre (Hindpool) were examined and it was identified that although attendance had increased greatly in June 2013 from previous months, the attendance was still relatively low and less than half were parents. The action plan reflects that this has been identified as an area for improvement.</p> <p>3. Minutes of meetings examined for Hindpool indicated that there has been limited performance information provided to the Board although this did appear to be improving at recent meetings. Performance management information is agenda at each advisory board meeting. Advisory boards have recently set performance targets for each centre. Strategic Board will review and challenge progress.</p> <p>4. Guidance mentions that 'Local authorities or providers should offer appropriate support and training to help parents or community members carry out their role effectively.' There is no specific training made available to members. This will be added to the corporate training plan requests for consideration in next year's plan.</p>	 <p>Likelihood</p> <p>Impact</p>
<p>There is the potential for income to be misappropriated or best value not to be achieved when awarding contracts.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Inventories for all centres will be brought up to date/improved once the current moves phase is complete.</p>	 <p>Likelihood</p> <p>Impact</p>

<p>Safeguarding requirements may not be adhered to resulting in staff or volunteers being employed who do not have the required clearances.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>The phone lists were not only HBC staff as some were included as contacts rather than staff based in the centre. The situation re staff based in centres is set out below.</p> <p>Current situation re incomplete DBS out of a total of 159 entries as of October 15th:</p> <ul style="list-style-type: none"> • 1 HBC staff on maternity leave- Completion will be requested by letter. • 1 Stranton School member of staff (not HBC) Requested • 5 cleaning staff (requested) • 3 Health Visiting Staff (requested) • 1 Community Nursery Nurse (requested) • 1 Health admin (requested) 	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective			Assurance Level
OSCARS	Review the following areas: Policies and Procedures; Income Collection; Budgetary Control; Petty Cash; Security of premises and information; Staffing.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Income may not be promptly and accurately collected.		<div><div>Likelihood</div><div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div></div></div><div>Impact</div></div></div></div></div></div>	<div>1. Parents must inform Oscar staff if they request any amendments to the contract, 2. Parents must complete an additional slip with the changes to be agreed by the co-ordinator. 3. The amended slip will then be agreed and parents will be informed. 4. The slip will then be attached to the contract stating the changes. This will keep the registration form and contracts up to date. 5. A leaflet explaining the above is now added to the</div>	<div><div>Likelihood</div><div><div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div></div></div></div><div>Impact</div></div></div></div></div></div>

		Oscar parenting pack Records will be kept up to date as this will evidence that parents are being charged in accordance with the contracts that they have entered into.	
Income may not be promptly and accurately collected.	 <p>Likelihood</p> <p>Impact</p>	<p>1. Introduce new procedures to follow at all times as set out below for amounts over £20 :</p> <p>Parents with outstanding debts will:</p> <ol style="list-style-type: none"> 1. Receive a bill for the balance outstanding 2. Added to a database 3. If balance not recovered in two weeks, a further letter will be issued. 4. Invoice to be raised <p>2. Outstanding debts under £20:</p> <ol style="list-style-type: none"> 1. Out of School Co-Ordinator to contact parents by either telephone, text. 2. Follow up after a further 3 month. 3. Pass to the recovery team if a balance is still outstanding <p>3. The co-ordinator will monitor alongside the recovery officer in shared services on a monthly basis and follow HBC procedures to recover outstanding debts.</p>	 <p>Likelihood</p> <p>Impact</p>
Petty cash transactions may not be correctly recorded and it may be used for transactions that should be processed via other methods.	 <p>Likelihood</p> <p>Impact</p>	<p>Arrangements have been made for all Oscars transport to go through HBC procurement, using the Integrated Transport Unit for this service. The Out of School Co-ordinator and Performance Review & Prevention Manager will draft a report relating to all the transport required to manage a high performing business. This will then be forward to ITU who will then advise of the options to take this forward.</p>	 <p>Likelihood</p> <p>Impact</p>

Audit	Objective	Assurance Level		
Attendance Management	Ensure that there are adequate policies and procedures in place, that reporting, recording and monitoring of sickness absence across the three departments is consistent and in line with policy requirements.	Limited		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Non compliance with the sickness absence reporting procedure may result in the absence being determined as unauthorised absence resulting in the non payment of Occupational & Statutory Sick Pay and/or disciplinary action being taken.	 <p>Likelihood</p> <p>Impact</p>	Review of sickness hotline and sickness absence administration processes for reporting and recording of sickness absence. This would be to clarify existing arrangements and review processes with a view to agreeing a level of consistency corporately or departmentally. HR Business Partner to co-ordinate discussions with the Departmental Leads for Sickness Absence Administration arrangements with a view to provide options and/or recommendations to individual DMT meetings for agreement.	 <p>Likelihood</p> <p>Impact</p>	
Without return to work meetings there may be no assurance that the employee is well enough to return to work or receive adequate support to enable them to carry out their duties. Sickness levels may not be monitored and issues identified that can be rectified to improve individuals attendance records.	 <p>Likelihood</p> <p>Impact</p>	Review of sickness absence administration processes for return to work documentation. This would be to clarify existing arrangements and review processes with a view to agreeing a level of consistency corporately or departmentally. HR Business Partner to co-ordinate discussions with the Departmental Leads for Sickness Absence Administration arrangements with a view to provide options and/or recommendations to individual DMT meetings for agreement.	 <p>Likelihood</p> <p>Impact</p>	
A fair and consistent approach to sickness absence management may not be in place.	 <p>Likelihood</p> <p>Impact</p>	Child & Adult Department to provide the information required so that an assessment can be carried out as to whether further action is necessary.	 <p>Likelihood</p> <p>Impact</p>	

Employee sickness history may be incorrect if sickness absence is not recorded correctly.		Review of sickness absence data inputting processes to ensure known sickness data is recorded on Resource Link. Also a review of the processes for the completion of self certificates and fit notes and the retention of this documentation. This would be to clarify existing arrangements and review processes with a view to agreeing a level of consistency corporately or departmentally. HR Business Partner to co-ordinate discussions with the Departmental Leads for Sickness Absence Administration arrangements with a view to provide options and/or recommendations to individual DMT meetings for agreement.	
Performance is not managed to ensure that key targets are met, data reported is accurate and best value is achieved.		The review noted in the action for ISS.4 will impact on this finding. There is no further separate action needed.	

Audit	Objective			Assurance Level
Community Grants	Reviewed the systems and controls in place for awarding Category 4 & 5 Community Grants including grant payment & recovery processes, the monitoring of grant payments and information security.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Chief Finance Officer

Subject: TREASURY MANAGEMENT STRATEGY

1. PURPOSE OF REPORT

- 1.1 This purposes of this report are to;
- i. provide a review of Treasury Management activity for 2012/13 including the 2012/13 outturn Prudential Indicators;
 - ii. provide a mid-year update of the 2013/14 Treasury Management activity; and,
 - iii. enable the Audit and Governance Committee to review the proposed 2014/15 Treasury Management Strategy and approve the submission of the proposed strategy to full Council for approval.

2. BACKGROUND

- 2.1 As part of the annual Budget and Policy Framework process Council approves the annual Treasury Management Strategy and associated Prudential Indicators. Following consideration of the report by this committee the report will be presented to the Council on the 6th February 2014.
- 2.2 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA Prudential Code and to set prudential indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.
- 2.3 The Act therefore requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004. This guidance recommends that all Local Authorities produce an Annual Investment Strategy that is approved by full Council, which is included as part of the 2014/15 Treasury Management Strategy included in this report.

2.4 This report covers the following:

- the economic environment and outlook;
- the Council's capital expenditure and financing in 2012/13;
- the Council's treasury position at 31st March 2013;
- the regulatory framework, risk and performance;
- 2013/14 Treasury Strategy Mid-year Review.
- Treasury Management Strategy 2014/15.

3. **ECONOMIC ENVIRONMENT AND OUTLOOK**

3.1 During 2012/13 there was continued uncertainty in financial markets. Most Eurozone countries, with the exception of Germany struggled with negative economic growth and growth prospects for many countries in the Eurozone are poor owing to the need to adopt austerity programmes to bring government deficits under control.

3.2 Although market anxiety about Greece had subsided after the agreement to a further major financial support package amounting to nearly €50bn in December 2012, concerns continued to remain that Greece may eventually be forced to exit the Eurozone. There is also increasing concern at the contraction in Spain's economy, where unemployment has now risen to 27%. This is similar to Portugal and Greece's level, and all three countries are perceived to be at risk from deflationary pressures and continued budget deficits. The European Central Bank's pledge to provide unlimited bond buying support for countries requesting an official bailout calmed the financial markets. However the poor economic outlook could mean that a storm in the financial markets has been delayed rather than cancelled. Spain has resisted asking for an official national bailout however it did receive financial support to recapitalise its four largest banks.

3.3 The general election in Italy created a highly unstable political position where the two dominant parties formed a coalition. However questions remain over whether they will be able to deliver a policy of austerity and this is expected to make Italy vulnerable to swings in investor confidence.

3.4 A growing lack of confidence in the Eurozone austerity programmes could cause interest rates to rise in Eurozone countries. This could help maintain UK gilts (government debt) as a safe haven and so depress gilt yields (the interest paid on government debt) close to current levels for some time.

3.5 The UK coalition Government maintained its fiscal policy stance and deficit reduction plan, although the Chancellor extended the timetable for reducing the annual budget deficit and total outstanding debt. The funding for lending scheme appears to be having a positive effect in improving the supply of credit via mortgages. In conjunction with the

Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this has helped to boost demand in the housing market with the largest increase in mortgage approvals for over three years. However, the Bank of England has expressed some concerns regarding the impact on the Housing Market.

- 3.6 In February 2013 the rating agency Moody's downgraded the UK's Aaa credit rating to Aa1. Fitch put the UK on negative ratings watch in March which was followed by a ratings downgrade in April 2013 from AAA to AA+. However this saw little market reaction and has not impacted on the UK's ability to borrow. Standard and Poors' continues to view the UK as AAA. In contrast Standard and Poors' downgraded the USA to AA+ in 2011 and hasn't revised this rating whilst Fitch and Moody's continues to rate the USA as AAA and Aaa respectively. Again this has not impacted on the USA's ability to borrow. France has lost its AAA rating from all three ratings agencies whilst Germany has retained its AAA rating from all three ratings agencies.
- 3.7 UK growth proved mixed during 2012/13. The first quarter started with negative growth of -0.4%, followed by +0.9% in the next quarter which is believed to have been boosted by the Olympics, then by a return to negative growth of -0.3%. However, recent figures have confirmed that the economy grew by +0.3% in the final quarter of 2012/13. In the March 2013 Budget, the Office of Budget Responsibility revised growth forecasts for the calendar years 2013 and 2014, to 0.6% and 1.8% respectively. In the first quarter of 2013/14 the economic recovery continued to surpass expectations with growth of +0.7%. The Bank of England Inflation Report consequently upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However the Governor of the Bank of England put this into perspective describing this as a welcome increase but not yet ensuring the UK economy returns to strong and sustainable growth.
- 3.8 Although earlier in the year inflation fell to 2.2% (CPI) it rose again over the course of 2012/13 increasing to 2.8% in February. This rise was mainly driven by higher utility prices, a jump in tuition fees and food price inflation following poor harvests. Having dropped again, to 2.4% in April, the CPI figure rose again to 2.7% in May and is expected to stay high over the course of the year, but falling back to 2% within two years.
- 3.9 Quantitative Easing (QE) has remained at £375 billion since July 2012. Bank Rate was unchanged at 0.5% throughout the year.
- 3.10 In August 2013, the newly appointed Governor of the Bank of England, Mark Carney, initiated "forward guidance." This is intended to make the banks existing stimulus programme more effective by providing greater clarity to households and businesses.

- 3.11 The Governor of the Bank of England has said that the Bank will not consider raising interest rates until the jobless rate has fallen to 7% or below, this would require the creation of about 750,000 jobs and could take three years. The Governor stated that forward guidance was needed “so that people at home, people who are running businesses, across the UK, can make decisions – whether they are investing or spending – with greater certainty about what is going to happen with interest rates.”
- 3.12 However, the Bank’s guidance is subject to three provisos and breaching any of them could result in interest rates increasing:
- CPI inflation is judged to be at or above 2.5% over an 18 month to two-year horizon.
 - Inflation looks like it could get out of control in the medium term.
 - The Bank’s Financial Policy Committee judges that this stance poses a significant threat to financial stability.
- 3.13 Despite the statements by the new Governor of the Bank of England forecasting remains uncertain. Capita Asset Services (the Council’s treasury management advisors formerly known as Sector) have revised their forecasts based on an expectation that there will not be a disorderly break-up of the Eurozone but a managed resolution to the crisis albeit with a depressed economic outlook. Capita Asset Services’ view is that Public Works Loan Board (PWLb) interest rates and bond yields will be unpredictable owing to current economic conditions. However, Capita Asset Services has provided forecasts for Bank Rate and PWLB interest rates (minus the 20 basis point certainty rate reduction) to March 2017, as set out in the table below.

	NOW	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3 month LIBID	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.80	1.00
6 month LIBID	0.47	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.90	1.10	1.30
12 month LIBID	0.74	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.90	1.00	1.20	1.40	1.60	1.80	2.00
5 yr PWLB	2.20	2.20	2.20	2.20	2.20	2.20	2.30	2.40	2.50	2.60	2.80	2.90	3.00	3.20	3.30	3.40
10 yr PWLB	3.40	3.30	3.30	3.30	3.30	3.30	3.40	3.50	3.60	3.80	3.90	4.10	4.20	4.30	4.40	4.50
25 yr PWLB	4.30	4.20	4.20	4.30	4.30	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.00	5.10	5.10	5.20
50 yr PWLB	4.30	4.30	4.30	4.40	4.40	4.50	4.60	4.70	4.80	4.90	5.00	5.10	5.10	5.20	5.20	5.30

- 3.14 Though the above forecast shows little movement in interest rates in the medium term, volatility in the economy remains, and interest rates could move rapidly in the event of any unforeseen circumstances and political developments.
- 3.15 Recent signs of improvement in the UK economy show the economic position improving, although this is from a low base. In addition, the position could be affected by exceptional economic factors, in particular within the Eurozone. Against this background the timing of an increase in the Bank Rate from the current historically low levels is extremely uncertain. An increase could occur any time between late

2014 and 2016. This issue will continue to be monitored closely to determine if there is any impact on the Treasury Management Strategy.

4. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2012/13

- 4.1 The Council's approved capital programme is funded from a combination of capital receipts, capital grants, revenue contributions and prudential borrowing.
- 4.2 Part of the Council's treasury management activities is to address the prudential borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activity also includes managing the Council's day to day cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance.
- 4.3 Actual capital expenditure forms one of the required prudential indicators. As shown at Appendix A, the total amount of capital expenditure for the year was £21.213m, of which £4.131m was funded by Prudential Borrowing. Capital expenditure of £22.737m was rephased into 2013/14 and matched by rephased resources.
- 4.4 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is the accumulated value of capital expenditure which has been financed from Prudential Borrowing. Each year the Council is required to apply revenue resources to reduce this outstanding balance.
- 4.5 Whilst the Council's CFR sets a limit on underlying need to borrow, the Council can manage the actual borrowing position by either;
 - borrowing externally to the level of the CFR; or
 - choosing to use temporary internal cash flow funds instead of borrowing; or
 - a combination of the two.
- 4.6 The Council's CFR for the year was £90.542m as shown at Appendix A. This is lower than the approved estimate of £95.545m owing to the rephasing of capital expenditure.
- 4.7 The Council can also borrow for future planned increases in the CFR up to 3 years in advance, when this is deemed to be appropriate. No additional borrowing was taken out in 2012/13.
- 4.8 The Council's total long term external borrowing as at 31st March, 2013 was £50.977m. This is currently less than the CFR as a result of being able to use the Council's balances to internalise the funding

of capital expenditure. This strategy was approved in February 2012 and enabled the council to significantly reduce counterparty risk by reducing the level of external investments. This strategy was also the most cost effective strategy in 2012/13 and contributed to the overall favourable 2012/13 outturn reported to Finance and Policy Committee in May 2013.

4.9 Prudential Indicators and Compliance Issues 2012/13

4.10 Details of each Prudential Indicator are shown at Appendix A. Some of the prudential indicators provide either an overview or specific limits on treasury activity. The key Prudential Indicators to report at outturn are described below.

4.11 The **Authorised Limit** is the “Affordable Borrowing Limit” required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. Appendix A demonstrates that during 2012/13 the Council has maintained gross borrowing within its Authorised Limit.

4.12 **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not exceed the CFR for 2012/13 plus the expected changes to the CFR over 2013/14 and 2014/15. The Council has complied with this Prudential Indicator.

5. THE COUNCIL'S TREASURY POSITION AT 31ST MARCH, 2013

5.1 The table below shows the treasury position for the Council as at the 31st March, 2013 compared with the previous year:

Treasury position	31st March 2012		31st March 2013	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt				
- PWLB	£6.0m	4.87%	£6.0m	4.87%
- Market Loans	£45.0m	4.00%	£45.0m	4.00%
Total Long Term Debt	£51.0m	4.10%	£51.0m	4.10%
Variable Interest Rate Debt				
- Temporary loans	£0.0m	0.00%	£0.0m	0.00%
Total Debt	£51.0m	4.10%	£51.0m	4.10%
Total Investments	£33.4m	0.65%	£34.2m	0.44%
Net borrowing Position	£17.6m		£16.8m	

5.2 A key performance indicator shown in the above table is the very low average rate of external debt of 4.10% for debt held as at 31st March, 2013. This is a historically low rate for long term debt.

- 5.3 The Council's investment policy is governed by Department of Communities and Local Government (DCLG) guidance, which has been implemented in the annual investment strategy approved by Council on 9th February, 2012.
- 5.4 The original criteria approved by Members provided a starting point which was then restricted further to produce an operational list which is reviewed on a regular basis. Following the increased risk and uncertainty arising from the unprecedented recent economic crisis the Chief Finance Officer continued to adopt an even more vigilant approach resulting in what is effectively a 'named' list. This consists of a very select number of counterparties that are considered to be the lowest risk. This has involved the Council suspending making new deposits with all building societies, owing to concerns surrounding their exposure to property loans in the housing slump.
- 5.5 The Council's approach of suspending building societies from the counterparty list has proven prudent as the ratings for all building societies were downgraded during 2010/11 and ratings did not improve through 2011/12 and 2012/13 owing to continuing concerns about their financial stability and exposure to property loans. Throughout 2013/14 ratings of building societies continued to remain outside the Council's counterparty criteria.
- 5.6 The Council also continued to exclude all foreign banks, including Irish banks from the list following the downgrading of the country's sovereign rating.
- 5.7 By not relying solely on credit ratings the Council sought to take a more pragmatic and broad based view of the factors that impact on counterparty risk. As part of the approach to maximising investment security the Council has also kept investment periods short (i.e. in most cases up to 3 months but a maximum of 6 months). The downside of this prudent approach is that the Council achieved slightly lower investment returns than would have been possible if investments were placed with organisations with a lesser financial standing and for longer investment periods. However, in the current climate the risk associated with these higher returns would not have been prudent.
- 5.8 A prudent approach will continue to be adopted in order to safeguard the Council's resources.

6. REGULATORY FRAMEWORK, RISK AND PERFORMANCE

- 6.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made since this power was introduced);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act, and requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the DCLG has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November, 2007.

6.2 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its Treasury Management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

6.3 The Council is aware of the risks of passive management of the Treasury Portfolio and with the support of Capita Asset Services, the Council's advisers, has proactively managed the Council's treasury position. A proactive approach will continue to be adopted.

7. 2013/14 MID YEAR REVIEW

7.1 The Treasury Management Strategy for 2013/14 was approved by Council on 14th February 2013. The Council's borrowing and investment position as at 31st August 2013 is summarised as follows:

	£m	Average Rate
LOBO Loans	45.0	4.00%
PWLB Loans	6.0	4.88%
Temporary Loans	0.0	0.00%
Gross Debt	51.0	4.12%
Investments	48.9	0.36%
Net Debt	2.1	

7.2 The Council's 2013/14 Treasury Management Strategy remains unchanged from the Strategy approved on the 14th February 2013

and continues the strategy of netting down investments against borrowing and remains under-borrowed against the CFR. Net Debt has reduced since 31st March 2013 owing to positive cash flows at the start of the year resulting in a greater amount of cash available for investment. It is anticipated that the net debt will increase towards the end of the year in line with previous years.

- 7.3 As part of the Treasury Strategy for 2013/14 the Council set a number of prudential indicators. Compliance against these indicators is monitored on a regular basis and there are no breaches to report.
- 7.4 The CFR and Capital Expenditure Financed by borrowing will vary from the original estimate approved by full Council in February 2013 owing to the rephasing of expenditure between years. There will be no net impact on the total borrowing forecast for the period of the MTFS although there may be timing differences around individual financial years when borrowing is incurred.

8. TREASURY MANAGEMENT STRATEGY 2014/15

- 8.1 Owing to the timing of the Audit and Governance Committee meetings it is not possible to provide detailed prudential indicators as part of the Treasury Management Strategy for 2014/15 prior to this being reported to Council as part of the Annual Budget and Policy Framework process as detailed Capital Allocations have not yet been released by the Government. However this does not prevent the Committee from scrutinising the proposed Treasury Management Strategy which is presented below.
- 8.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies. The Borrowing Strategy is underpinned by the Capital Financing Requirement (CFR) further details of which are provided at paragraph 8.40 below.
- 8.3 **Borrowing Strategy**
- 8.4 Members will recall that a comprehensive review of the borrowing strategy was undertaken as part of the development of the 2013/14 MTFS. This enabled a saving of £1m to be built in to the 2014/15 budget. The saving achieved in 2013/14 from adopting this strategy of £0.870m is earmarked to establish a Treasury Management Risk Reserve, as approved by full Council in February 2013.
- 8.5 In view of the interest rate outlook outlined earlier in the report, the 2014/15 Borrowing Strategy will continue the strategy established in 2013/14 of delaying long term borrowing until current interest rates are forecast to change. It is not expected this will occur in 2014/15, although as outlined earlier in the report the position will be monitored closely during the next financial year. This strategy continues the approach that the Council has adopted for a number of years of

netting down investments and borrowings in the short-term. As investments are used up the underfunding of the CFR (i.e. the difference between the CFR and actual external debt) would be funded from short-term loans. It is anticipated that the interest on these loans would be at (or near) to the current base rate.

- 8.6 This strategy assumes the base rate remains at 0.5% for the foreseeable future. Based on available information from a range of forecasters (including the Council's own treasury management advisors) and recent statements by the Governor of the Bank of England this is not an unrealistic planning assumption.
- 8.7 This should maximise the interest savings which should be achievable on the Council's borrowing. However, the current economic environment is unprecedented and unforeseen circumstances could result in the base rate increasing earlier than currently anticipated and to a higher level, significantly above the historic current base rate which is not sustainable.

8.8 **Investment Strategy**

- 8.9 The Department for Communities and Local Government (CLG) issued investment guidance in 2010 and this forms the structure of the Council's policy below. The key intention of the Guidance is to maintain the current requirement for authorities to invest prudently and that priority is given to security and liquidity before interest return. This Council has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and applies its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced Treasury Management Practices covering investment counterparty policy which requires approval each year.
- 8.10 The primary objectives of the Council's investment strategy in order of importance are:
- safeguarding the re-payment of the principal and interest of its investments on time;
 - ensuring adequate liquidity;
 - investment return.
- 8.11 In the current economic climate the investment strategy has one overriding risk consideration which is safeguarding the principal invested. As a result of this underlying concern the existing investment strategy nets down investments and borrowing. It also tightens the controls already in place in the approved investment strategy. This strategy restricts both the institutions the authority will invest in and the period of investment. It is recommended that the authority continues to invest on a short term basis (i.e. up to 100 days) and restricts

counterparties to the current investment list as detailed later in the report.

8.12 Counterparty Selection Criteria

8.13 The Council's criteria for providing a pool of high quality investment counterparties uses the credit rating information produced by the 3 major ratings agencies (Fitch, Moody's and Standard & Poor's) and is supplied by our treasury consultants. All active counterparties are checked against criteria outlined below to ensure that they comply with the criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered on a daily basis before investments are made. For instance a negative rating watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

8.14 The **lowest common denominator** method of selecting counterparties and applying limits is used. This means that the application of the Authority's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Authority's criteria, the other does not, the institution will fall outside the lending criteria

8.15 The table below shows the proposed limits in 2014/15 for the Council:

Category	Fitch	Moody's	Standard & Poor's	Counterparty Limit	Time Limit
A	F1+/AA-	P-1/Aa3	A-1+/AA-	£10.0m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£3.0m	1 Year
C	Unrated bank subsidiaries and building societies with assets over £1bn			£1.5m	6 months
D	Debt Management Office			£20m	1 Year
E	Part Nationalised Banks and Banks covered by UK Government Guarantee			£10m	1 Year
F	Other Local Authorities Individual Limits per Authority: <ul style="list-style-type: none"> £4m County, Metropolitan or Unitary Councils £1m District Councils, Police or Fire Authorities. 			£15m	1 Year
G	The Council's Own Bank			£3.5m	1 Year
H	Money Market Funds (AAA)			£5m each	Liquid

- 8.16 The above limits set the overall framework for investment in “normal” market circumstances. In practice the Chief Finance Officer uses his delegated powers to set operational limits which further tighten the lending criteria as necessary in response to developments caused by the Global ‘credit crunch’. These actions reflect the Chief Finance Officer’s assessment of risk which is particularly important as credit ratings are not a guarantee of an organisation’s financial strength and can only provide a starting point for assessing risk. This flexibility is needed to take advantage of opportunities arising where maximum security can be obtained to reduce the risk of financial loss, while still benefitting from competitive rates of return.
- 8.17 Owing to the continued level of risk and uncertainty the Chief Finance Officer will continue to adopt a vigilant approach resulting in what is effectively a ‘named’ list. This consists of a very select number of counterparties that are considered to be the lowest risk.
- 8.18 Recent concerns surrounding the Co-operative Bank (the Council’s bank) has prompted a proactive strategy of clearing the Council’s bank account on a daily basis and placing deposits with more highly rated institutions. The Council will be tendering for a new banking contract which is due to be in place for 1 April 2015. This will involve the Council changing banks as the Co-operative Bank has recently announced that after current contracts expire, it will no longer be providing banking services to Local Authorities. The bank’s aim is to simplify and rebuild the bank focusing on individuals and small and medium sized businesses whilst exiting relationships that require more complex banking requirements, such as with Local Authorities. This has no risk to the Council as the Co-operative Bank continues to be authorised by the PRA (the Prudential Regulation Authority) and regulated by the PRA and the FCA (the Financial Conduct Authority). The bank will continue to support the Council until the end of this contract and facilitate a smooth transition to a new banking services provider.
- 8.19 Note that the above criteria only includes UK institutions and therefore has never included Icelandic banks, owing to the risk that if these banks ran into financial difficulties the Icelandic Government may not have been able to underwrite depositors funds. The Authority has also continued to exclude all foreign banks, including Irish banks from the investment list owing to the Chief Finance Officer’s assessment of risk. Again this action has proven appropriate as evidenced by the downgrading of the country’s sovereign rating.
- 8.20 The credit rating of counterparties is monitored regularly. The Council receives credit rating advice from its advisers, Capita Asset Services, on a daily basis, and as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the

principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer and if required new counterparties which meet the criteria will be added to the list.

8.21 **Specified and Non-Specified Investments**

8.22 CLG regulations classify investments as either Specified or Non-Specified. Non Specified Investment is any investment not meeting the Specified definition.

8.23 The investment criteria outlined above is different to that used to define Specified and Non-Specified investments. This is because it is intended to create a pool of high quality counterparties for the Authority to use rather than defining what its investments are.

8.24 Specified Investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
- Other Councils
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society. This covers bodies with a minimum rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

8.25 Non-specified Investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any investments with:

- Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.

- Any bank or building society that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

8.26 In the normal course of the Authority's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

8.27 **Benchmarking**

8.28 A requirement in the revised Codes and the CLG consultation paper is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Security and liquidity benchmarks are new requirements and benchmarks in these areas are significantly less developed. The application of these is also more subjective in nature.

8.29 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is to assist monitoring and illuminate any changes to the strategy. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report

8.30 The benchmark for monitoring security is based on the historical risk of default associated with the credit rating of an organisation. The higher rated counterparties have a lower rate of historic default.

8.31 The table below sets out the historic default percentages for each type of credit rated institution and the period of deposit.

	Maturity Period				
Years	1	2	3	4	5
AAA	0.00%	0.02%	0.06%	0.09%	0.13%
AA	0.02%	0.04%	0.14%	0.28%	0.36%
A	0.09%	0.25%	0.43%	0.60%	0.79%
BBB	0.23%	0.65%	1.13%	1.70%	2.22%
BB	0.93%	2.47%	4.21%	5.81%	7.05%
B	3.31%	7.89%	12.14%	15.50%	17.73%
CCC	23.15%	32.88%	39.50%	42.58%	45.48%

8.32 The Authority has an extremely cautious investment strategy and this has avoided investment default. As a result the Authority has never suffered investment loss as institutions such as Icelandic banks have not been on the approved investment list. It is expected that the continuation of this investment strategy will avoid investment default. However the Authority still needs to set a formal limit. It is therefore

suggested that the Authority will aim to ensure that the historic default probability of its investment portfolio will not exceed 0.2%.

- 8.33 An additional proposed benchmark is the average risk of default. This is based on the historic risk of default multiplied by the value of each investment. It does not constitute the actual expectation of loss. Rather it is intended to give a guide as to the relative security of investments. For the forthcoming year this is expected not to exceed £100,000.
- 8.34 To ensure adequate Liquidity the Authority maintains a bank overdraft facility of £1.5m. In addition the Authority will make use of call accounts to enable cash to be obtained with immediate notice. The proposed benchmark for monitoring liquidity is 'Weighted Average Life'. This reflects the average number of days to maturity for investments and therefore gives an indication of the liquidity profile of investments held. For the forthcoming year because of the lack of value obtainable for deposits exceeding 12 months and the need to ensure maximum security this benchmark is expected to be 0.5 years, with a maximum of 3 years.
- 8.35 **Capital Expenditure and the Capital Financing Requirement (CFR)**
- 8.36 Underpinning the borrowing strategy described above is the CFR. The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is not funded from capital grants, capital receipts or directly from revenue budgets. Historically the majority of the authority's CFR related to capital expenditure supported by Government borrowing approvals.
- 8.37 Government borrowing approvals are authority to fund capital expenditure from loans. The Government then pay revenue grant to councils to partly fund the annual loan repayment and interest costs. The balance of these costs is then funded from the Council's General Fund budget. Prior to the introduction of the prudential borrowing system councils could only borrow for capital expenditure authorised by a Government borrowing approval.
- 8.38 Following the introduction of the prudential borrowing systems councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed the new flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.

- 8.39 Councils ultimately need to fund the CFR by borrowing money from the PWLB or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Councils outstanding mortgage, although the legislation and accounting requirements are significantly more complex.
- 8.40 In the short term the Council can fund the CFR by netting down investments and borrowings. This is only sustainable while the Council has temporary cash investments and in the medium term the CFR will need to be funded from external loans. This is the approach currently adopted by the Council and the position as at 31 March 2013, shows the Council has under-borrowing against the CFR of £40m.

31 March 2013	£m
CFR	91
Borrowing	51
Under-borrowing	40

- 8.41 Over the period 2011/12 to 2012/213 the Government replaced borrowing approvals with capital grants. The replacement of borrowing approvals with capital grants is a fundamental change and beneficial for councils in revenue terms as Government support for capital expenditure is now being funded from a cash capital grant, therefore avoiding new borrowing.
- 8.42 The downside to this change is a reduction in the overall level of Government capital support for councils, although this would have happened irrespective of the way council capital spending is supported owing to the impact of the 2010 spending review.
- 8.43 It is anticipated that this is a permanent change as from April 2013 the Government's new system for providing revenue grant to support the General Fund revenue budget will make it extremely complex for the Government to a support capital via borrowing approvals.
- 8.44 As outlined in the 2013/14 Treasury Management Strategy the Council's CFR is forecast to reduce over a period of around 15 years as a result of the Government's decision to replace borrowing approvals with capital grants. This position assumes no new borrowing is undertaken during this period.
- 8.45 **Strategy for funding CFR**
- 8.46 This strategy is about managing financial risk and essentially there are two components to risk:
- **Managing new loans** – this will be based on specific business cases whereby the annual interest and MRP costs are funded from income, or as a specific budget pressure.

- **Managing existing outstanding loans and the underfunding of the CFR and links to investments** – this will need to be done within the existing budget and details of how this will be achieved is provided in the Borrowing Strategy below.

- 8.47 The long term forecast shows a year on year decrease in the outstanding CFR. Individually the annual reductions are relatively small figures. However, on a cumulative basis the annual reduction becomes more significant over the period covered by the MTFS.
- 8.48 This forecast has enabled the Council to review the existing Treasury Management strategy and has allowed ongoing revenue savings to be built into the MTFS.
- 8.49 **Minimum Revenue Provision and Interest Costs**
- 8.50 There are two elements to the Council's annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs. The Authority is required to pay off an element of the CFR each year through a revenue charge called the Minimum Revenue Provision (MRP).
- 8.51 CLG Regulations require the Council to approve **an MRP Statement** in advance of each year. This will determine the annual loan repayment charge to the revenue account. The budget strategy is based on the following MRP statement and Council is recommended to formally approve this statement:
- For capital expenditure incurred before 1st April, 2008 the Council's MRP policy is to calculate MRP in accordance with former CLG Regulations. This is 4% of the Capital Financing Requirement except where the Council makes Voluntary Revenue Payments for Departmental Prudential Borrowing, which is in excess of the amount required by these regulations, based on asset life.
 - From 1st April, 2008 the Council calculates MRP based on asset life for all assets or where prudential borrowing is financed by a specific annuity loan, MRP will be calculated according to the actual loan repayments
- 8.52 As older borrowing is not being replaced by new borrowing the annual MRP cost will reduce which has contributed to the savings identified as part of the 2013-14 MTFS.
- 8.53 The second element of the annual loan repayment cost is interest payments relating to the CFR and the underlying outstanding debt. This is more difficult to predict and will depend on the level of interest rates in future years and the timing of decisions to manage the necessary transition from the existing Treasury Management Strategy

of netting down borrowings and investments, to a strategy which funds the underlying CFR from external borrowing.

8.54 CIPFA Treasury Management Code of Practice

8.55 The Council has adopted CIPFA Treasury Management Code of Practice. Confirmation of this is the first prudential indicator.

8.56 Treasury Management Advisors

8.57 The Council uses Capita Asset Services, Treasury Solutions (formerly known as Sector) as its external treasury management advisors.

8.58 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

8.59 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9. CONCLUSION

9.1 The report provides members with an overview of the Treasury Management activities for 2012/13 and gives an update of the 2013/214 Treasury Management position, as required by legislation. The report demonstrates that these activities have been undertaken in accordance with relevant legislation, regulations and the Council's approved Treasury Management Strategy. Therefore, there are no specific issues to bring to Members attention.

9.2 The report also outlines the recommended Treasury Management Strategy 2014/15 which in view of the interest rate outlook continues the strategy adopted in 2013/14 of delaying long term borrowing until current interest rates are forecast to change. It is not expected that this will occur in 2014/15, although this position will be monitored closely during the next financial year. This is achieved by netting down investments and borrowings in the short-term.

9.3 Although specific prudential indicators have not been provided owing to the timing of Government announcements the strategy itself is provided for scrutiny by Members. Prudential Indicators will be reported to Council along with the MTFS as part of the budget setting process in February 2014.

10. RECOMMENDATION

10.1 It is recommended that Members:

- i. Note the 2012/13 Treasury Management Outturn detailed in section 4 and 5.
- ii. Note the 2013/14 Treasury Management Mid-year Position detailed in section 7.
- iii. Approve the continuation of the recommended Borrowing and Investment Strategy outlined in section 8 and that this is referred to Council in February 2014.
- iv. Note that detailed prudential indicators will be reported to full Council in February 2014.

11. BACKGROUND PAPERS

None

12. CONTACT OFFICER

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Appendix A

Prudential Indicators 2012/13 Outturn

1. Ratio of Financing Costs to Net Revenue Stream

This indicator shows the proportion of the total annual revenue budget that is funded by the local tax payer and Central Government, which is spent on servicing debt. The outturn is lower than the estimate, mainly as a result of savings achieved from long term borrowing repayment and the very low rates of interest on short term loans.

2012/13 Estimate		2012/13 Outturn
7.93%	Ratio of Financing costs to net revenue stream	5.27%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2012/13 Estimate £'000		2012/13 Outturn £'000
21,248	Capital Expenditure	21,213

The actual is in line with the estimate.

3. Capital Expenditure Financed from Borrowing

This shows the borrowing required to finance the capital expenditure programme.

2012/13 Estimate £'000		2012/13 Outturn £'000
3,469	Capital Expenditure Financed by Borrowing	4,131

The actual is higher than the estimate owing to expenditure funded by prudential borrowing rephased from previous years.

4. Capital Financing Requirement

CFR is used to determine the minimum annual revenue charge for capital expenditure repayments (net of interest). It is calculated from the Council's Balance Sheet and is shown below. Forecasts for future years are directly influenced by the capital expenditure decisions taken and the actual amount of revenue that is set aside to repay debt.

2012/13 Estimate £'000		2012/13 Outturn £'000
95,545	Capital Financing Requirement	90,542

The actual is lower than the estimate as a result of capital expenditure included within the estimate which has been rephased into 2013/14 and Minimum Revenue Provision (MRP), the revenue charge to pay off debt, was slightly higher than initially forecast.

5. Authorised Limit for External Debt

The authorised limit determines the maximum amount the Council may borrow at any one time. The authorised limit covers both long term borrowing for capital purposes and borrowing for short term cash flow requirements. The authorised limit is set above the operational boundary to provide sufficient headroom for operational management and unusual cash movements. In line with the Prudential Code, the level has been set to give the Council flexibility to borrow up to three years in advance of need if more favourable interest rates can be obtained.

2012/13 Limit £'000		2012/13 Peak £'000
115,000	Authorised limit for external debt	51,050

The above Authorised Limit was not exceeded during the year. The level of debt as per the Balance Sheet at the year end, excluding accrued interest was £50.977m. The peak level during the year was £51.050m.

6. Operational Boundary for External Debt

The operational boundary is the most likely prudent, but not worst case scenario, level of borrowing without the additional headroom included within the authorised limit. The level is set so that any sustained breaches serve as an early warning that the Council is in danger of

overspending or failing to achieve income targets and gives sufficient time to take appropriate corrective action.

2012/13 Limit £'000		2012/13 Peak £'000
105,000	Operational boundary for external debt	51,050

The operational limit was not exceeded in the year. The peak level of debt was £51.050m.

7. Interest Rate Exposures

This indicator is designed to reflect the risk associated with both fixed and variable rates of interest, but must be flexible enough to allow the Council to make best use of any borrowing opportunities.

2012/13 Limit £'000	Upper limits on fixed and variable interest rate exposure	2012/13 Peak £'000
105,000 75,000	Fixed Rates Variable Rates	51,050 -

The figures represent the peak values during the period.

8. Maturity Structure of Borrowing

This indicator is designed to reflect and minimise the situation whereby the Council has a large repayment of debt needing to be replaced at a time of uncertainty over interest rates, but as with the indicator above, it must also be flexible enough to allow the Council to take advantage of any borrowing opportunities.

	Upper Limit £000	Lower Limit £000	Actual by Maturity Date £000	Actual by soonest call date £000
Less than one year	95,000	0	252	15,252
Between one and five years	105,000	0	201	30,201
Between five and ten years	105,000	0	313	313
Between ten and fifteen years	105,000	0	312	312
Between fifteen and twenty years	105,000	0	355	355
Between twenty and twenty-five years	105,000	0	394	394
Between twenty-five and thirty years	105,000	0	378	378
Between thirty and thirty-five years	105,000	0	461	461
Between thirty-five and forty years	105,000	0	563	563
Between forty and forty-five years	105,000	0	2,092	2,092
More than forty-five years	105,000	0	45,810	810

The Council's current outstanding borrowing takes the form of LOBO (Lender Option Buyer Option) loans which provide fixed interest rates for defined periods and also defined dates for reviewing interest rates, known as 'call dates'. A recent change to the Prudential Code requires that the call date is reflected in the Maturity Structure indicator above rather than maturity date. However the likelihood of a LOBO being 'called' at present is very low and both methods are presented above for completeness.

9. Investments over Maturing over One Year

This sets an upper limit for amounts invested for periods longer than 364 days. The limit was not exceeded as a prudent approach to investment has been taken owing to uncertainties in the economy this is in line with the Treasury Management Strategy. Consequently all investments made during the year were limited to less than one year.

	1 year £000	2 year £000	3 year £000
Maximum Limit	30,000	20,000	15,000
Actual	0	0	0

AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Chief Finance Officer

Subject: BENEFIT FRAUD & LOCAL COUNCIL TAX SUPPORT
SANCTIONS POLICY

1 PURPOSE OF REPORT

- 1.1 To set out a new Benefit Fraud and Local Council Tax Support sanctions policy for formal adoption.

2. BACKGROUND

- 2.1 The Council has general and wide ranging responsibilities covering the effective stewardship of public funds. Since April 2013, this responsibility now encompasses the effective management and control of the Council's Local Council Tax Support (LCTS) Scheme which involves the making of awards of £12.3m pa. covering over 15,000 households (this type of support touches more than 1 in 3 households within the Borough).
- 2.2 The Council also continues to administer on behalf of the Department for Work and Pensions (DWP), the national Housing Benefit scheme, awarding in Hartlepool, Housing Benefit of £48m pa covering 11,600 households. In recognition of this responsibility, for 2013/14 the DWP has provided the Council with administration funding of £1.06m and requires the Council to operate efficient and effective arrangements covering the processing of claims and also effective counter fraud and error arrangements.
- 2.3 Both LCTS and Housing Benefit are income based means tested benefits that rely on applicants informing the Council if there are changes in their financial or personal circumstances. The Council processes over 73,000 change events to claims annually, however the potential for fraud and error within the LCTS and Housing Benefit schemes is significant and it is therefore important that the Council has in place effective control measures to minimise fraud and error risk.
- 2.4 As part of the Council's control arrangements framework there is a programme of risk based quality control checks in place covering benefits processing activity. In addition, the Council operates a Benefit Security Counter Fraud

Investigation Team that is responsible for investigating suspected or alleged benefit fraud cases. These fraud case referrals can originate from a number of sources ie. Audit Commission National Fraud Initiative exercises, computer data matching claim irregularities information from the DWP, Council Benefits assessment staff concerns during processing a new claim or changes to a claim and cases where allegation information is received from the general public.

- 2.5 Following the conclusion of a benefit fraud investigation there are 4 potential outcomes, Prosecution, Penalty (fine), Benefits Caution or no further action i.e. not in the public interest. Under the Council's scheme of delegation, decisions on the sanction to be applied in individual cases rests with the Chief Finance Officer/ Assistant Chief Finance Officer. The responsible officer must ensure that any decision is reached in a fair and consistent manner having due regard to the Council's policy and all material and mitigating factors associated with the case.
- 2.6 For a number of years the Council has operated a sanctions policy framework in accordance with DWP guidance, recognising that until April 2013 both Housing Benefit and Council Tax Benefit were being administered by the Council on behalf of the DWP. This Policy provided for consideration for prosecution for those cases where the value of benefit overpaid (Housing Benefit and or Council Tax Benefit) was greater than £2,000 where the case file indicated the claimant had acted with intent and had knowledge of how the Benefits system worked. Cases where the overpayment was less than this £2,000 threshold could, depending on the facts of the case, still be considered for prosecution, such being a matter for the judgement of the responsible Chief Officer when considering the case.
- 2.7 Under the historical policy, in line with DWP policy all cases could be considered for a Penalty (fine), Benefits Caution or no further action ie. not in the public interest.

3 PROPOSAL

- 3.1 Since April 2013, the Council has become responsible for its own LCTS scheme and it is therefore appropriate to determine a new updated policy to reflect the new arrangements. The new proposed policy is set out in the attached Appendix.
- 3.2 In determining whether cases should be considered for Prosecution, three tests are proposed to be applied as set out in section 4.2 of the Appendix:
 - The Public Interest Test
 - The Evidential Test
 - The Financial Materiality Test.
- 3.3 As the value of LCTS awards are by their nature lower than housing benefit awards it is proposed that to act as a sufficiently robust deterrent that in those

cases where there is only LCTS fraud ie. owner occupier household, that a lower threshold for the Financial Materiality Test is adopted ie £1,000. It is proposed that the Financial Materiality Test for cases of Housing Benefit and LCTS fraud together should remain at £2,000 as a robust deterrent.

- 3.4 Research across North East councils has indicated that for joint Housing Benefit / LCTS fraud cases only 2 councils are or intend to operate Financial Materiality Tests higher than £2,000, with the majority continuing with a £2,000 threshold. There is no evidence at this stage of other North East councils considering a lower prosecution financial threshold for LCTS only fraud cases, however members are encouraged to adopt the £1000 LTCS threshold as part of the Council's ethos of encouraging individuals to access financial support but dealing firmly with those that choose to defraud the scheme.

4 RECOMMENDATIONS

- 4.1 Members to note the report and approve the proposed new Benefit Fraud and LCTS Sanctions Policy set out at Appendix A.

5. REASONS FOR RECOMMENDATIONS

- 5.1 Since April 2013, the Council has become responsible for its own LCTS scheme and it is therefore appropriate to determine a new updated sanctions policy to reflect the new arrangements.

6. BACKGROUND PAPERS

None

7. CONTACT OFFICER

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HARTLEPOOL BOROUGH COUNCIL



HOUSING BENEFIT FRAUD & COUNCIL TAX REDUCTION / LOCAL COUNCIL TAX SUPPORT FRAUD SANCTIONS POLICY

November 2013

1. PURPOSES AND OBJECTIVES

- 1.1. This document sets out the Council's policy for applying sanctions to persons and organisations external to the Council who commit benefit fraud against it.
- 1.2. The Policy is made in accordance with the Council's 'Anti-Fraud and Corruption Strategy'.
- 1.3. The Council (comprising elected members and any employees or agents working for it) endorse this Policy and will seek to implement it. Any persons or organisations who commit housing benefit fraud and / or council tax reduction (CTR) / Local Council Tax Support (LCTS) fraud against the Council can expect to be sanctioned accordingly.
- 1.4. This policy recognises the Council's responsibilities for stewardship of public funds, the need for effective investigation and deterrent controls and arrangements. This Policy aims to enable fraud to be effectively countered and deterred. Its specific objectives following effective investigation are to:
 - ensure that fraud is punished through effective sanctions,
 - assist in the selection of the most appropriate sanction,
 - ensure that sanctions are successfully applied,
 - maximise the deterrent effect of successful sanctions,
 - help obtain adequate recompense where necessary,
 - maintain and generate public confidence in and respect for the Council, by
 - helping to ensure that justice is seen as being done.
 - provide a framework for consistent and fair decision making

2. SCOPE AND DEFINITIONS

- 2.1. For the purposes of this Policy, fraud means: 'the intentional distortion of financial statements or records by any persons which is carried out to conceal assets or otherwise for gain'.
- 2.2. This meaning also includes making financial gain, or an attempt to make financial gain, by knowingly failing to advise of changes to information previously supplied.
- 2.3. This Policy covers only Housing Benefit, Council Tax Benefit and CTR / LCTS fraud against the Council by external persons or organisations. This may include, amongst others:

- Benefits claimants
- Landlords
- Agents
- Partners of Claimants

2.4. This Policy sets out:

- the sanctions which are available,
- the criteria for deciding which sanction to apply,
- the responsibilities for deciding which sanction to apply,
- the responsibilities in respect of each sanction,
- the investigation of cases in relation to this Policy,
- publicity and reporting,
- keeping the Policy timely and relevant.

3. SANCTIONS AVAILABLE

There are four sanctions available:

- 3.1. Prosecution:-** Criminal proceedings may be brought against alleged offenders and the case heard in Court with a view to obtaining a criminal conviction and an appropriate sentence.
- 3.2. Formal Caution:-** An oral warning may be given in certain circumstances to a person who has committed a housing and / or council tax benefit / or CTR / LCTS offence.
- 3.3. Penalties:-** In accordance with Social Security legislation¹, Administrative Penalties will be considered as an alternative to prosecution in Housing/Council Tax Benefit fraud cases and in accordance with the Council Tax Reduction Schemes (LCTS) (detection of fraud and enforcement) (England) Regulations 2013². A financial penalty amounting to a statutorily determined percentage of the gross adjudicated overpayment can be offered to a person where there is enough evidence to prosecute.
- 3.4. Overpayment Recovery:-** A strict requirement to repay monies fraudulently obtained is in itself another major deterrent to fraud, and is additional to any other sanctions that are applied.

4. CRITERIA FOR DECIDING WHICH SANCTION TO APPLY:

4.1. OVERALL

4.1.1. The sanction selected will take account of:

¹ Section 115A and 115B of the Social Security Administration Act 1992

² Section 11 (4) (a) (b)

- the amount of the fraud,
- its duration,
- whether the offender has a history of fraud (if known),
- the offender's personal and social circumstances,
- the extent to which the fraud was deliberate / individual(s) acted with intent.
- the public interest,
- the quality and suitability of evidence.

- 4.1.2.** All frauds will be investigated vigorously and prosecution will be regarded as the optimum sanction. The Council reserves the right to seek to prosecute in every fraud case.
- 4.1.3.** Where another agency is involved, such as the Department for Work and Pensions, then this may influence which sanction is applied (for example, where the *total* value of the fraud is significantly greater than the Council's element). The Council has an agreement for joint investigations with the DWP in cases where their claimants are also claiming Housing/Council Tax Benefit / CTR /LCTS from the Council.
- 4.1.4.** In Benefit Fraud and CTR / LCTS / fraud cases, account will be taken of the sanction guidance as to the recommended sanction.
- 4.1.5.** Previous conviction for fraud is an important factor, and checks will be made with the relevant official agencies. In joint investigations, such as those with the Department for Work and Pensions, then the partner agency may be better placed to make this check. The Council will also check against its own internal records as to previous investigation files for that claimant.

4.2. PROSECUTION

- 4.2.1.** Prosecution is a serious measure, which can have significant implications for those impacted. Decisions to prosecute must therefore be fair and consistent and made by an appropriate level of senior management i.e. Chief Finance Officer / Assistant Chief Finance Officer (ACFO) under delegated authority.
- 4.2.2.** Account must also be taken of the resources required for prosecution which can be considerable.
- 4.2.3.** Suspected cases of fraud and corruption will not automatically be subjected to prosecution but decisions will take account of the public interest and whether there is sufficient evidence. The decision criteria will be influenced by the Attorney General's guidance, the Code for Crown Prosecutors, and any other official guidance.

The Public Interest Test

- 4.2.4.** Prosecution will be considered more likely if at least one of the following applies:

- a significant sentence is likely as a result of conviction,
- the offence was premeditated, calculated and/or deliberate,
- the defendant was a 'ringleader' or organiser of an offence,
- the defendant has relevant previous convictions,
- the alleged offence was made by a group.
- False or forged documents have been used
- Official documents have been altered or falsified
- The defendant was in a position of authority or trust

4.2.5. Prosecution will be considered less likely if:

- only a small or nominal penalty is likely,
- the offence was committed as a result of a genuine mistake,
- the loss to the Council / public purse was minor,
- there has been a long delay between the offence and the trial (unless the offence is serious, it has only recently been discovered, its complexity has involved a lengthy investigation, or the delay has been caused by the defendant),
- the defendant is elderly and/or suffering from significant physical or mental ill-health, or was in a particularly stressful situation at the time of the offence,
- the defendant is particularly young and /or suffering from significant physical or mental ill health
- details could be made public that could harm another individual.

4.2.6. The above lists are not exhaustive and there may be other factors to be considered.

4.2.7. Only where unfavourable factors outweigh the benefits, will a prosecution not be brought, subject to the evidential test (below).

The Evidential Test

4.2.8. There must be satisfaction that there is sufficient evidence to provide a realistic prospect of conviction on each charge. The likely defence case should be considered and how that is likely to affect the prosecution case.

4.2.9. A realistic prospect of conviction is an objective test, and means that a magistrates' bench or jury, properly directed in accordance with the law, is more likely than not to convict the defendant of the alleged charge.

4.2.10. When deciding whether there is sufficient evidence to prosecute, consideration must be given to the admissibility and reliability of the evidence. In many cases the evidence will give no cause for concern, but there will also be cases where the evidence may not be as strong as first appears. It must therefore be considered whether:

- *the evidence can be used in Court* - there are certain legal rules which might mean that seemingly relevant evidence cannot be given at a trial, examples being where evidence being excluded due to the way it was

gathered or the rule against using hearsay as evidence,

- *the evidence is of sufficient extent* - if some evidence is to be excluded, then there must be enough other evidence for there to be a realistic prospect of conviction,
- *the evidence is reliable* - the reliability of a confession could depend upon the defendant's age, mental capacity; the reliability of a witness's evidence could depend upon factors concerning their background, such as any dubious motives they may have that could affect their attitude to the case; and if there is a question regarding the identity of the defendant, then the evidence's strength must be considered.

4.2.11. Each item of evidence will require testing for reliability and admissibility.

The Financial Materiality Test

A) Those cases involving combined Housing Benefit / CTR / LCTS with an associated overpaid benefit in excess of £2,000 will (subject to satisfying other tests) be considered for prosecution.

B) Those cases involving CTR / LCTS only with an associated overpaid benefit in excess of £1,000 will (subject to satisfying other tests) be considered for prosecution.

4.3. FORMAL CAUTIONS

4.3.1. Formal Cautions are a serious measure and must be handled as formally as any other sanction. The quality of evidence that is needed must therefore be of the same standard as that required for prosecutions.

4.3.2. There must be grounds for criminal proceedings, but it may be that prosecution is not the most appropriate action. A Caution, however, cannot be offered as an alternative where it is considered that a prosecution would be unlikely to succeed; there must still be sufficient evidence to justify court action.

4.3.3. The main value of Cautions as a deterrent is that if the person is subsequently prosecuted for further offence, then the Caution may be cited in Court.

4.3.4. A Caution can only be considered where:

- there is sufficient evidence to justify instituting criminal proceedings,
- the person has admitted the offence during an interview-under-caution conducted in accordance with the requirements of the Police and Criminal Evidence Act 1984,
- person's history of previous convictions, obtained from the appropriate agencies, has been taken into account,

- there is a reasonable expectation that this action will curb his/her offending,
- the offender is over 18 years of age.

4.3.5. If the person declines to accept a Caution, then the normal course of action will be prosecution proceedings.

4.3.6. If, after having rejected the offer of a caution, the person to whom it was offered changes their mind, then the Assistant Chief Finance Officer may agree to a new offer subject to what stage the case is at.

4.4. PENALTIES

4.4.1. Penalties can be used where the overpaid Housing/Council Tax Benefit or CTR /LCTS is recoverable, where it was attributable to an act or omission on the part of the person concerned.

4.4.2. There must be grounds for criminal proceedings, but it may be that prosecution is not the most appropriate action. The Penalty, however, cannot be offered as an alternative where it is considered that a prosecution would be unlikely to succeed; there must still be sufficient evidence to justify court action.

4.4.3. Penalties have no standing in court proceedings and cannot be mentioned in Court, unless an offer has previously been declined by the offender.

4.4.4. The Penalty can only be at the rate specified by legislation. They are permissive and cannot be imposed, the offender being under no obligation to accept the Penalty. After acceptance of the offer, the claimant is allowed 14 days in which to change their mind.

4.4.5. If the offender agrees to pay the Penalty, proceedings cannot be taken against them in respect of the offence that led to the overpayment on which the Penalty is based, unless the agreement is withdrawn during the 14 days allowed for this purpose.

4.4.6. The offender has no right of review against the Council's decision to offer or not to offer a Penalty.

4.4.7. This may be the preferred sanction:

- for first time or relatively minor frauds in terms of amount and duration,
- where there is a good chance of the fraudulent overpayment being recovered,
- when the offence is not admitted during the interview under caution.

4.5. OVERPAYMENT RECOVERY

4.5.1. Irrespective of whether criminal proceedings or other sanctions have been deemed inappropriate in accordance with this Policy, then recovery through the

Council's Debtors system or from ongoing entitlement will be made for any Housing Benefit overpaid or from the Council Tax system for any CTR /LCTS overpaid.

5. RESPONSIBILITY FOR DECIDING WHICH SANCTION TO APPLY

- 5.1.** The officer(s) responsible for recommending a particular sanction upon completion of an investigation will satisfy themselves that the appropriate criteria has been met, and will record their decision accordingly.
- 5.2.** Due to the frequency of Housing/Council Tax Benefit and CTR / LCTS fraud and the dedicated resources that the Council has allocated to its investigation, the decision as to which sanction to apply will be the responsibility of the Assistant Chief Finance Officer or Chief Finance Officer under delegated authority.
- 5.3.** Where cases are jointly investigated with another agency, then the decision as to which sanction to apply on behalf of the Council is the responsibility of the Assistant Chief Finance Officer or Chief Finance Officer for Housing/Council Tax Benefit and CTR / LCTS cases and where relevant will depend upon the relevant policies and decision of the partner agency.

6. RESPONSIBILITIES IN RESPECT OF EACH SANCTION:

6.1. PROSECUTION

Reasons for Decisions to Prosecute

- 6.1.1.** The Assistant Chief Finance Officer or Chief Finance Officer decision to Prosecute in Housing/Council Tax Benefit and CTR / LCTS cases will be based on a written account of the evidence to date. The reasons for the decision will be recorded on each case file.

Time Limits

- 6.1.2.** All staff involved in processing cases for Prosecution shall take account of the statutory time limits requirements of cases.

Disclosure of Information

- 6.1.3.** These procedures shall take account of the requirements of the Criminal Procedure and Investigations Act 1996 with regard to the disclosure of information concerning relevant material to lawyers. Consideration should also be given to the Data Protection Act 1998 and Freedom of Information Act 2000.

Responsibility for Conducting Prosecution

- 6.1.4.** The responsibility for deciding *who* should conduct the Prosecution of particular cases lies with the Assistant Chief Finance Officer / Chief Finance Officer for

Benefit fraud cases.

- 6.1.5.** Circumstances may arise where investigation by the Police or an external agency may be more appropriate. In such cases, the prosecution will be conducted by who ever the Police or agency determines, such as the Crown Prosecution service.

6.2. RESPONSIBILITIES IN RESPECT OF EACH SANCTION: FORMAL CAUTIONS

- 6.2.1.** The Assistant Chief Finance Officer / Chief Finance Officer's decision to issue a caution will be based on a written account of evidence to date, and knowledge of any previous convictions. The reasons for the decision will be recorded on each case file.
- 6.2.2.** The responsibility for deciding *who* should administer the Caution to the offender lies with the Awards and Benefits Security Manager.
- 6.2.3.** If the Police or an external agency has made the investigation, the Caution will be administered by whomever the Police or agency determines.
- 6.2.4.** The officers who are allowed to administer the Caution shall be suitably experienced and trained.
- 6.2.5.** Wherever possible the officer who administers the Caution should not have taken part in the interview under caution.
- 6.2.6.** An appointment, in the Council offices other than in exceptional circumstances, shall be made with the person for whom the Caution is intended. If the person fails to keep the appointment and then does not contact the Council within the time period suggested in guidance issued by the Department for Work and Pensions, then the case will be prepared for criminal proceedings.
- 6.2.7.** If the person moves to another local authority area before the caution interview can be arranged, then the authority concerned may if appropriate be requested to issue the Caution instead.
- 6.2.8.** The administration, preparation and conduct of the Caution interview, and format, content and wording of the Caution itself will be in accordance with the Department for Work and Pensions (DWP) guidance.
- 6.2.9.** The officer who administers the Caution shall ensure that:
- the person has signed a document to show that they admit to the offence,
 - the person has agreed to the Caution in writing and has acknowledged in writing that they have been issued with the Caution and that they have accepted it,
 - entry is made in the DWP's records,
 - any refusal by the offender to accept the Caution is recorded to enable this

to be reported to any future Court hearing,

- a translator or interpreter is made available if necessary and that information is made available in alternative formats and languages other than English and Welsh, if required.

6.2.10. In Benefit fraud cases where benefits paid by the Department for Work and Pensions are also involved, then an officer appointed by the Awards and Benefits Security Manager or Assistant Chief Finance Officer shall administer the Caution jointly with DWP staff. The latter can only issue Cautions in respect of benefits paid by the DWP.

6.2.11. If the offender does accept a Caution, this will not prevent the Council from seeking recovery of any amounts overpaid as a result of the fraud.

6.3. ADMINISTRATIVE PENALTIES

6.3.1. The offering of Penalties shall require the written authorisation of the Assistant Chief Finance Officer and / or Chief Finance Officer. The officers shall ensure that their offering, processing and recording is in accordance with relevant Social Security legislation as amended by the Welfare Reform Act 2012 and Department for Work and Pensions (DWP) procedures and the Council Tax Reduction Scheme (LCTS) (Detection of fraud and enforcement) (England) Regulations 2013.

6.3.2. The Assistant Chief Finance Officer and / or Chief Finance Officer's decision will be based on a written account of the evidence to date. The reasons for the decision will be recorded on each case file.

6.3.3. The Awards & Benefits Security Manager and/or Assistant Chief Finance Officer will decide *who* is to administer the Penalty. The administering officer must be suitably experienced, trained and should ideally not have been present during the interview-under-caution.

6.3.4. The administering officer will ensure that a written notice, made in accordance with DWP guidelines, is given to the offender, stating the Council's intention to offer a Penalty.

6.3.5. The person for whom the Penalty is intended shall be invited in writing to an appointment at the Council offices (other than in exceptional circumstances). This shall take the form of an interview (not under caution), and shall be used to provide the person with information about Penalties, and to offer them the chance of agreeing to pay one as an alternative course to prosecution.

6.3.6. If the person fails to keep the appointment and then does not contact the Council within the time period set by the DWP, then the case will be prepared for criminal proceedings.

6.3.7. If the person moves to another local authority area before the Penalty interview can be arranged, then that authority may be requested to issue the penalty

instead.

- 6.3.8.** If the person is also in receipt of benefits paid by the DWP, then the administering officer will contact the local DWP with a view to penalties being offered by both organisations in order to avoid different sanctions being applied.
- 6.3.9.** The administration, preparation, format and conduct of Penalty interviews will follow all relevant statutory requirements set out in DWP guidelines.
- 6.3.10.** If they agree to the penalty, then the administering officer will ensure that the person signs an agreement. The format and wording of these will be based on DWP guidance.
- 6.3.11.** The person to whom the penalty is intended will be allowed time to consider the offer in accordance with the time limits contained in DWP guidance.
- 6.3.12.** If a penalty has been accepted, then the administering officer shall inform:
- the Council's Debtors section, who will contact the offender to arrange terms once the statutory 'cooling off' period has expired,
- 6.3.13.** Where the person to whom the Penalty is offered:
- rejects the offer of a Penalty, or
 - changes their mind and withdraws their agreement within the 'cooling off' period, or
 - fails to agree to the offer after being given additional time, or
 - fails to keep an appointment to discuss the offer of a penalty,
- the Assistant Chief Finance Officer and / or Chief Finance Officer will then refer the case for Prosecution.
- 6.3.14.** If, after having rejected the offer of a Penalty, the person to whom it was offered changes their mind, then the Assistant Chief Finance Officer and / or Chief Finance Officer may agree to a new offer subject to what stage any Prosecution has reached.

6.4. OVERPAYMENT RECOVERY

- 6.4.1.** Recovery of fraudulently overpaid Housing/Council Tax Benefit and CTR / LCTS may be made via the Debtors system or from ongoing entitlement, or by any system as approved by the Chief Finance Officer in accordance with the Financial Procedure Rules.

7. INVESTIGATION OF CASES IN RELATION TO THIS POLICY

- 7.1.** In accordance with statutory requirements and the Council's Financial Procedure Rules, the responsibility for investigating Housing/Council Tax Benefit and CTR /

LCTS fraud lies with the Awards & Benefits Security Manager and/or Assistant Chief Finance Officer.

7.2. All staff routinely involved in fraud investigation will have sight of this policy and the Criminal Procedure and Investigations Act 1996 code of practice. In the course of their investigations, they will take account of the possible sanctions that could be applied. In particular, they will:

- seek to establish the facts in every alleged or suspected case,
- seek to gather sufficient admissible evidence,
- approach each investigation with an open mind,
- consider any likely Police requirements if it is decided at the outset of the investigation that the Police are to be involved,
- operate in accordance with the provisions of the Police and Criminal Evidence Act 1984,
- operate with due regard to the rights of the suspect and potential witnesses, particularly as contained in the Human Rights Act 1998 and the Regulation of Investigatory Powers Act 2000,
- record and file their investigation work appropriately, confidentially and securely, and with due regard to Data Protection Act 1998 requirements,
- conduct all investigations with fairness, sensitivity, tact and discretion,
- provide translation and interpretation if necessary,
- make documents available upon request in alternative formats and languages other than Welsh or English, if required,
- act promptly in accordance with this policy,
- operate in accordance with the provisions of any other relevant legislation; the Council's financial regulations; other relevant Council regulations, policies and codes of conduct; the relevant codes of conduct of any professional organisations.

7.3. Any documentation relating to a prosecution or other form of sanction shall be retained in accordance with the requirements of the Criminal Procedure and Investigations Act 1996.

8. PUBLICITY AND REPORTING

8.1. Since a principal objective of this policy is to deter fraud, then any successful prosecutions or other sanctions should be suitably publicised where appropriate.

8.2. While any successful prosecution result will be considered for publicity, particular attention will be given to frauds that are large in value and/or where the offender has received a significant sentence. Only when damage to the Council's reputation is threatened, will publicity not be considered.

8.3. Following a successful prosecution the Awards & Benefits Security Manager and/or Assistant Chief Finance Officer, or Principal Benefits Officer shall arrange with the Council's Press Officer for a suitably worded press release to be prepared.

- 8.4.** Other press releases may be considered from time to time, regardless of particular recent cases, such as reports of sanctions applied over a period.
- 8.5.** Use shall also be made of Council-produced publications such as Council intranet and internet websites to report results both to the public and to staff.
- 8.6.** The Awards & Benefits Security Manager shall, at least annually, provide assessment staff with a summary of results: Many of the results will be due to their vigilance and it is in the Council's best interest that this be encouraged.
- 8.8.** In order to provide for accountability of the investigation and sanction functions, the Awards & Benefits Security Manager shall periodically provide the Assistant Chief Finance Officer with reports summarising results to date.

9. KEEPING THE POLICY TIMELY AND RELEVANT

- 9.1.** This policy is available to all elected members.
- 9.2.** Copies of the Policy are available for reference by staff involved in fraud investigation, prosecution, and the application of other sanctions, and reference to it is included in those employees' training plans.
- 9.3.** Copies of the Policy are also available to any partner organisations involved in the combat of fraud, such as the Department for Work and Pensions and to any contractors or agents acting on the Council's behalf.
- 9.4.** It may also be made available on request to any interested external parties. This could include those against whom it is intended to apply sanctions, witnesses, solicitors, and advisors.
- 9.5.** The Assistant Chief Finance Officer and Awards & Benefits Security Manager shall review the Policy. This will include:
- monitoring its effectiveness,
 - taking account of any relevant changes in legislation and government guidance,
 - taking account of any structural changes either within the Council or between the Council and external organisations,
 - reviewing its relevance in view of changes in technology,
 - reviewing it in the light of comments received both inside and outside the Council.
- 9.6.** This policy has been assessed for its impact on the diverse communities of Hartlepool in accordance with legal duties to promote equality of opportunity, combat discrimination and promote good race relations as set out in the Race Relations Amendment Act 2000.

- 9.7.** Hartlepool Borough Council is committed to equality and will operate this policy fairly and in accordance with the legislative framework.

JM Sanction policy updated Nov 13

AUDIT AND GOVERNANCE COMMITTEE

12 December 2013



Report of: Head of Audit and Governance

Subject: BETTER GOVERNANCE FORUM - AUDIT
COMMITTEE UPDATE

1. PURPOSE OF REPORT

- 1.1 To provide Members of the Audit Committee advice received from the Better Governance Forum in respect of the quality of internal audit and new guidance regarding Audit Committees.

2. BACKGROUND

- 2.1 In order to ensure that the Audit Committee fulfils its requirements in relation to the review of the Councils accounts and Annual Governance Statement as well as keeping abreast of current thinking into the role of Audit Committees, the Better Governance Forum has provided briefing papers for Audit Committee members in public sector bodies.
- 2.2 The latest briefing paper is attached as Appendix A, and provides background information and questions relevant to the role of Audit Committee in relation to assessing the quality of internal audit and new guidance regarding the role of Audit Committees.

3 RECOMMENDATION

- 3.1 It is recommended that Members review the contents of the briefing paper and consider the issues raised in relation to assessing the quality of internal audit, new guidance from CIPFA's "*Audit Committees, Practical Guidance for Local Authorities and Police*", and a round-up of legislation, reports and developments that may be of interest to members of the Audit and Governance Committee.

4. REASON FOR RECOMMENDATION

- 4.1 To ensure members are up to date with current developments regarding their role on the Audit Committee.

5. BACKGROUND PAPERS

- 5.1 Better Governance Forum Member Update 12

6. CONTACT OFFICER

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Appendix A

Introduction

Dear audit committee member,

This issue of Audit Committee Update focuses on reviewing internal audit quality. Ensuring the quality of internal audit is an important part of the professional standards for internal audit (the Public Sector Internal Audit Standards) and is an important responsibility for your head of internal audit. From the audit committee's point of view it is an area that you need to be satisfied that appropriate arrangements are in place, underpinning the important assurance work that your internal audit team provide.

This issue also outlines the new guidance from CIPFA's *Audit Committees, Practical Guidance for Local Authorities and Police* due out next month.

As usual we also feature a round-up of legislation, reports and developments that may be of interest to audit committee members.

We have included links to resources and further information on our website. To access these all you need to do is register. Further details on how to do this are at the bottom of the page.

We welcome feedback on these briefings and also any suggestions for future topics. Feel free to contact me and let me know.

Kind regards

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Internal Audit Needs You!

What have you done this year to maintain the quality of internal auditing?

Nothing? Not your job? Think again.

Asked the external auditor? Well, have a care! External audit has an explicit and specific goal – to give an opinion on your financial statements. When external audit assesses your system of internal control, it does so against criteria related to how the system helps to ensure true and fair financial statements – and it assesses internal audit in this way too.

Internal audit has a much wider purpose – it is there to assess your system of governance, how you manage risks over operations and strategic matters as well as over financial reporting, and how you then control those risks. Internal audit is there to give you a report every year, including a conclusion on the effectiveness of governance, risk management and control. Internal audit is also there to help your organisation to take action to improve how the organisation controls its risks. If you discuss internal audit with your external auditor, make sure you know the context of their remarks.

Internal audit is a profession with standards of education and of performance. It recognises that to achieve the quality of work that you deserve every day of the year, it has to have a programme to ensure that quality. This is what the Quality Assurance and Improvement Programme (QAIP) is all about – it comprises a set of activities that your internal auditors will carry out and commission and it ensures that your internal audit activity is fit for purpose.

The UK Public Sector Internal Audit Standards, introduced from April 2013 to ensure a consistent standard of performance across the public sector, include the requirement for the QAIP. This is in line with international standards for the profession of internal auditing.

You may have heard people talking about needing a costly external assessment of quality. That's not the most important aspect of this. What is important is acknowledging that quality doesn't just happen; that to be fit for purpose, you must first agree what the purpose is and what good performance looks like. After that, achieving quality every day requires good people, good processes and hard work.

So, you can expect that your internal audit team will be talking to you and all their stakeholders about what "good" looks like to you. You can expect your internal audit team to be setting out procedures and templates and expectations that help every internal auditor to do their work to the standard required. You can expect your internal audit team to take some time out to review the work of the team to check if it is in line with procedures, and, perhaps more importantly, if it actually achieves the desired outcomes.

That's what quality is all about. And, you might say, that's what management is all about too – and it is. What the QAIP does is ensure that all professional internal auditors pay attention to quality.

The QAIP must include on-going checks, an internal assessment and an external assessment. That requires professional internal auditors to take care to establish the level at which they must work, to review it every day, to conduct a more thorough review once a year and to invite every few years a knowledgeable outsider to review what they are doing as an independent check.

The annual review is a chance for the internal audit team to step back and to look at what they are doing and how they are doing it. They will look at the standards and ask themselves: How are we applying these principles? What do our processes say? Are we following them? And, is that achieving the outcomes we intended?

The value of an external assessment really comes out when you have someone who knows about internal auditing and who has no personal axe to grind. For that reason, it is worth following the professional standards to find an “Independent and Qualified Assessor”.

Your head of internal audit will be reporting to you on the programme of quality assurance and improvement. In the annual report, they'll tell you about the programme itself and about its results, or, as standards say: “a statement on conformance with” them. They can report more frequently on the on-going monitoring part of the programme, if you wish.

It's worth familiarising yourself with the expected language of these reports. Quality isn't about a binary yes/no answer. It has to mould itself to each organisation and it works best when people focus on trying to apply the principles that the standards capture. That's why we use the word “conformance”, not compliance. The statement will say your internal audit department generally conforms, partially conforms or does not conform with the standards.

As an audit committee member, what can you do to help?

1. Think about what you want from internal audit.
2. Think about the value of their independent and objective but knowledgeable view of what the organisation is doing.
3. Give the internal auditors enough resources to do a good job and keep professionally up-to-date.
4. Encourage the internal audit team to take its on-going quality work seriously.
5. Ask for regular updates on the findings of the QAIP and what things the internal audit team is doing to improve the efficiency and effectiveness of its work.
6. Support the need for an external assessment every few years and take part in interviews and other parts of the assessment.

Sources of further information:

Public Sector Internal Audit Standards – a free document, available from the website of the UK Public Sector Internal Audit Standards Advisory Board.

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Local Government Application Note for the UK Public Sector Internal Audit Standards 2013 - The PSIAS are new and complex, and CIPFA recognises the need to provide guidance for the bodies set out above in applying them, and has produced an Application Note to provide that guidance. The CD Rom version includes a Word version of the assessment tool that can be used as part of the QAIP. Check with your head of audit if they have a copy you can access.

<http://www.cipfa.org/policy-and-guidance/publications/l/local-government-application-note-for-the-united-kingdom-public-sector-internal-audit-standards-cdrom>

Jackie Cain CMIIA
Technical Manager
CIPFA

New Guidance from CIPFA for Audit Committees in Local Authorities and Police

CIPFA will be publishing a new position statement and guidance on audit committees in December 2013. This will replace the current CIPFA's publication *Audit Committees Practical Guidance for Local Authorities* and *Position Statement* which were published in 2005. Since then audit committees have become well established and a core part of good governance. During that time there have been some significant changes to governance to which audit committees have had to adapt. Taking these trends together, CIPFA felt it was timely to issue a fully revised position statement and guidance document.

The position statement sets out what CIPFA considers to be good practice for audit committees and the publication is an aid to achieving that. While CIPFA hopes that local authorities and police audit committees will review their arrangements against the new position statement, it is a recommendation and not mandatory to do so.

What's new?

The new guidance reflects developments since the original document, for example Public Sector Internal Audit Standards and Annual Governance Statements. It also provides support on a wider range of topics where the audit committee may expect to be involved, for example, assurance over value for money and counter fraud arrangements. It recognises the significant changes affecting police audit committees following the Police Reform and Social Responsibility Act 2011 and also developments in Wales with the introduction of statutory audit committees.

The publication recognises that there isn't a "one-size fits all" template for audit committees so while the publication includes an updated terms of reference, authorities are encouraged to think more widely about how their audit committee adds value and supports the organisation's objectives. An important new section on effectiveness emphasises an evaluation of the impact of an audit committee rather than compliance with a checklist. For example, the audit committee can support improvement across a range of objectives such as good governance, arrangements to secure value for money and the operation of an ethical governance framework.

What has stayed the same?

Many of the principles set out in the original position statement are unchanged. CIPFA is not recommending changes to the way most audit committees are constituted. There are a few key principles that CIPFA thinks form an essential platform on which to build a successful committee and the position statement includes these.

Additional resources

The publication includes additional resources to support those reviewing their audit committee and working to make it as effective as possible. There is additional guidance on the knowledge and skills audit committee members should have and assessment tools to help you review your arrangements. There is also an analysis of the common problems an audit committee may experience and suggestions for addressing these.

The position statement and publication will be available in December from the CIPFA website. If you have queries relating to the purchase of the publication then please contact publications@cipfa.org. If you have any queries about the latest guidance please contact me.

Diana Melville
Governance Advisor
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Developments You May Need to Know About

Legislation and Regulations

Local Audit and Accountability Bill

The July 2013 edition of the Audit Committee Update gave Audit Committee members an overview of how the provisions of the Local Audit and Accountability Bill could impact on the work of Audit Committees. As promised, this note provides a brief update.

The Bill completed its passage through the House of Lords on 24 July 2013 and received its 2nd Reading in the House of Commons on 28 October 2013. It goes into Committee on 5 November 2013 and is still expected to complete all parliamentary stages by the end of the year and receive Royal Assent early in 2014.

The government has promised to introduce amendments to the Bill to permit the creation of sector-led procurement bodies (one for principal authorities and one for smaller authorities) to appoint auditors. Authorities that opt to use such procurement bodies will not need to establish an Auditor Panel. There are clearly advantages in using sector-led procurement bodies, not least in that it will mean audit committees retaining their role in relation to external audit.

The Opposition suggested during the 2nd Reading that they might introduce an amendment during Committee stage to place local government audit committees, chaired by an independent person, on a statutory footing. This idea was raised during the Lords' Grand Committee stage and was supported by many peers from all parties, although an amendment was voted down. Peers believed that such a move would then obviate the need for auditor panels, as the audit committee could perform that function. It will be interesting to see if such a provision gains the same level of support in the Commons. If it were to become law, this could have significant implications for local authorities in terms of appointing audit committee chairs, but equally could enhance the role of audit committees in local government.

A further update will be provided in the next issue.

David Watkins, Policy and Technical, CIPFA.

The progress of the Bill can be tracked on the Parliament website.

Financial Management Code of Practice for the Police Forces of England and Wales

The Home Office has issued an updated code of practice. The code refers to a number of CIPFA standards and guidance documents including *Public Sector Internal Audit Standards* (2013) and *Delivering Good Governance in Local Government: Guidance Note for Police* (2012). In establishing police audit committees the police and crime commissioner and chief constable should have regard to the CIPFA *Guidance on Audit Committees* due out in December 2013.

The code of practice comes into effect from 1 November 2013. This is statutory guidance applying to England and Wales.

Local Authority Accounts (Scotland) Regulations 2013

The Scottish Government has recently conducted consultation on new accounts regulations for Scottish local authorities. The proposed regulations will amend regulations covering publication of annual governance statements, timing of publication of the financial statements and internal audit. The proposals in these areas are in line with the Accounts and Audit Regulations already in force in England.

Key points proposed are:

- the local authority must conduct a review of the effectiveness of its system of internal control and publish an annual governance statement
- a local authority must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with recognised practices in relation to internal control
- a local authority must, at least once in each financial year, conduct a review of the effectiveness of its internal audit
- the proper officer must certify the statement of accounts by 30 June each year and submit them for audit. The authority must publish the unaudited statements of accounts on its website
- approval of the audited accounts must take place by 30 September.

It is intended that the final regulations will come into force on 31 March 2014 and will apply to the financial year 2013/14. This means that audit committees in Scotland will need to ensure that the regulations are complied with in relation to the 2013/14 accounts, annual governance statement and annual review of internal audit.

Reports, Recommendations and Guidance

Audit regime compliance monitoring reports

The Audit Commission conducts monitoring of their outsourced audit contracts and publishes quarterly and annual reports on the results for each of the contracted firms. The latest quarterly reports relating to 2013/14 were published in September. The reports cover a range of performance indicators including the issue of annual audit letters, quality of data returns, complaints against the auditor upheld, fee variation requests and requests to undertake non-audit work.

It is helpful for audit committees to understand the monitoring that is undertaken by the Audit Commission and to review the results for their own external audit provider.

Transparency International UK, Corruption in Local Government

This recent report investigated the risks and evidence of corruption in local government. It didn't find evidence of widespread corruption but it did conclude that there are conditions within local government that could enable corruption to thrive. The report is also critical that some checks and balances within local government are being reduced or removed, particularly in England. The report makes a number of

recommendations to the government but also for individual local authorities, including:

- each local authority should have a nominated individual responsible for counter-corruption
- each local authority should undertake a periodic corruption risk assessment in relation to its own functions and operations
- there should be strict procedures requiring officers always to report (i) major price discrepancies among procurement bids and (ii) details of contract variations to the council's audit committee and senior management.
- internal auditors and those conducting internal investigations should be supported to ensure adequate resourcing and independence
- elected members' declared interests must be subject to monitoring and, where appropriate, investigation.

Committee on Standards in Public Life Annual Report 2012/13

The Committee's annual report outlines the work of the committee over the year but also reflects on the current evidence of standards and areas of risk. While the committee finds evidence of good practice it also highlights the need to review ethical governance and to continue to reinforce standards at the operational level. More specifically it recommends:

'Ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.'

The report also expresses concern over the operation of local government standards and the committee has identified this area as one of the outstanding risks it will continue to monitor. Other risks areas it is likely to investigate include:

- how best to maintain high standards as new models of delivering public services are developed and
- the interchange between the public and private sectors (the so-called revolving door).

Severance agreements and confidentiality clauses – update on NAO report

The National Audit Office has published a report containing further work on severance agreements and the use of confidentiality clauses. Their findings highlight the need for:

- better guidance on the use of confidentiality clauses and special severance payments
- improved transparency and oversight to identify and address patterns of behaviour.

The original report highlighted concerns that compromise agreements could potentially interfere with genuine whistleblowing under the Public Interest Disclosure Act 1998.

Single Fraud Investigation Service update

An emerging issue is the latest proposal to form the Single Fraud Investigation Service (or SFIS) to undertake all benefit investigations as part of the universal credit development. The Department for Work and Pensions (DWP) is proposing that SFIS should be sited within the DWP rather than shared between local authorities and the DWP. If agreed this could mean that local authority fraud investigators and legal prosecutors transfer to SFIS or the Crown Prosecution Service during 2014/15. There is concern that some local authorities will have reduced capacity and expertise to tackle other areas of fraud risk such as council tax, business rates, housing and all other forms of corporate fraud as a result.

Audit committee members should consider what impact the proposals could have for their organisation's counter fraud capability.

The latest information is available by joining the LGA Knowledge Hub.

Look out for

Protecting the Public Purse

The Audit Commission report will be published on 14 November. The report is based on their annual data collection on fraud from English local authorities and gives valuable insight into the experience of fraud and emerging fraud risks in the sector. It will be available from the Audit Commission website.

Fighting Fraud Locally update and conference

Registration is now open for the third annual conference in London on 10 December. It will update on progress made over the year and consider the next steps for tackling fraud in local government. Details of the conference are available here: <http://fightingfraudlocally.co.uk/>

Whistleblowing Commission Report and Recommendations

Public Concern at Work will be publishing the report of the Commission on 27 November. Details will be available on the Public Concern at Work website.

The Audit Committee Cycle

Take stock of your assurance needs

Mid-way through the year it is helpful to take stock of the assurances planned, received and any emerging issues. Audit committees usually plan their agendas for the year to ensure that they are covering all the appropriate areas in their terms of reference and it is likely that the committee will have received regular updates or monitoring reports on assurance. For example you are likely to have had progress reports from internal audit outlining work done to date and performance against the

audit plan and there may be regular reports outlining current risks or progress against action plans or strategies.

It is important to keep track of changes to ensure that adequate assurance is received to support the fulfilment of the committee's terms of reference and to underpin the annual governance statement. The committee should also be made aware of any resourcing issues that could impact on the head of internal audit's annual opinion.

Where any significant governance, risk or control issues emerge during the year the audit committee may need to re-assess their need for assurance and their agendas to respond to these.

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Audit & Governance Committee

12th December 2013



Report of: Director of Public Health

Subject: ALCOHOL STRATEGY UPDATE REPORT

1. PURPOSE OF REPORT

1.1 The purpose of this report is to update members, at the request of the Committee, that the Health and Wellbeing Board, through the Director of Public Health, provide the Audit and Governance Committee with an update in relation to:-

- The Implementation of the Alcohol Strategy – Action Plan Update
- Minimum Unit Pricing (MUP)
- Alcohol Related Hospital Admissions (ARHA)
- Delivery of Promotional Campaigns
- Partnership Working

2. BACKGROUND

2.1 As discussed on 20th September 2013, Audit and Governance Committee requested that an update on all previous recommendations that fall within the remit of this Committee be delivered on a six monthly basis.

2.2 The report would focus on the progress within the Alcohol Strategy.

3 IMPLEMENTATION OF THE ALCOHOL STRATEGY

3.1 In line with the current National Alcohol Strategy, Hartlepool has developed a Substance Misuse Plan 2013-14 to deliver on actions highlighted within that had been raised as priorities for Hartlepool. The plan looks at all aspects of substance misuse for both Drugs and Alcohol.

The Action Plan is written in sections and each section has a RAG system showing progress. Please see Q2 update on Action Plan (Appendix 1).

3.2 This section shows key priority activity for 2013/14 and includes; Prevention and Early Intervention, Deliver Recovery-Orientated, Effective, High Quality Approaches to Treatment and Social Integration, Deliver Recovery and Progress within Treatment, Achieve Outcomes and Sustained Recovery,

Promote Public Protection through Law, Enforcement and Policy and Accountability and Partnership Working.

4 MINIMUM UNIT PRICING (MUP)

- 4.1 The Government's Alcohol Strategy in March 2012 stated that *'There is strong and consistent evidence that an increase in the price of alcohol reduces the demand for alcohol, which in turn can lead to reduction in harm, including for those who regularly drink heavily and young drinkers under 18 and that it could no longer be ignored'*.

As part of the measures to address the issue, the Strategy stated that *'The Government would introduce a MUP for alcohol meaning that, for the first time ever in England and Wales, alcohol will not be allowed to be sold below a certain defined price'*. A lengthy consultation then took place around what the MUP should be, indicating 45p or 50p would be an appropriate price.

However on 17th July 2013, the Government announced that it had dropped plans to introduce the measure, which is proven to save lives, cut crime and reduce hospital admissions, stating that *"we do not yet have enough concrete evidence that the introduction of MUP would be effective in reducing harms associated with problem drinking, without penalising people who drink responsibly."*

Instead Home Office minister Jeremy Browne introduced a ban on the sale of alcohol below the price of duty plus VAT – a measure 50 times less effective than a minimum price set at 45p per unit, according to independent experts from Sheffield University.

- 4.2 This has come as a disappointment locally as in December 2012 we had backing that full Council supported the regional efforts for MUP Nationally and for Hartlepool and feel that the benefits to everyone would have been substantial.

Public Health England also shares the disappointment of the public health community that the introduction of a minimum unit price for alcohol is not being taken forward at this point.

MUP is also supported by doctors, children's charities, pub landlords, the North East public and the police and all agree that any delay means that lives will be lost.

5 ALCOHOL RELATED HOSPITAL ADMISSIONS (ARHA)

- 5.1 The latest report from Balance (North East Regional Alcohol Office) states the 2012/13 Q1-Q4 rate of ARHA per 100,000 is currently 2,602 in the North East – a decrease of 4.1% when compared to 2011/12 Q1-Q4. The last nine years has seen an average year on year increase of 9% across the North East so the rate reduction for this current financial year is particularly positive and has now been sustained for all four quarters of 2012/13. The national decrease for

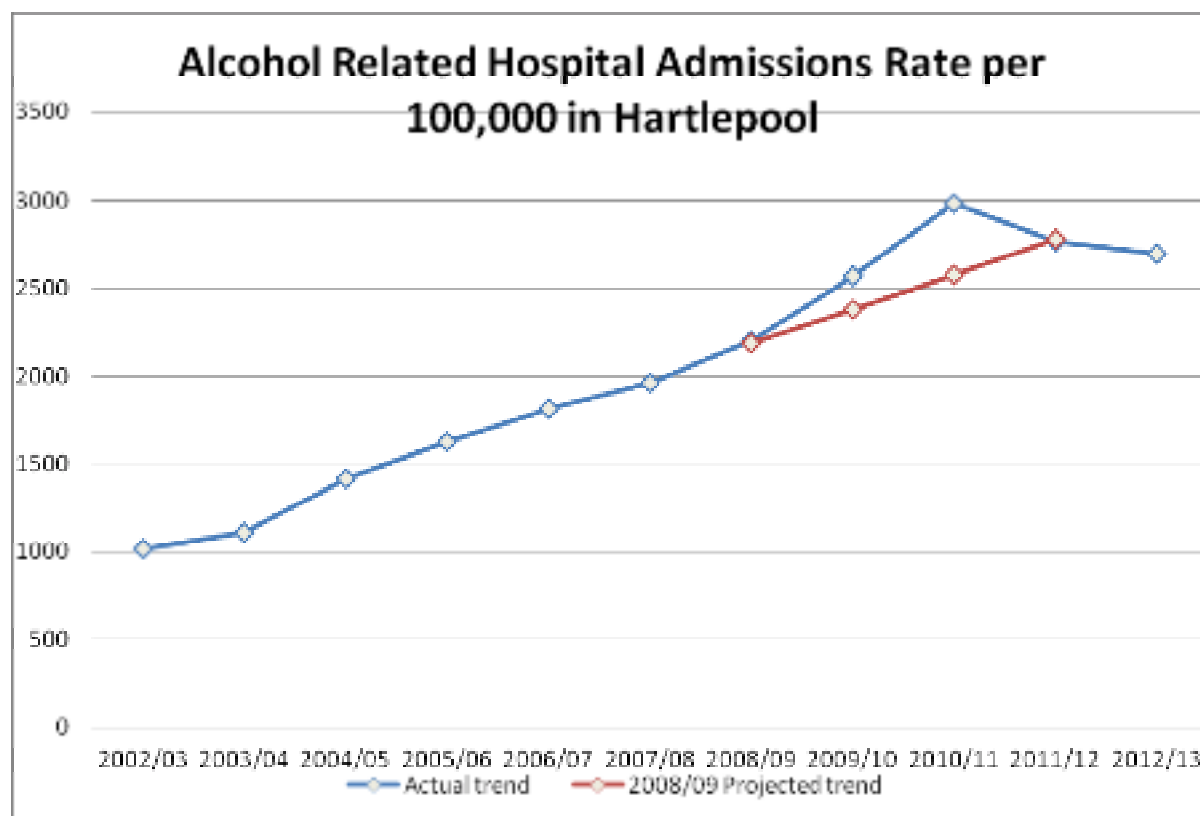
this period stands at 1.1%. This is the first year since the Department of Health started calculating ARHAs (2002/03) that the North East has seen a decrease in the overall rate of admissions.

- 5.2 Currently the ARHA rate per 100,000 in the North East is 33.4% higher than the national average. The rate in the North East, however, remains the highest in the country with the North West being the next highest at 2,402 and the South East being the lowest at 1,556 per 100,000 (Full report see Appendix 2).
- 5.3 Hartlepool is no exception; however was one of the first areas to see a reduction in ARHA in 11/12 after the introduction of the QIPP Alcohol Pilot that came to an end in March 2013. As a result of this pilot, Hartlepool has retained an Alcohol Nurse Specialist to work in the Hospital to work with and monitor actual admissions, and also has links to A&E attendances and onward referrals into specialist treatment providers in the community. This is linked with the continued partnership working with Balance to identify the rates of ARHA in Hartlepool enabling us to monitor activity year on year.
- 5.4 The Director of Public Health asked Balance to map out projected trends for Hartlepool and this resulted in the following.

Balance used the Department of Health (DH) ready reckoner to gather the information. The projection included in the model only gave up to 2011/12 but the 2008/09 projection puts Hartlepool on a par with the actual data now, after a larger than expected increase since then. The extra provisional data for 2012/13 clearly shows that the Hartlepool admissions rate is now dropping below where the projected trend would have been taking it.

Hartlepool Projection

	Hartlepool admissions rate /100,000		Year	Actual Data
	Actual	Projected		
2002/03	1017		2002/03	1019
2003/04	1103		2003/04	1111
2004/05	1410		2004/05	1416
2005/06	1614		2005/06	1623
2006/07	1789		2006/07	1811
2007/08	1951		2007/08	1965
2008/09	2186	2186	2008/09	2199
2009/10		2379	2009/10	2572
2010/11		2578	2010/11	2982
2011/12		2777	2011/12	2763
2012/13			(Provisional) 2012/13	2699

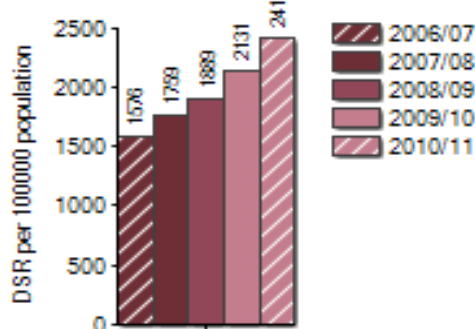


(Balance)

- 5.5 Local Area Profile for England (LAPE) also provides us with the latest information around alcohol attributable hospital admissions and breaks it down as detailed below:-

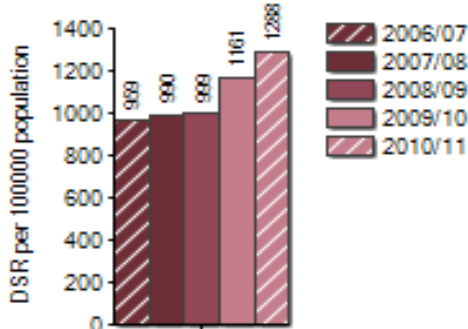
Alcohol-attributable hospital admission

males

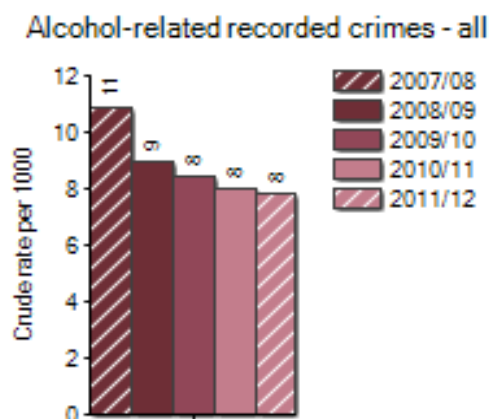


Alcohol-attributable hospital admission

females



5.6 The chart below looks at the strong links with alcohol and recorded crimes.



6 DELIVERY OF PROMOTIONAL CAMPAIGNS

6.1 In addition to the overall action plan there is a Campaigns timetable in place for a full year (Apr-Mar) to deliver on the promotional campaigns around Health Improvement and Substance Misuse. These promotional activities will focus on National Awareness days and weeks with the main promotional week for Hartlepool being in November for Substance Misuse Week. This usually carries a separate week's timetable of events that will take place around various community venues to promote recovery for any individual who may have a substance misuse addiction. (Timetables see Appendix 3 & 4)

7 PARTNERSHIP WORKING

7.1 There are three main elements of treatment available to all alcohol clients who choose to access recovery for alcohol dependency. They are delivered across three services:-

DISC offering, Structured Psychosocial Interventions, Relapse Prevention and Aftercare, Harm Reduction and Needle Exchange and Recovery and Reintegration.

Lifeline offering, Service User and Family Support and Education, Training and Employment.

Intrahealth offering, Specialist Clinical Services.

7.2 All of these services are monitored on a monthly basis as part of their contracts and audited on a 6-monthly basis to assess overall performance that also feeds into the Alcohol Strategy Action Plan.

It would not be possible for Hartlepool to deliver outcomes required within the Alcohol Strategy if we did not work in partnership. There are strong working relationships with all our commissioned providers, NHS, Police, Fire,

Community Safety & Balance, plus many more that feed into the successful delivery of a client's journey to recovery. It is will these providers that we strive to make a difference to the people of Hartlepool.

8 FINANCIAL COMMITMENT

- 8.1 The Public Health ring-fenced grant is the main source of funding for alcohol treatment services in 2013/14. Funding levels have remained consistent with previous years and funding in the future will be dependent upon Public Health priorities and National funding allocations.

9 RECOMMENDATIONS

- 9.1 It is recommended that the members of Audit and Committee acknowledges the content of the report and the appendices and notes the recommendations & priorities highlighted below:

- To focus on all actions within the action plan that are RED in Q2 and aim to achieve progress by Q3 and completion of action by Q4.
- Receive further reports when requested with a view to updating on progress once complete.
- Consider how all partners can contribute to the delivery of the action plan.

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Safer Hartlepool Partnership SUBSTANCE MISUSE PLAN 2013-14 (Drugs and Alcohol)

1. Introduction

1.1 Structure of this document

As a requirement of government funding Drug and Alcohol Action Teams (DAATs) have been expected to provide an annual Treatment Plan. This year, there are considerable organisational changes in the NHS including the establishment of Public Health England. In the midst of changes and until otherwise directed Safer Hartlepool Partnership DAAT will continue using the guidance and framework devised by the National Treatment Agency (NTA) as the structure and performance management framework for planning drug and alcohol services and activity until directed otherwise. .

The Drug and Alcohol Action Team (DAAT) have completed a needs assessment throughout 2012 that included analysis of treatment data, performance compared against regional and national best practice and consultation with service users and families and this has informed the plan. This document presents a summary of the needs assessment data, identifies key priorities and action planning that together form the 2013 /14 Substance Misuse Plan for Hartlepool.

1.2 Background

After a number of national drug strategies that promoted maintenance treatment, the strategy launched in December 2010 changed the focus to that of recovery as the central goal and encompassed alcohol as well as drugs. It stressed that recovery is individual and person centred and requires an effective 'whole systems' approach working with education, training and employment, housing, family support services, wider health services and criminal justice agencies where appropriate.

Within the NHS changes the functions of the National Treatment Agency (NTA) (established in 2001 to improve the availability, capacity and effectiveness of substance misuse treatment in England) will continue and transfer to Public Health England from April 2013. The NTA suggests the principles for commissioning a treatment system that promotes successful recovery journeys are:-

- To maintain or improve access to **early and preventative interventions** and to treatment.
- Ensure treatment is **recovery-orientated, effective**, high-quality and protective.
- Ensure treatment delivers continued benefit and **achieves appropriate recovery-orientated outcomes**, including successful completions.
- Ensure treatment supports people to **achieve sustained recovery**.

The strategic direction and lead for drug and alcohol activity in the town is Safer Hartlepool Partnership a multi agency partnership that ensures an integrated approach with membership that includes key stakeholders such as the NHS, Local Authority, Police, Probation and Fire Brigade. In addition Safer Hartlepool Partnership involves a wider range of stakeholders through a number of additional special interest task groups and forums.

In addition to the activity illustrated below there are additional supplementary plans and programmes developed in SHP task groups that focus on a particular aspect of drug and alcohol activity e.g. Night Time Economy (Police and Licensing interests), Young People Substance Misuse Forum, Community Alcohol Partnership.

2. Provision

2.1 Strategic position

The Drug and Alcohol Action Team (DAAT) are employed within the Public Health department of Hartlepool Borough Council.

Most of the commissioning of adult drug and alcohol treatment services in Hartlepool, including the Criminal Justice Integrated Team (CJIT), is delivered and monitored by the Substance Misuse Strategy Group (SMSG) of SHP, facilitated by the Health Improvement Practitioner (Drugs & Alcohol), who reports to the Director of Public Health and the SHP Executive Board. At the moment other substance misuse commissioning (e.g. the specialist prescribing service and pharmacy support) is undertaken by NHS Tees and North East Primary Care Services but as from April 1st 2013 some of those responsibilities/contracts will pass to the Local Authority, Clinical Commissioning

Safer Hartlepool Partnership

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Group and Health and Wellbeing Board with the need for robust relationships and pathways for strategic direction/decisions and resource allocation.

2.2 Treatment provision

In response to the recovery focus the majority of treatment services were re-commissioned from April 2012 as follows:-

Developing Initiatives Supporting Communities (DISC) have three contracts and provide:-

- (i) Psychosocial support - assessment, key working, a range of counselling and motivational, therapies.
- (ii) Harm Reduction - advice, information, training and static and mobile needle exchange -
- (iii) Recovery and Reintegration - group work, structured activities, aftercare and relapse support and introduction to mainstream services.

Lifeline were awarded two contracts:-

- (i) Education, Training and Employment – basic literacy, IT and other training courses, job clubs, work trials and placements.
- (ii) Family and Ex-user service - family counselling and activity respite programmes, self help groups, volunteering and mentoring.

In addition **Intrahealth** – the specialist prescribing and clinical service are commissioned by NHS NEPCS and **Addaction** provide the Tees wide Arrest Referral service in Police custody suites.

There is also a **Criminal Justice Integrated Team (CJIT)** working intensely with substance misusing offenders combining the expertise of drug workers commissioned from Addaction alongside seconded personnel from Probation, Prison and Police.

Services are now provided from four sites - Drug Centre, Whitby Street; TEC House, Lynn Street; Victoria House, Victoria Road and offender programmes from The Willows (Previous Registrars Office), Raby Road, with additional outreach work, home visits, satellite surgeries and counselling sessions delivered from community venues.

3. Key findings of the 2012 needs assessment and Service User surveys

3.1 Since introducing new services in April 2012 the last 12 months have involved the TUPE of staff, development of new venues and introduction of recovery services. This years' needs assessment considers the impact of the integrated substance misuse treatment on performance, recovery, re-offending and includes analysis of 2011/12 and 2012/13 data from the national drug treatment monitoring system (NDTMS), comparison with other partnerships as well as service user views.

3.2 Drug profile

Glasgow University have provided each partnership with detail of their drug population and estimate Hartlepool has approximately 1048 individuals using a wide range of substances, of which 988 will be using opiates and up to 452 using crack. The crack estimate however is too high as Hartlepool does not have the degree of crack cocaine use that our neighbouring towns have. Many individuals are poly drug users i.e. using more than one drug.

As in previous years 99% of individual's can access drug treatment within the national 3 week target, most enter within 5 days. Consistently 70% are male with the ethnic makeup of the caseload remaining 99% White British. More than half of those in treatment for opiates live in three wards Victoria, Headland and Harbour and Bum Valley where there is a greater concentration of private sector housing.

Nearly 75% of the clients in the past two years have been aged between 25 – 39 years with a greater concentration, nearly a third, in the 30 – 34 year age range. The age demographic of those in treatment appears to be getting older with 22% of the treatment population aged 40 or over in 2011/12, compared with 19% in 2010/11.

Using NDTMS data there are 842 individuals who have had contact with treatment, 576 remained in treatment in 2011/12, with a treatment penetration estimate of 75% there remains up to 25% of our drug using population estimate 'naive' or unknown to treatment services.

There is a slight growth from last year in regard to the number of new entrants coming into drug treatment (N = 813) with opiate and/or crack cocaine users (OCU's) accounting for 86% (N=702) of the caseload.

Hartlepool is in the top performing quartile nationally for numbers who successfully complete treatment and do not return within 6 months (Hartlepool opiate users 81%: National opiate 80%, Hartlepool Non-opiate 92%: National 86%) and planned discharges also continue to build on success achieving a 9% increase for opiate users in addition to the 10% increase in 2010/11 and 4% increase overall adding to the 8% increase for all users in treatment in 2010/11. Unfortunately 50% of Hartlepool drug treatment caseload have been in treatment for over 2 years (Hartlepool opiate users 57%: National opiate users 53% and Hartlepool Non opiate users 13%: National 6%) and need targeted interventions to encourage abstinence.

The Adult Psychiatric Morbidity Survey (2007) estimates that the number of dependant drinkers in Hartlepool aged 18 – 75 years is in the order of 1159. Access to the first treatment intervention is usually within the 3 weeks national target but longer (15.7 days) than the national average (10.4 days).

The average age for both male and female alcohol clients in treatment is 40 years with more men than women in treatment. During 2011/12 there were a total of 423 people in treatment 44% (N=187) were new entrants within the year. 30% of the adults in treatment are living with children, which is similar to the national average but a higher percentage of Hartlepool parents are not living with their children (33%) compared to a national figure of 24%.

75% of those in treatment when considered against national figures were drinking at higher risk levels in the 28 days prior to entering treatment, more were unemployed at start of treatment or referred from the criminal justice system and had received or were receiving structured treatment for drug use as well alcohol misuse.

Alcohol treatment services have only been available in Hartlepool for four years and there is limited funding committed to address alcohol issues which may explain the differences in the local model against national information. There is no budget for alcohol Inpatient treatment or Residential Rehabilitation when the national model illustrates 14% of the caseload elsewhere receives such interventions. In Hartlepool

4% of the caseload receive a prescribing intervention whilst the national figure is 11% and in regard to Other Structured Interventions or motivational therapies this is provided to 87% of Hartlepool alcohol treatment population but only 41% of national treatment population.

Nationally the length of a typical treatment period nationally was around 6 months, although 17% of clients remain in treatment for approximately a year whereas in Hartlepool 51% are in treatment for more than a year. The proportion of Hartlepool clients successfully completing treatment in 2011/12 was 12% nearly a third of the national figure of 34% though the proportion not returning to treatment following completion is in line with national performance (Hartlepool 4% : National 5%). This low number of representations to treatment is an indicator that the treatment model can respond well to the needs of those in treatment however the time taken for access and delivery of treatment programmes and actual numbers completing need to be increased significantly.

The SHP Strategic Assessment for the period Oct 2011 - September 2012 provides details of positive performance in tackling crime, drug and alcohol related activity. The Criminal Justice Integrated Team (CJIT) work with the most prolific offenders (PPO's) and those that cause the greatest crime (HCC). The caseload for 2011/12 totalled 144 with accommodation a significant issue. The majority of the caseload are male, aged 20 – 35 years with a greater use of crack cocaine albeit small numbers. When introduced in custody suites drug test on arrest for trigger offences identified new individuals and directed them into treatment but in recent times the majority of substance misusing offenders are known and often already engaged in treatment so testing has been reduced.

3.3 Identified Gaps ; Needs Assessment

The following gaps have been identified in this years' Needs Assessment:

- With 70% of individuals in treatment being male, there continues to be concern that women are not accessing services. Access to women only services of access to childcare could assist this situation.
- The numbers of cannabis/ non opiate users entering treatment have increased over the years but feedback from the service users revealed a perception that services continue with an emphasis on opiates. Consideration is needed for separate promotion and even cannabis/stimulant/non opiate clinics for under 25s

- Young people treatment service and adult service need to work closer to ensure that the transition process is working
- There are high levels of clients who have been in treatment for longer than necessary and efforts need to be made to facilitate recovery programmes.
- Substance misuse services need to maintain good links with the mental health service, domestic violence service, social care, and with the community particularly in regard to alcohol responses and supporting government's Troubled Family agenda.
- Although the system has been much more recovery focused this year, the delivery of abstinence and recovery based opiate and non-opiate interventions need active promotion.
- Hartlepool has a significant problem in illicit use of over the counter and prescribed drugs 24% treatment population (N=203, national 15%). The needs assessment highlighted higher numbers of service users who have been in treatment for over 6 years and they are less likely to leave specialist treatment in a planned way. There are also significant numbers who address their heroin addiction but struggle with dependency on alcohol and benzodiazepam. Services to be developed to respond to needs of these complex and often older users.
- Adults living with children is similar to the national picture (Hartlepool 38% N= 325 national 34%.) however proportionately they are not successful in achieving and maintaining a successful outcome

Consultation exercises with service users, families, providers and stakeholders identified gaps:

- The current location of the treatment centre perceived as an opiate only service so need to promote other substances too, and increased training for workforce to address over the counter and prescribed medications.
- Further exploration as to the provision of static harm minimisation service and additional satellite services in other parts of the town.

- To support clients that work, there are peer mentors and mutual aid groups of an evening and weekend however substance misuse services should review their current opening hours and extend provision.
- Housing and Accommodation is a major issue and work needs to continue to increase provision and offer wider structured tenancy programme

4. KEY PRIORITIES

To develop and deliver advice, information, prevention and early intervention services to address the harm associated with drug and alcohol misuse.

To deliver an effective recovery focused treatment system for all client groups with speedy access and responses for the widest range of substance misuse.

To increase the performance of the treatment system specifically the numbers coming into effective treatment and to improve the number of successful completions of individuals leaving treatment and not returning back to specialist treatment.

To improve partnership working and build recovery capital opportunities particularly the provision of housing and employment services for substance misusers.

To undertake a comprehensive review of Hartlepool Alcohol System, develop a business case for increased investment, and identify commissioning intentions to improve the local alcohol treatment response

To improve the effectiveness of harm reduction initiatives including increased needle exchange facilities, support to families, knowledge within communities and improved robustness of reporting processes for drug related deaths

To increase community detoxification for alcohol with both pharmacological and psychosocial support available (Strang Report recommendations).

KEY PRIORITIES CONTINUED FROM 2012/13

Activity in 2012/13 confirmed the need for continued work in 2013/14 and individual detailed reports will be provided to SHP Substance Misuse Strategy Group for consideration.

RAG Status Key:

GREEN	All milestones being met and on target as per plans
AMBER	Good progress being made against milestones
RED	Unsatisfactory progress - milestones and timescales not being met
LAVENDER	Actions not yet planned to be underway

Key Actions	By when	By whom	RAG Status (Please see key above)
1. The Police Crime commissioner has confirmed that he will continue with the Tees custody suite arrest referral contract but conduct a review during 2013/14. The outcome of the review will impact on the local arrangements for referral into treatment and may require a re-modelling of access systems	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery	Ongoing – no outcome as yet but options have been sent out to receive comments

<p>2. Substance Misusers do not have access to suitable and sustained accommodation and housing. There is a lack of specialist facilities and support and joint working is continuing to improve the situation. This includes:-</p> <ul style="list-style-type: none"> ○ conducting a detailed assessment and analysis of housing need and responses ○ improving pathways between housing providers and treatment system to ensure that the needs of drug and alcohol users are met ○ reviewing process and protocols ○ providing training and workshops to share understanding of processes and consider problem solving. Issues ○ making application for external funding and securing additional properties e.g. Empty Homes ○ securing resources for floating support services to maintain existing tenancies ○ developing mediation services to prevent evictions 	Further update Q3	<p>Karen Clark - Service Manager Drugs & Alcohol Delivery</p> <p>Training Element – Michelle Chester</p>	<p>Developing pathways and this is working effectively.</p> <p>A new pilot through the CJIT team - this is a 5 bedroom house (private landlord) for those difficult to house.</p> <p>Empty homes strategy – DISC are putting their proposal forward.</p> <p>Clients will receive training to be able to plaster and gain building trades skills.</p>
<p>3. To reduce hospital admissions the Primary Care Trust provided funding for change agents within social care, hospital</p>	Review March	Louise Wallace -	<p>Alcohol specialist has been retained until 2014 March. From the 1st April it is</p>

<p>and GP settings to consider improvements to joint working for dependant drinkers who were attending hospital on a frequent basis. The initiative will finish in March 2013 and provide an evaluation report thereafter.</p> <p>This report will be shared with the Clinical Commissioning Group and the Health and Wellbeing Board to consider any responses to the recommendation and the DAAT will then need to incorporate the evaluation into a business case for increased investment and re-modelling to ensure an effective comprehensive alcohol treatment model.</p>	2014	Director of Public Health and Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	hoped that this will become part of the block contract with the CCG.
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Planning Section 1: PREVENTION AND EARLY INTERVENTION

* Abbreviations used - SHP = Safer Hartlepool Partnership, DAAT = Drug and Alcohol Team, DPH = Director of Public Health, PHT=Public Health Team, CJIT = Criminal Justice Integrated Team

* Children's Services are conducting a needs assessment around Young People's substance misuse which is likely to result in additional activity being added to this plan mid year – Children's Services section will be refreshed in 2014/2015

To promote early interventions to reduce the incidence of dependency in all sections of the population

To liaise and work effectively with Children's Services and other relevant organisations to safeguard vulnerable adults and children.

To provide advice and information to address drug misuse and promote responsible drinking.

To prevent harm to children, young people and families affected by drug and alcohol misuse

To ensure family are support through effective multi agency working.

Key Actions	By when	By whom *	RAG Status (Please see key above)
Ensure that services are equitable throughout the town and can flexibly meet the needs of individuals (e.g. opening times/ outreach/ drop in/ diversity) and address the range substances as required	Ongoing	DAAT - Team Input	Scoping exercise now being undertaken to identify community support agencies so our clients can link in to community support.
Promote early interventions to reduce the incidence of dependency in all sections of the population through increased use of effective screening and IBA.	Ongoing	Alison Reeves & Angela Legg - Planning and Commissioning Officers All agencies	TPA (Teesside Positive Action) and Teesside Sexual Health now attend the static clinics in Ham Min to screen for Hep C every 2 weeks.
Work with Pharmacists initially Healthy Living Pharmacies to extend service delivery and ensure literature is available on all services	Ongoing	Karen Clark - Service Manager Drugs & Alcohol Delivery	Ongoing – Health watch are undertaking health visits to pharmacies to see how our clients are being treated. Report will be sent to LW end of Jan 14
Ensure that alcohol prevention initiatives are built into the 'Healthy Child Programme 5-19 and implemented	Ongoing	Sharon Robson – Health Improvement Practitioner (Drugs &	SR & DG – working together to input any alcohol interventions within this programme.

		Alcohol)	
<p>Develop a multi agency prevention campaign plan including the use of social marketing approaches to target specific groups with tailored messages in a variety of formats.</p> <p>Examples of target groups include:</p> <ul style="list-style-type: none"> ○ Parents: information about their own drinking as well as supporting and empowering them with information targeted at their children. ○ Carers and young carers of people with alcohol dependency. ○ Licensed premises 	To be complete by March 2014	Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	<p>We now have a full timetable of campaigns for the year and a full timetable for Substance Misuse Week throughout Hartlepool.</p> <p>All posters for Dry January will be displayed from Monday 18th November.</p> <p>Also the TV advert from Balance will start from 18th November, which supports the Health Hams campaign by Balance.</p> <p>All reports from campaigns now get sent to the commissioning team after every campaign.</p>
Coordinate targeting of information and education campaigns to ensure organisations are adopting consistent approved alcohol prevention messages and are using all available opportunities to promote support	Quarterly throughout 2013/14	Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	<p>FASD champions have now been identified. Training has been given and more training will be offered if needed.</p> <p>It is our intention that Alcohol Champions will be identified and trained across as many organisations in Hartlepool as possible to enable signposting to appropriate services.</p>
Treatment system geared to particular needs of vulnerable adults as well as parent and carers with responsibilities for children with	April 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	All services adhere to the HBC Safeguarding policies, and all staff attend Safeguarding training

effective safeguarding measure in place			LW & KC to attend Children's Safeguarding Board
Ensure clear pathways and protocols are in place between treatment, children's services and adult social care services to improve safeguarding, joint working and information sharing	June 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	SHP information protocol has been reviewed and signed up to by all providers. Clear pathways identified with Adult Social Care and Children's Services.
Provide multi agency training and practice development workshops to increase workforce competence and confidence in addressing the Hidden Harm agenda. . Annual Training Programme to be developed	November 2013 Annual	Michelle Chester - Performance Officer	MC to develop the training programme with the training that takes place now. MC to develop a more robust training programme once budgets have been confirmed.
Increase numbers of individuals referred to specialist treatment following screening in clinical settings	March 2014	Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	The Alcohol nurse has now moved to North Tees Hospital but works with Hartlepool clients. Work is ongoing and we have been working with Jayne Herring to update the specifications for the transfer to the block contract. From April we won't be funding this post but we will still get the same service, as part of the above.

Planning Section 2 - DELIVER RECOVERY-ORIENTATED, EFFECTIVE, HIGH QUALITY APPROACHES TO TREATMENT AND SOCIAL INTEGRATION

<p>To ensure a 'recovery model' of treatment that responds to individual needs and is based on identified best practice.</p> <p>To improve performance and outcomes against national targets and for the benefit of Hartlepool</p> <p>To ensure that partnership working provides streamlined and effective pathways between specialist and non specialist services</p> <p>To specifically concentrate on developing a clear, needs led integrated care pathways between alcohol, community and specialist support services</p> <p>To improve the coordination of services to ensure that existing provision is most effectively and efficiently used and best practice is widely shared thus reducing duplication of effort and maximising the use of resources</p>			
Key Actions	By when	By whom	RAG Status (Please see key above)
<p>Increase access to harm reduction measures that includes;-</p> <ul style="list-style-type: none"> greater numbers receiving Hep B vaccinations and Hep C testing establish static needle exchange programmes in pharmacies provide overdose /safer injecting training to service users and staff 	September 2013	<p>Karen Clark - Service Manager Drugs & Alcohol Delivery</p> <p>Training Element – Michelle Chester</p>	<p>This is in the Initial Assessment and Reviewed on a regular basis. Hep C is offered after 6 months if the client is still using.</p> <p>MC to include the training from Ham Min in the training programme.</p>

working with vulnerable groups			
Focussed work to review cases and needs of older clients and those in treatment for over 2 years with active facilitation of recovery planning and treatment packages	To be updated in Q3	Karen Clark - Service Manager Drugs & Alcohol Delivery	Above process ongoing but new process now going alongside this to include social support-clients working with IntraHealth and targets for psychosocial Interventions.
Audit of case files to evaluate use of evidence based interventions, discharge planning, family work and how recovery and reintegration is utilised for positive outcomes.	Mid-year – October 2013 & End-year April 2014	Alison Reeves & Angela Legg - Planning and Commissioning Officers	Mid Year Audits have taken place for all the services. No concerns identified in the Mid Year Audits for all Treatment Providers.
Those working with children are vigilant with regards to parental substance misuse and are professionally equipped (training) to engage and respond to their needs around Hidden Harm and Think Family	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery Training Element – Michelle Chester	Training has been delayed pending funding from C&A services.
Provide workforce development training to ensure those working with anyone misusing substances have the core skills/competencies and therapeutic knowledge to engage and increase the possibility of effective treatment outcomes.	November 2013	Michelle Chester - Performance Officer	Ongoing – staff have the required skills and are monitored within their organisation as part of their contract. Training programme to be developed by Michelle

			Chester
Improve transitions from young peoples to adult's treatment for those clients over 18 who have ongoing treatment needs	June 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Transitional pathway now in place and working effectively.
Work with community and criminal justice organisations to improve pathways for individuals leaving prison and engaging with community drug/alcohol treatment, by re-introducing prison engagement process, joint treatment reviews within the prison setting and ensure Hartlepool residents have contact with CJIT prior to release.	September 2013	Julie Keay - CJIT	Referral and liaison with DART for all individuals, this includes information sharing. Prison in reach completed by Offender Managers on all CJIT offenders. Sentence plan boards/treatment reviews completed with relevant agencies including DART. Liaison enhanced through prison officer secondees. DIP treatment/assessment appointments arranged through DART on release, this includes CJIT and probation generic team.
Ensure continuity of care for offenders with short term sentences to improve effective engagement with CJIT and community treatment services	September 2013	Julie Keay - CJIT	Information shared with DART team for continuity of care through referral/sharing information system. Court notified whenever possible for continuation of Community Order/SSO to ensure consistency of contact. Short term prisoners are subject to pathway above and receive in reach

			prison visit from Offender Managers and prison seconded officer.
Develop services that can respond effectively to individual's needs by providing flexible and personalised care packages for Tier 4 serves including:- <ul style="list-style-type: none"> ○ a new alcohol preparation programme ○ formal arrangements for inpatient bed provision ○ sustained investment in residential rehabilitation. 	September 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Now complete and client pathways are clear
Increase peer led SMART recovery groups, peer mentoring and Alcohol Champion training to increase community education, advice and referral	Ongoing	Alison Reeves & Angela Legg - Planning and Commissioning Officers	SMART recovery groups taking place every Tuesday from the People's Centre and Wednesday evenings from Lynn Street. Recovery Groups and other Mutual Aid Groups, taking place. Good links working effectively with Creative support
Encourage service users, carers and families as partners in the planning of treatment services and as a key driver to influence change by;- <ul style="list-style-type: none"> • expanding service user representation on all key decision making groups • ensuring the provision of advocacy 	December 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Marie Shout monitoring access to services and scoping what is available for clients as part of her work plan.

across all services <ul style="list-style-type: none"> • involving SU's, carers and families in the identification and rolling out of peer led training. • ensuring mechanisms are in place to ensure that the voice of carers and families is heard. 			
Work with leisure and entertainment industry to promote responsible drinking e.g. challenge cost of soft drinks	Ongoing	Licensing Officers	Drinks industry - financial support to provide training to front line staff on responsible drinking.

Planning Section 3: DELIVER RECOVERY AND PROGRESS WITHIN TREATMENT

To deliver continued benefit and achieve appropriate recovery-orientated outcomes, including successful completions To expand understanding of recovery and reintegration across staff, service users, and stakeholders To establish robust arrangements for joint recovery and care coordination for complex cases			
Actions and milestones	By when	By whom	RAG Status (Please see key above)
Continue to reduce the levels of re-offending by drug/alcohol users through a review of CJIT and Integrated offender management (IOM) in light of proposed Probation changes.	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery & Julie Keay - Probation	Due to changes in Probation and the ADDaction, the contract comes to an end in march 14. We are undertaking a full review of the CJIT function.
Identifying [Alcohol] hotspots and respond with targeted multi agency working as appropriate particularly in CJIT remit.	July 2013	Julie Keay - CJIT	Hotspots identified through Joint Action Group intelligence. Probation to use new guidance for exclusion zone in

			relation to orders and sentencing proposals. Continue to use exclusions for licensees.
Develop a range of effective interventions for alcohol misusing offenders following improvements to Alcohol Treatment Requirements (ATRs), Alcohol Specified Activity Requirements (ASARs) and Drug Rehabilitation Orders (DRR's) programmes between substance misuse treatment, CJIT and Probation Service.	May 2013	Julie Keay - CJIT	Probation delivery of alcohol/drug citizenship modules to enhance requirement learning. Continued support offered via drug intervention team/CJIT.
Increase responses to addressing Hidden Harm and Think Family agenda by identification and analysis of data relating to dependent children, re-introducing the Hidden Harm Forum and strengthening training and participation in CAF and safeguarding arrangements	Ongoing	Karen Clark - Service Manager Drugs & Alcohol Delivery	Awaiting corporate decision on Hidden Harm developments.
Analyse and focus on improving treatment outcomes, particularly for groups that are identified as less likely to leave treatment successfully (e.g. parents with children)	September 2013 and February 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery	Work is ongoing.
Strengthen structured treatment interventions and support for those substance misusers with complex needs that include mental health and social care. Work to include:- <ul style="list-style-type: none"> ○ improving recovery outcomes for high demand families ○ improved access for Dual Diagnosis and 	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery	DISC is leading on developing effective links with Mental health service. Completed GAD 7

mental health services. o Robust multi agency care coordination panels			
Incorporate mutual aid and social enterprise within recovery programmes with further development of peer-led SMART recovery groups and recovery communities,	Ongoing	Alison Reeves & Angela Legg - Planning and Commissioning Officers	SMART Groups run every Tuesday morning from the People's Centre and Wednesday evening from Lynn Street.
Ensure clinical audit is routinely part of service improvement activities with an annual health check and consider establishment of joint Clinical Governance Forum	September 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Completed ready for the implementation of the new contract April 14
Research and introduce through collaborative work and training effective responses to address incidences of substance misuse related Domestic Violence	March 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery Research - Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	Karen Clark attends DV forum working towards the Hidden Harm Agenda.
Evaluate process for Tier 4 provision to meet real levels of need and demand and ensure value for money	August 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Complete reviewed by Marie Shout and working well.
Explore and as appropriate introduce increased options for community detoxification programmes	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery	Working well with IntraHealth to establish opportunities.

Planning Section 4: ACHIEVE OUTCOMES AND SUSTAINED RECOVERY

<p>To provide additional supportive measures that complement treatment</p> <p>To build opportunities for recovery capital for substance misusers i.e. housing, education, employment and family</p> <p>To ensure robust pathways and processes for social reintegration</p>			
Key Actions	By when	By whom	RAG Status (Please see key above)
Monitor unplanned discharges/successful outcomes and take necessary action to address areas of under-performance, include audit of recovery plans to review outcome planning	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery	Working with David Gardiner from PHE to investigate low levels of successful completions and high levels of re-presentations.
Ensure aftercare and relapse prevention arrangements are incorporated into recovery plans for Tier 4 and those individuals leaving specialist treatment, with follow up arrangement agreed.	June 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Complete.
Ensure that substance misusers have access to a range of housing related initiatives that provide stable and sustainable accommodation	Ongoing	Karen Clark - Service Manager Drugs & Alcohol Delivery	Due to changes in Probation and the ADDaction, the contract comes to an end in march 14. We are undertaking a full review of the CJIT function.

Promote greater opportunities for substance misusers to access training and employment by developing a strategic alliance with Job Centre Plus	July 2013	Angela Legg - Planning and Commissioning Officer Training - Michelle Chester - Performance Officer	Careers advice attends Lifeline every week alongside Job Centre + to offer clients support.
Ensure that employment providers are appropriately trained in substance misuse issues to identify need and refer appropriately and improve information sharing and referral protocols with employment providers.	November 2013	Michelle Chester - Performance Officer	Training sessions begun. Need training programme from MC
Work with PHE to identify best practice and initiatives that could improve performance and service delivery within top quartile family clusters	May 2013	Michelle Chester - Performance Officer	Complete
Improve referrals and joint working with HBC Locality teams and family services to encourage referrals into specialist treatment and referral back to universal support services	December 2013	Alison Reeves & Angela Legg - Planning and Commissioning Officers	We now have pathways and links with Locality Teams Referrals could be better, the service providers need to do more to promote their services. Joint working with SMART groups and Joint facilitating working with families.
Facilitate involvement of family in treatment planning whilst ensuring family support and access to carer services	June 2013	Karen Clark - Service Manager Drugs & Alcohol Delivery	Family are offered input at Assessment stage, also at the next appointment via the Lifeline Advocate promoting

			services available to support the family.
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Planning Section 5: PROMOTE PUBLIC PROTECTION THROUGH LAW, ENFORCEMENT AND POLICY

To tackle drug supply, drug and alcohol related crime and anti-social behaviour through robust enforcement To use Licensing powers and other legislation to effectively manage the night time economy To introduce measures and initiatives that focus on specific issues To target interventions at groups/ individuals in the community causing most harm to themselves and others			
Key Actions	By when	By whom	RAG Status (Please see key above)
Continue to monitor sale of alcohol through regular under age test sales to young people and prosecute those retailers who fail to heed warnings and advice	Ongoing	Ian Harrison - NTE Group	5 sales to 14 year old girls were made in Q2 for Alcohol and Tobacco. Offering training to front line staff to help stop serving to underage. shoppers.
Expand Pub watch, Best Bar None and similar schemes to raise quality standards	Ongoing	Ian Harrison - NTE Group	The Hartlepool Licensees Association is trying to re-launch Best Bar None but is having very little success. Whilst other elements of the trade are trying to set up a rival association.
Improve communication pathways with relevant individuals, departments and groups in and out of the prisons to facilitate access to community	September 2013	Julie Keay - CJIT	There has been improved communication, referrals to DART and information sharing system, liaison through seconded prison officer, appointment

treatment system provision			arrangements for prison releases and treatment (this is held on health/HBC premises to improve communication), prison visits when appropriate, shared filed within CJIT.
In partnership tackle hotspot locations of alcohol-related crime and anti-social behaviour; notably determining and mitigating risks in and around licensed premises through working with licensees and their staff to promote safe environments (location). (This includes 'on' and 'off' licensed sales points - including supermarkets).	Ongoing	Ian Harrison - NTE Group	A rival Licensee Association is being set up by some elements of the trade and HBC is working with them. Training is now being offered to Front line bar staff.
Gather evidence to identify then tackle persistent and high risk offenders whose behaviour is linked to alcohol misuse through effective integrated offender management (offenders).	October 2013 and March 2014	Julie Keay - Probation and CJIT	Information is gathered via police, courts and analysed within OASYS, this results in appropriate sentence planning and risk management. Further analysis has been completed through performance analysis to measure outcomes (ATR/ASAR). Monthly tasking meeting to tackle PPO/HCC with ongoing alcohol issues using 'live' offending statistics.
Consider the introduction of Early Morning Restriction Orders following consultation period	April 2013	Ian Harrison - HBC Licensing Committee	Some elements of the trade are trying to take the initiative to improve things

Planning Section 6: ACCOUNTABILITY AND PARTNERSHIP WORKING

Key Actions	By when	By whom	RAG Status (Please see key above)
Develop intelligence led approaches to specialist interventions and increase Partnership and wider stakeholders (e.g. GP's, Health and Wellbeing Board) understanding of the issue of substance misuse and its cross cutting links with health, social care and offending violent crime in Hartlepool.	March 2014	Karen Clark - Service Manager Drugs & Alcohol Delivery & Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	Sharon Robson gave a presentation to GP's at Hartlepool Hospice of the Drug and Alcohol services in Hartlepool. This was well received.
Establish effective working relationships with Hartlepool Health and Wellbeing Board (HWB) and Police and Crime Commissioner (PCC) with a view to shaping and aligning priorities across strategies.	April 2013	Louise Wallace - Director of Public Health and Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	LW
Work with the Clinical Commissioning Group (CCG) to pool resources to enable planning and expansion of specialist services to improve the health and wellbeing of drug and alcohol misusers in local communities.	March 2014	Louise Wallace - Director of Public Health	LW

Strengthen information sharing and improve monitoring and reporting responses in line with requirements determined by NDTMS, Public Health England, SHP and Health and Wellbeing Board	September 2013	Louise Wallace - Director of Public Health, Karen Clark - Service Manager Drugs & Alcohol Delivery & Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	Information sharing protocol for SHP signed up to by all partners.
Develop substance misuse commissioning intention plan for services transferred in NHS reorganisation and joint commissioning with other commissioning bodies	September 2013	Louise Wallace - Director of Public Health	Specifications for Clinical Substance Misuse services being drawn up ready for the tendering process.
Ensure use of cost effectiveness and value for money tools (from NTA) to inform all investments in drug and alcohol treatment	Ongoing	Louise Wallace - Director of Public Health, Karen Clark - Service Manager Drugs & Alcohol Delivery & Sharon Robson – Health Improvement Practitioner (Drugs & Alcohol)	Cost effectiveness tool and Value for money tool consulted throughout the financial year to ensure best practice within the Hartlepool model.

END OF SUBSTANCE MISUSE PLAN



ALCOHOL RELATED HOSPITAL ADMISSIONS 2012/13 QUARTER 4 UPDATE

Executive Summary

- The 2012/13 Q1-Q4 rate of ARHA per 100,000 is currently 2,602 in the North East – a decrease of 4.1% when compared to 2011/12 Q1-Q4. The last nine years has seen an average year on year increase of 9% across the North East so the rate reduction for this current financial year is particularly positive and has now been sustained for all four quarters of 2012/13. The national decrease for this period stands at 1.1%. This is the first year since the Department of Health started calculating ARHAs (2002/03) that the North East has seen a decrease in the overall rate of admissions.
- Currently the ARHA rate per 100,000 in the North East is 33.4% higher than the national average. The rate in the North East, however, remains the highest in the country with the North West being the next highest at 2,402 and the South East being the lowest at 1,556 per 100,000.
- In 2012/13 Q1-Q4, all of the twelve LAs in the region experienced decreases in their rate of ARHAs compared to Q1-Q4 of 2011/12. As a result the rate in the North East also decreased for 2012/13 Q1-Q4 by 4.1%, compared to an increase of 4.5% at the end of 2011/12.

Background to the ARHA indicator

The ARHA indicator was originally introduced to provide an estimation of alcohol attributable morbidity with the intention of helping to develop national and local alcohol strategies. The indicator was based on Alcohol Attributable Fractions (AAFs) that define for each medical condition what proportion of the hospital admissions can be attributed to the use of alcohol.

The AAFs are age and sex specific to the patient and there are 47 conditions split into three sets: 13 wholly attributable conditions, 22 partially attributable chronic conditions and 12 partially attributable acute consequences. If someone is admitted to hospital for a wholly attributable condition such as alcoholic liver disease or ethanol poisoning then this admission is deemed as being 100% attributable to the use of alcohol and adds a total of one admission to the ARHA total. However, if someone is admitted to hospital for a partially attributable condition such as hypertension (high blood pressure) then only a proportion of this admission will count towards the ARHA total. If for example the patient had hypertension and for their age and gender the AAF was 0.2 or $\frac{1}{5}$, then it would take five separate admissions of this type to add one whole admission onto the ARHA total.

After all of the ARHA admissions have been totalled up they are then standardised to the European Standard population which takes out any anomalies in the age structure of the population between different areas, therefore allowing the results to be directly compared with each other. The ARHA indicator as such has now been scrapped but the same methodology is still used by the Department of Health to calculate ARHAs as reported in this document.

Table 1: 2012/13 Q1-Q4 Alcohol Related Hospital Admissions per 100,000 by Region

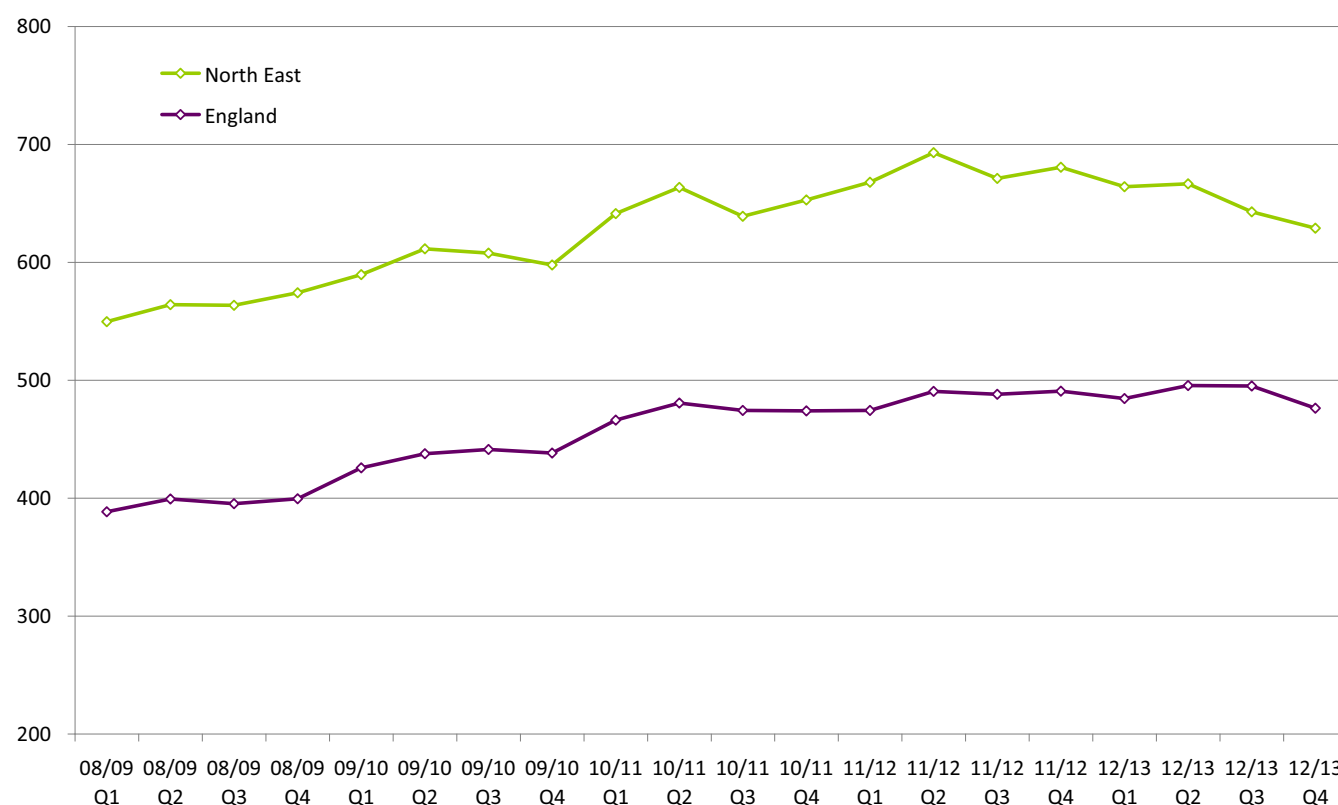
Region	Alcohol Related Hospital Admissions 2011/12-2012/13 Q1-Q4			
	Rate per 100,000		Number of Admissions	
	Rate	Change since Q1-Q4 last year	Number	Change since Q1-Q4 last year
North East	2,602	-4.1%	81,712	-3.7%
North West	2,402	-0.5%	200,176	0.2%
Yorkshire and The Humber	2,063	1.3%	129,591	2.1%
East Midlands	1,740	-1.5%	96,155	-0.7%
West Midlands	1,990	5.8%	133,017	3.1%
East of England	1,696	-0.2%	125,537	0.1%
London	2,035	2.5%	159,754	2.4%
South East	1,556	0.5%	166,724	0.9%
South West	1,831	1.2%	127,094	1.7%
England	1,951	-1.1%	1,230,510	0.8%

- The 2012/13 Q1-Q4 rate of ARHA per 100,000 is currently 2,602 in the North East – a decrease of 4.1% when compared to 2011/12 Q1-Q4. The last nine years has seen an average year on year increase of 9% across the North East so the rate reduction for this current financial year is

particularly positive and has now been sustained for all four quarters of 2012/13. The national decrease for this period stands at 1.1%.

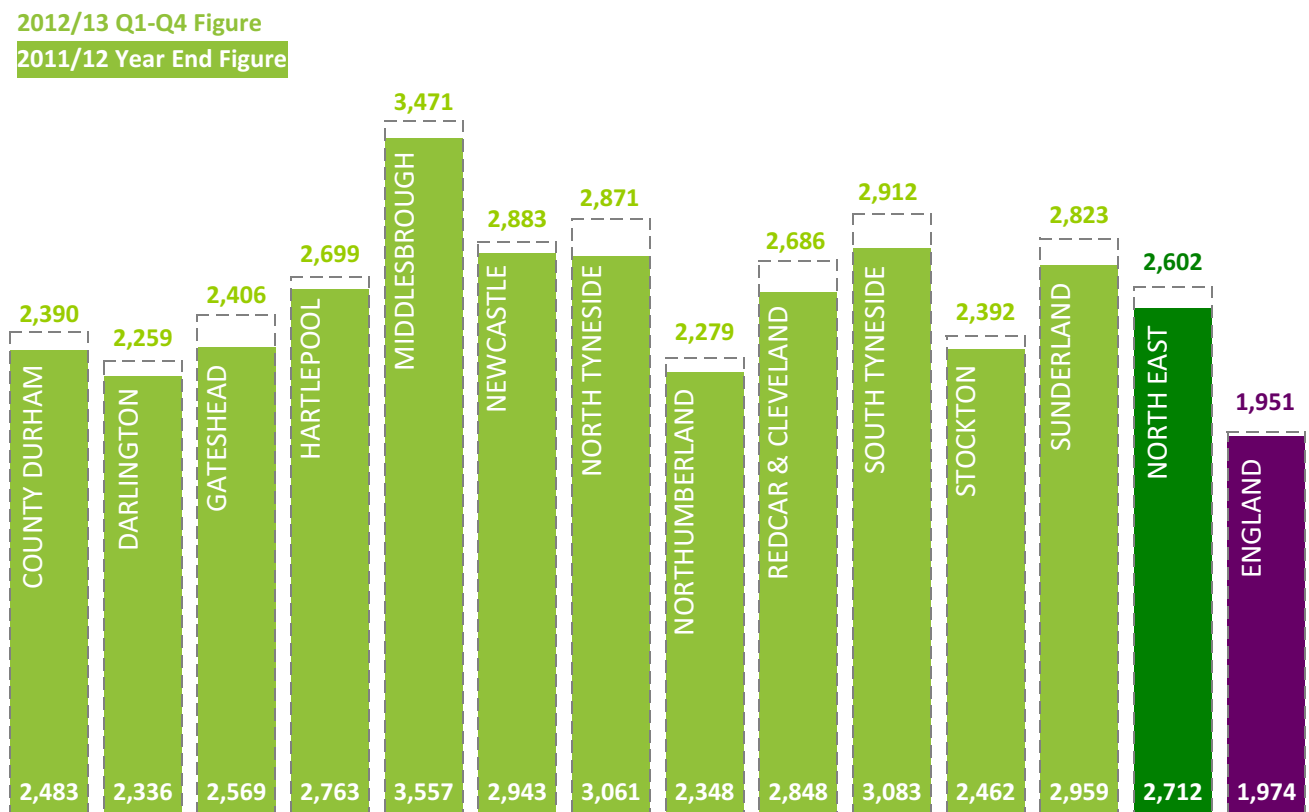
- Currently the ARHA rate per 100,000 in the North East is 33.4% higher than the national average. The rate in the North East, however, remains the highest in the country with the North West being the next highest at 2,402 and the South East being the lowest at 1,556 per 100,000. Figure 1 shows the admission rates by individual quarter since 2008/09 for the North East and England.

Figure 1: Alcohol Related Hospital Admissions Rate per 100,000 Population 2008/09 to 2012/13 Q4



- The NWPHO calculates a standardised rate per 100,000 population so that at any given quarter comparisons can be made between different areas across the country as shown above in Figure 1. Each successive quarter the rates are aggregated for the purpose of this report to show trends as they emerge throughout the course of the year. At the end of the year the aggregated total of the four individual quarter rates will be the same as the annual ARHA rate.
- Figure 2 shows the rate of alcohol related hospital admissions per 100,000 population as of 2012/13 Q1-Q4 for each of the North East LAs. (Please note that this is provisional data released by the NWPHO and could be subject to minor changes upon revision).
- The overall rate as at the end of the last complete financial year of 2011/12 is shown in white at the bottom of each bar in the chart with the dotted outline representing the scale of the admissions rate in the previous year. The current 2012/13 Q1-Q4 rate is shown in green at the top of each bar.

Figure 2: Alcohol Related Hospital Admissions Rate per 100,000 Population as at 2012/13 and 2011/12 Year End



- The darker green bars in Figure 3 denoting the 2011/12 annual change for an area acts as a benchmark for the successive quarter totals. When any of the bars for the quarterly data drop below the dark green bar this indicates that the rate of increase in the area has reduced compared to the last financial year. If any of the bars for the quarterly data rise above the dark green bar then the rate of increase in the area has risen compared to the last financial year. As will be seen these trends fluctuate from quarter to quarter.
- In 2012/13 Q1-Q4, all of the twelve LAs in the region experienced decreases in their rate of ARHAs compared to Q1-Q4 of 2011/12. As a result the rate in the North East also decreased for 2012/13 Q1-Q4 by 4.1%, compared to an increase of 4.5% at the end of 2011/12.
- Gateshead LA experienced the largest 2012/13 Q1-Q4 decrease in its admission rate with a change of 6.3% compared to the 2011/12 Q1-Q4 rate whilst Newcastle LA had the smallest decrease at 2.0%.

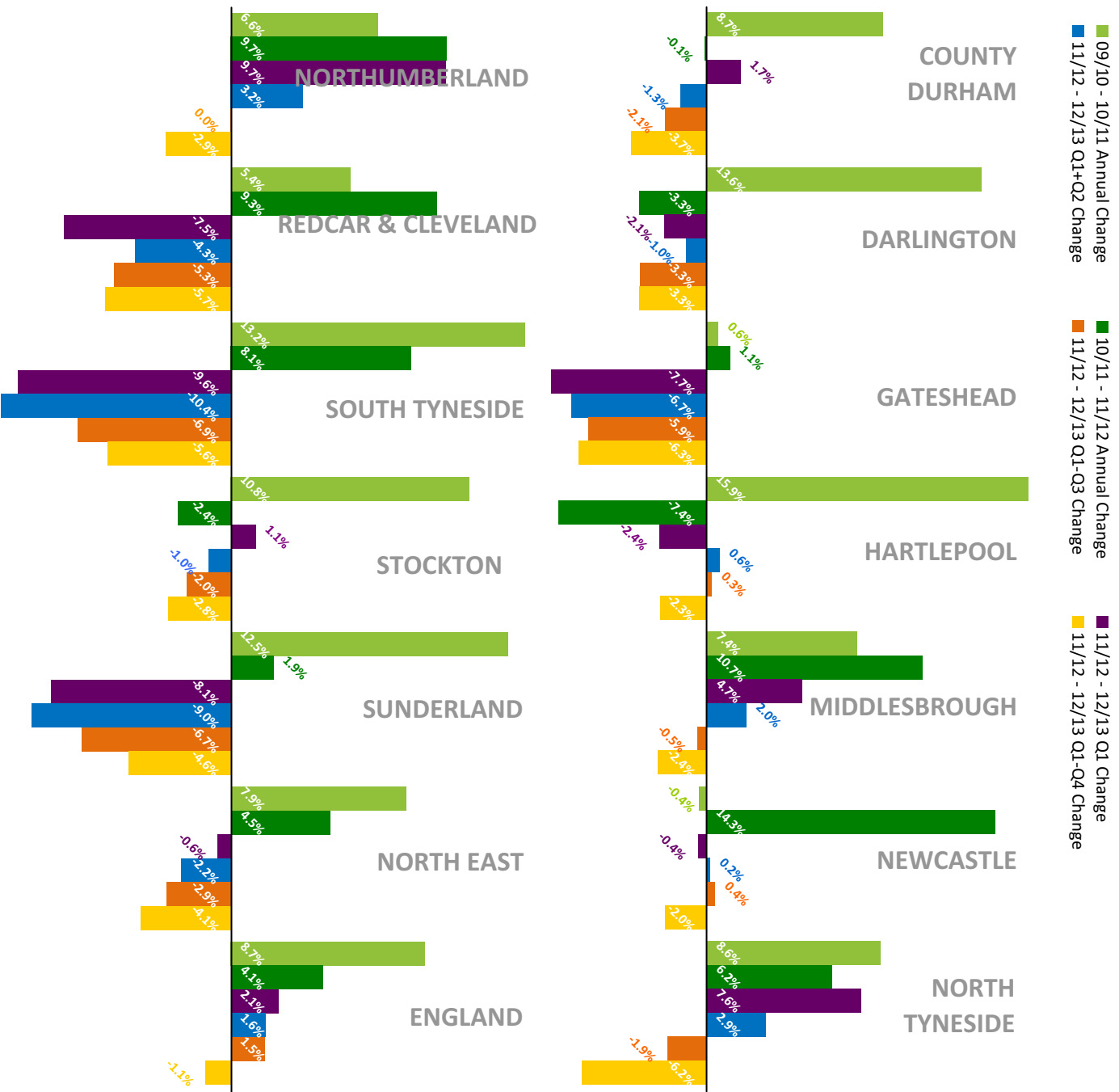
Figure 3: 2011/12 - 2012/13 Quarterly Change in Rate of Alcohol Related Hospital Admissions

Table 2 below shows the rates and the numbers of ARHAs for all of the LAs in the North East and the associated percentage increase/decrease between current and previous quarters.

Table 2: 2012/13 Q1-Q4 Alcohol Related Hospital Admissions by LA

Area	Alcohol Related Hospital Admissions 2011/12-2012/13 Q1-Q4			
	Rate per 100,000		Number of Admissions	
	Rate	Change since last Q1-Q4	Number	Change since last Q1-Q4
County Durham	2,390	-3.7%	15,234	-2.8%
Darlington	2,259	-3.3%	2,819	-3.9%
Gateshead	2,406	-6.3%	5,857	-6.0%
Hartlepool	2,699	-2.3%	2,943	-1.8%
Middlesbrough	3,471	-2.4%	5,183	-3.0%
Newcastle	2,883	-2.0%	8,456	-2.6%
North Tyneside	2,871	-6.2%	7,031	-5.3%
Northumberland	2,279	-2.9%	9,711	-2.1%
Redcar and Cleveland	2,686	-5.7%	4,579	-5.4%
South Tyneside	2,912	-5.6%	5,399	-5.1%
Stockton	2,392	-2.8%	5,312	-2.6%
Sunderland Teaching	2,823	-4.6%	9,187	-4.6%
North East	2,602	-4.1%	81,712	-3.7%
England	1,951	-1.1%	1,230,510	0.8%

- For questions on this report please contact Neil Martin at the Balance Office on 0191 3337150 or at neil.martin@balancenortheast.co.uk. For further detailed figures on ARHAs please see the LAPE website at <http://www.lape.org.uk/natind.html>.

Campaigns

Timetable of Events for the next 12 months: April 2013 – March 2014

Month	Awareness Day/Week	Activity	Lead Organisation
May 2013	Cancer Prevention Week Monday 13 th – Sunday 19 th incorporating Fruity Friday	Ensure all reception areas are promoting healthy lifestyle choice, including health eating, physical activity and maintaining a healthy weight. Wear Yellow Provide fruit at reception	DISC
18-24 May 2013	Adult Learners' week	An opportunity for individuals and organisations celebrate lifelong learning. An event at the Grand Hotel on the 20 th May. http://www.alw.org.uk/	Lifeline
27 May – 02 June 2013	National Family Week	National Family Week is the UK's biggest annual celebration of family life aiming to highlight the importance of quality time together and promote the benefits of a healthy, active lifestyle. During The Week there will be thousands of events, huge giveaways, great competitions and loads of special offers for families! Visit the website for more details. http://www.nationalfamilyweek.co.uk/	Lifeline
May 2013	Walking month	User-led walk arranged for Sunday 26 th May	DISC Report for April received

May 2013	International Remembrance Day	A time for Staff and Service Users to reflect the losses that have arisen from Substance Misuse on a local and national scale.	DISC
10-16th June 2013	Carers Week	Organized by 10 national charities: Carers UK, Counsel Care, Crossroads Caring for Carers, Help the Hospices, Macmillan Cancer Support, MS Society, Parkinson's Disease Society, The Princess Royal Trust for Carers, Vitalise and WRVS. Events and activities every day of the week; over 7,000 in total. Visit the website for more details. http://www.carersweek.org/	Lifeline
June 2013	National Men's Health Week 10 th – 16 th	Create huge blue ribbons and place in all reception areas as well as information on men's health	DISC
July 2013	Holiday Health including alcohol, sexual health and sun awareness	TBC	DISC
27th July 2013	Mayor's Family Fun Day in Rift House Recreation Ground	General awareness raising around Family Services & Harm Minimisation	Lifeline & DISC
28th July 2013	Hepatitis Day	TBC	DISC
August 2013	Active August- for the full month!		All Services

9th September 2013	FASD National Day	Awareness raising day around Foetal Alcohol Spectrum Disorder	Lifeline
September 2013	Freshers Week	Freshers Event at Hartlepool College of Further Education	Lifeline
September 2013	Know your numbers-National Blood Pressure Testing Week 12 th -18 th	TBC	DISC/Intrahealth
October 2013	Breast Cancer Awareness Month	TBC	DISC
10th October 2013	World Mental Health Day 10 th the theme for 2013 is; 'mental health and older adults'	TBC	DISC
07th November 2013	National Stress Awareness Day	TBC	DISC
20th November 2013	Universal Children's Day	Universal Children's Day Raising awareness events across the UK. Visit the website for more details. http://www.un.org/en/events/childrenday/	Lifeline
18th – 24th November	Substance Misuse Awareness Week	Events around Hartlepool - TBC	DISC/Intrahealth/Lifeline
01st December 2013	World Aids Day		DISC/Intrahealth/Lifeline
For the month of December 2013	Safe and Healthy Festive Season 1 st -31 st	TBC	DISC

January 2014	Shake up your wake up.	Shake up your Wake up Farmhouse Breakfast Week is an annual celebration championing the importance of breakfast which aims to get the nation to Shake Up Their Wake Up! 47% of people regularly skip breakfast during the week so our aim is to encourage people to enjoy a healthy breakfast more regularly http://www.shakeupyourwakeup.com/	Lifeline
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It would be beneficial if DISC & Lifeline could co-ordinate and work together on this timetable.

A report is need for every activity and should be e-mailed to: Sharon.robson@hartlepool.gov.uk no later than 4 weeks after each campaign as stated next to each activity.

Thank You

Substance Misuse Week - 18th – 22nd November 2013				
DRAFT Timetable				
	AM	Lead Agency	PM	Lead Agency
Monday 18th Nov 13	Lynn Street Open Day – Open to Service Users, Staff & members of the public. Possible stand in Civic Centre Reception Lifeline - Paul Vasey (volunteer) Drug & Alcohol Awareness Training (All Day)	DISC Lifeline	Lynn Street Open Day 1.00 – 3.00 Drug & Alcohol Awareness [to professionals] 2-4 MIND supporting training 12.30 – 3.00 Creative Support – creating self stand in reception Sarah Conn [DISC] supporting 1.00 – 4.30	DISC Lifeline IntraHealth - Carole Dent 2pm – 5pm
Tuesday 19th Nov 13	Peoples Centre - SMART Recovery Group & Awareness Stand Lifeline - Paul Vasey (volunteer) Lifeline - Mick Pollard 9.00am – 12.00noon - Tracy Chapman [DISC] supporting	Lifeline - Lee Stoves	Peoples Centre – Awareness Stand Lifeline - Heidi Lawson 1.0pm – 4.30pm - Sue Cass [DISC] supporting	Lifeline - Lee Stoves All Day IntraHealth – Emma Knox 2pm - 5pm
Wednesday 20th Nov 13	Lynnfield Children's Centre 9 - 12 Lifeline - Sam Haran 9.00am – 12.00noon - Donna Dobson [DISC] supporting Drug & Alcohol Awareness Belle Vue - 9.30 – 11.30am	Lifeline DISC	7.00pm – 11.00pm Recovery Gig @ The Studio - Sue Briggs, Debbie Kearns [Vol] – Bands & professional poetry 1.00pm-4.30pm - Gwen Hollande [DISC]	DISC IntraHealth – Jill Thompson 9am – 12.30pm

Thursday 21st Nov 13	College (DISC to organise) Lifeline - Sarah Wilson 9 -12 - Karen Piercy [DISC]	Lifeline DISC IntraHealth – Jackie Blanchard 9.00am – 12.30pm	Rossmere Children's Centre Lifeline - Tracy Collins 1.00 – 4.30pm Andy Cass & Peter Carroll [DISC] Supporting	Lifeline DISC
Friday 22nd Nov 13	Chatham Road Children's Centre 9 – 12 Lifeline – Karla Coxon (Vol) Student Presence all day to shadow treatment staff Jill Blackett [DISC] Supporting Student – Holly Bratt	Lifeline DISC	ASDA (Sue Briggs or organise) Lifeline - Lee Stoves 12.00-4.00 ASDA Foyer – limited space, car reg needs to be lodged with reception	All Agencies IntraHealth Karen Prested 2pm – 5pm
Saturday 23rd			Safer Hartlepool, Safer Nights Awaiting confirmation from Police Sue Briggs, Darren or Sarah, Anita Bage	DISC
Sunday 24th			Recovery Walk 11.00 – 3.00 – either Summerhill or Hart to Haswell [SU's to decide]	DISC

In addition

- Poster to be developed to promote, Lynn Street Open Day, Training Sessions and Substance Misuse Week
- Balance to launch Dry January at the start of Substance Misuse Week
- We would like to see leaflets and posters distributed to as many GP's & Pharmacies as possible
- Visible Recovery – Client Participation

In addition there will be Workplace Health Activity via Steven Carter, that will be ongoing during & post Substance Misuse Week will include:-

- TATA Steel, EDF Energy (Hartlepool Power Station) and Vela Group (Housing Hartlepool) will be using SMW to launch their drug and alcohol awareness campaigns which will run through to Christmas, and encouraging their staff to sign up to Dry January in the New Year as part of the campaign. They will be providing alcohol-free cocktails in canteens and amenity blocks, and awareness information and advice to staff via their Occupational Health departments, on a number of dates.
- In addition, EDF Energy are looking to provide training to staff around drink and drug driving as well as safe and efficient driving techniques for winter.
- Hartlepool Borough Council are currently rolling out this training to staff via the Road Safety Team, which includes an element of alcohol awareness, know your units and the 'morning after' campaign, encouraging staff to be aware of how long alcohol takes to get out the system and the dangers of driving the morning after a binge.
- Alcohol Awareness Week and Dry January materials from Balance will be promoted and circulated to businesses in Hartlepool to encourage further participation and involvement in the campaigns. Further updates will be sought following the campaign and prior to Christmas via Better Health at Work Award assessment visits, to gauge involvement and impact.