

AUDIT AND GOVERNANCE COMMITTEE AGENDA



Thursday 11 December 2014

at 10.00 am

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

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Ainslie, S Akers-Belcher, Cook, Martin-Wells, Thompson, Sirs and Springer.

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

Parish Council Representatives: Parish Councillor J Cambridge (Headland) and
Parish Councillor B Walker (Greatham).

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

- 3.1 To confirm the minutes of the meeting held on 16 October, 2014
- 3.2 To confirm the minutes of the meeting held on 13 November, 2014 (to follow)

4. AUDIT ITEMS

- 4.1 Mazars Report- Annual Audit Letter 2013/14 – *Chief Finance Officer*
- 4.2 Internal Audit Plan 2014/15 Update - *Head of Audit and Governance*
- 4.3 Treasury Management Strategy – *Chief Finance Officer*

5. STANDARDS ITEMS

- 5.1 Standards Complaints Process and Procedure – *Chief Solicitor*



6. STATUTORY SCRUTINY ITEMS

- 6.1 Statutory Health Scrutiny – Operational Changes – *Scrutiny Manager* (to follow)

7. MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD

- 7.1 To receive the minutes of the meeting held on 20 October, 2014.

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

No items.

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

No items.

10. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP

No items.

11. REGIONAL HEALTH SCRUTINY UPDATE

- 11.1 Verbal Update on the meeting held on 20 November, 2014 – *Scrutiny Manager*

12. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

FOR INFORMATION:

Date and time of next meeting – Thursday 8 January 2015 at 10.00 am at the Civic Centre, Hartlepool.



AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

16 OCTOBER 2014

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

Present:

Councillor Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Rob Cook, George Springer and Paul Thompson.

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

Also Present: Councillor Paul Beck as substitute for Councillor Stephen Akers-Belcher in accordance with Council Procedure Rule 5.2

Two HealthWatch Representatives

Tees Valley Public Health Shared Service: -
Elaine Salvati – Nurse Clinical Lead
Dr Tanja Braun – Consultant in Public Health Medicine
James O'Donnell, Public Health Intelligence Specialist

Member of the Public: Brian Gale.

Officers: Louise Wallace, Director of Public Health
Carole Johnson, Head of Health Improvement
Steven Carter, Workplace Health Improvement Specialist
Sharon Robson, Health Improvement Practitioner (Drugs and Alcohol)
Laura Stones, Scrutiny Support Officer
David Cosgrove, Principal Democratic Services Officer

70. Apologies for Absence

Councillors Stephen Akers-Belcher and Kaylee Sirs.

71. Declarations of Interest

Councillor Ainslie declared a personal interest in Minute No. 74.
Councillor Thompson declared a personal interest in Minute No. 75.
Later in the meeting, Councillor Cook declared an interest in Minute No. 86.

72. Minutes of the meeting held on 25 September 2014

Confirmed.

The Chair indicated that at the meeting on 25th September 2014 Mazars made reference to outstanding information from the Teesside Pension Fund Auditors which was needed to conclude the audits for all Tees Valley Councils. This information had been received on 30th September and there were no issues arising which impacted on the Accounts approved on 25th September 2014. This information, therefore, enabled Mazars to issue their 2014/15 Audit Opinion on 30th September 2014 which concluded the audit process for 2013/14.

73. Audit Items

No items.

74. Appointment of Parish Council Representatives for Standards Issues *(Chief Solicitor)*

The Principal Democratic Services Officer reported that the Audit and Governance Committee had within its remit the 'standards' responsibilities assigned under the Localism Act 2011 and that the Committee should involve 'Parish Council representatives when dealing with standards functions'. Where a matter relates to a Parish Council, a representative from another Parish Council should sit on the Committee (or any hearing sub-committee) to assist in the determination of that complaint.

The Chief Solicitor had recommended that the Committee should have at least two parish representatives, to safeguard against any conflict of interests arising. Over the summer, the Parish Councils were consulted on two options for appointing parish representatives. They were –

Option 1 – That each Parish Council provided one representative (nominated each year by the Parish Council) and the Monitoring Officer would approach at least one of those individuals from that 'list' to sit on any Committee/Sub-Committee hearing.

Option 2 – That the Parish Councils' agree a rotation of parish representation (a system operated previously), with a term of appointment of at least a year, potentially two years, from two parishes, on a rotational basis.

The feedback received supported the second option with a two year term of office. It was, therefore, proposed that the rotation of appointments be as follows –

Greatham PC / Headland PC – 2014/15 and 2015/16
Dalton PC / Elwick PC – 2016/17 and 2017/18
Hart PC / (etc.,) - 2018/19 and 2019/20.

Nominations had been sought from Greatham and Headland Parish Councils. Headland PC has nominated Parish Councillor John Cambridge and Greatham PC will make their appointment at a meeting on 3 November, 2014.

Recommended

1. That the Committee notes the report and the responsibilities assigned under the Localism Act 2011;
2. That two Parish Council representatives be appointed to the Committee for a two year term with following the rotation of nominations applying –

Greatham PC / Headland PC – 2014/15 and 2015/16

Dalton PC / Elwick PC – 2016/17 and 2017/18

Hart PC / (etc.,) - 2018/19 and 2019/20

3. That for the remainder of 2014/15 and 2015/16: -
 - (i) the nomination of Parish Councillor John Cambridge from Headland Parish Council be approved as a Co-opted Member of the Committee.
 - (ii) that, subject to confirmation of the nomination, a Parish Councillor from Greatham Parish Council be approved as a Co-opted Member of the Committee.

75. Investigation into Cardiovascular Disease – Setting the Scene *(Scrutiny Support Officer)*

The Scrutiny Support Officer introduced the representatives from the Tees Valley Public Health Shared Service who were in attendance to provide a series of presentations giving the background to the Committee's investigation into Cardiovascular Disease (CVD).

Elaine Salvati, Nurse Clinical Lead with the Tees Valley Public Health Shared Service gave a presentation describing what CVD was, how it was caused, its risk factors and what could be done reduce the likelihood of getting CVD. The main points of the presentation were –

- Deaths from CVD have fallen by over a third between 2001 and 2010, but CVD is still one of the main causes of death in the UK and accounts for about one-third of all deaths. In 2011, almost 160,000 people in the UK died from CVD. 74,000 of these deaths were caused by coronary heart disease - the UK's single biggest killer.
- Cardiovascular Disease (CVD) are diseases of the heart and circulatory system predominantly caused by the process of Atherosclerosis.
- The most prevalent CVD diseases are –
 - Coronary Heart Disease (CHD) – a disease of the blood vessels supplying the heart muscle which can lead to angina, heart attack

and heart failure.

Cerebrovascular Disease – a disease of the blood vessels supplying the brain which leads to stroke and TIA's (transient ischaemic attack).

Peripheral Vascular Disease (PVD) – a disease of the blood vessels supplying the arms and legs which can lead to claudication (pain), ulcers, gangrene etc.

Atrial Fibrillation (AF) – abnormal heart rate and rhythm which can be a major cause of stroke.

- The Risk factors for CVD were –

Modifiable risk factors: smoking, excessive alcohol consumption, high blood pressure (hypertension), high blood cholesterol, being physically inactive, being overweight or obese.

Non-modifiable risk factors: family history of CVD, ethnic background (South Asian origin), gender (men are more likely to develop CVD at an earlier age than women), age (the older you are the more likely you are to develop CVD).

Other: socio-economic status – people living in more deprived areas are more exposed to the risk factors of CVD and are less likely to make healthy lifestyle choices.

A Member questioned if Peripheral Vascular Disease (PVD) was related to Deep Vein Thrombosis. The Nurse Clinical Lead indicated that it could be. Members commented that the messages on CVD needed to be communicated to young people, potential through the schools, in a language they would understand. The Director of Public Health commented that the British Heart Foundation were involved in partnership with the local Authority in delivering education packages to schools.

A Member referred to the use of Statins to reduce high cholesterol and the bad press they had received. The Nurse Clinical Lead agreed that Statins had had some bad press in the past. There was new NICE (National Institute for Health and Care Excellence) guidance which said that Statins should be prescribed to people with a 20% risk and above of CVD. Statins could stabilise atheroma and even people with only a 10% risk of CVD could benefit from taking them.

A Member related his own personal experience of CVD after having a heart bypass operation. The Member commented that early diagnosis was essential although much was down to family history. The rehabilitation after the surgery had been excellent and had helped him significantly, though there were those who even after surgery still considered themselves poorly or had been particularly frightened by the operation. The Nurse Clinical Lead commented that everyone was different but they did need to get the message that they were better and they could do more. While a further CVD issue could not be ruled out there was rehabilitation available.

The HealthWatch representatives commented that while there were many GPs in the town taking proactive measures with their patients, HealthWatch had been trying to get more portable blood pressure monitors for patients to

use. The Nurse Clinical Lead commented that the Tees Valley Public Health Shared Service had given two such machines to each GP surgery.

James O'Donnell, Public Health Intelligence Specialist with the Tees Valley Public Health Shared Service, gave a presentation describing the epidemiology of Cardiovascular Disease. The main points of the presentation were –

- Heart and circulatory disorders were the leading cause of death in the country; ischemic heart disease and strokes being the two leading causes. Heart and circulatory disorders accounted for 8730 deaths of the total of 24,400 deaths in the North east.
- CVD was primarily caused by modifiable risk factors such as smoking, hypertension, obesity, diabetes, nutrition, alcohol, inactivity and psychosocial factors.
- In comparison to the rest of the country, the local indicators for causes of CVD such as deprivation, expectant mothers smoking, low take up of breast feeding after birth, and obesity were all significantly higher.
- Deprivation indicators were high with more than half of the electoral wards in Hartlepool in the bottom 20% of wards in the country.
- Since 1993, the prevalence of obesity in adults had increased significantly across the country and there was some correlation between obesity rates and diabetes.
- The emergency admission rates for 2009/10 for Hartlepool were significantly higher than the North East and England rates. The emergency admission rates for people from the most deprived wards was 2.6 times higher than for people from the least deprived wards in Hartlepool. The costs of these emergency admissions were also higher.
- Circulatory diseases and cancer were the most significant contributors to the gap in life expectancy between Hartlepool and the England average. Essentially, there were 31 male and 25 female unnecessary deaths each year caused by factors that were avoidable.

Members asked for further details on the life expectancy statistic. The Public Health Intelligence Specialist indicated that in Hartlepool people tended to live two years fewer than the national average; if those 31 male deaths each year didn't occur, then Hartlepool would meet the national average. The key element was that those 31 additional male deaths came from the most deprived wards.

A Member referred to the obesity statistics and commented that these were often disputed as, for example, rugby players were often classed as obese when their BMI was calculated yet they were fit and active men. The Public Health Intelligence Specialist commented that BMI was not always the best indicator and many used the excess fat and waist measurement. The Director of Public Health commented that a range of data sources were used to convey the messages on obesity and whichever measure was used, specialists were sure the problem was as significant as it was portrayed. The Chair commented that the presentation brought forward some very significant statistics for Hartlepool and that the life expectancy

gap needed to be addressed. The Director of Public Health added that the statistics showed that people in Hartlepool experienced illness earlier, for longer and died earlier because of it.

The Head of Health Improvement and the Workplace Health Improvement Specialist gave a presentation on the activities being promoted by the Council which would contribute to tackling CVD. The main points of the presentation were –

- There was an effective evidence based model of smoking cessation delivered by a Specialist Service in 8 different community venues and 5 community pharmacies in the town. A North of Tees Smoking in Pregnancy Steering Group co-ordinated activity specific to pregnant women and their families, including supporting the implementation of a regional hard hitting approach (BabyClear).
- Hartlepool had an active local Smoke Free Alliance made up of a range of partners supporting and advocating for all tobacco control issues not just smoking cessation. The Council also worked with FRESH on National and Regional activity on tobacco control.
- The Council operated the Healthy Heart Check service, a mandated function to offer a check to population aged between 40 – 74 not already diagnosed with CVD (plus a mini-health check available for people aged 25 – 39).
- The Health Trainer Service currently provided by North Tees and Hartlepool NHS Foundation Trust provided a free weight management support service (healthy eating, behaviour change support and access to physical activity) to adults in a range of community venues and GP practices in Hartlepool. It had recently been agreed that the new contract for this service would be brought in-house in 2015.
- Families in it Together Hartlepool ('FiiT Hart') provided one-to-one support to families around nutrition and group-based physical activity opportunities.
- Hartlepool Exercise for Life Programme (HELP) was a GP Exercise on Referral scheme providing specific cardiac-rehab and heart failure sessions for CVD and heart disease patients.

At this point in the meeting, Councillor Paul Thompson declared a personal interest in relation to the services provided by the Hartlepool Health Bus.

The introduction of defibrillators across the town was questioned. The Workplace Health Improvement Specialist indicated that some finance had been identified to place a number of defibrillators across the town, including in the Civic Centre.

The Chair questioned the family intervention process for obese children once a child had been identified as being obese. The Workplace Health Improvement Specialist indicated that this was a national programme with strict guidelines. The letter sent to families was one set by the guidance and was not one the local team was happy with. This was being fed back to the national body as the letter was not particularly compassionate or

friendly. The Chair indicated that he had seen one of the letters and would wish to see it changed and asked if locally the Authority would be allowed to use its own letter to parents. The Director of Public Health reiterated the point that this was a national programme with national guidance but the question could be asked. The Authority did have an officer on the national team managing the project, so the issue could be raised by that means as well. The Committee supported the Chair's request that an approach be made to change the letter sent to families whose children had been identified as being obese.

Members questioned what impact e-cigarettes were having on smoking rates in Hartlepool as they were often cited as a means of people giving up smoking cigarettes for something less harmful. The Head of Health Improvement commented that there were significant issues with e-cigarettes in that none of them were licensed or regulated. The smoking cessation service could not provide them as a therapy as they were not licensed. Makers were saying they were less of a risk but specialists were unclear as what was in them. E-cigarettes still fed a nicotine addiction which was the main issue.

Members asked if the use of e-cigarettes were allowed in Council buildings. The Workplace Health Improvement Specialist indicated that they were included in the Council's smoking policy so were not allowed in the building. Members were also concerned at the unregulated sale of e-cigarettes through car boot sales.

Members were concerned that smoking among young people seemed to be on the increase and were concerned that many could be using e-cigarettes as they thought them to be less harmful. The use of flavoured e-cigarettes as well was also thought to appeal to young people. The Head of Health Improvement indicated that there was smoking cessation work done through youth workers.

Recommended

That the information presented and Members comments be noted.

During a short adjournment at this point, Councillor Thompson left the meeting.

76. Director of Public Health Annual Report 2013/14 (*Director of Public Health*)

The Director of Public Health reported that she had a requirement to write an Annual Report on the health status of the town and the Local Authority duty to publish it was specified in the Health and Social Care Act 2012. A Copy of the 2013/14 Annual Report was submitted for the Committee's information.

Recommended

That the annual report be noted.

77. Substance Misuse Strategy Group – Updated Substance Misuse Treatment Plan 2014/15 *(Director of Public Health)*

The Health Improvement Practitioner (Drugs and Alcohol) updated the Committee on the progress and process taken to produce a Substance Misuse Treatment Plan 2014/15. The Safer Hartlepool Partnership was required to produce an annual Substance Misuse Treatment Plan and a copy of the draft plan was submitted as an appendix to the report. The draft plan included comments from service users gained through the JSNA consultation.

The Chair commented that he had been aware that the consultation on the plan had only created four responses. The Health Improvement Practitioner stated that the plan was required to undergo an eight week consultation period. The draft plan had been included on the Council website, a press release had been issued and there had been a wide circulation to partner organisations which included all GP practices and Public Health England. There had only been four responses and three had been incorporated into the document; the fourth had been a negative statement about drug users. Questionnaires had been issued to all service users and their families, around 650 people, and 80 responses had been received.

The Chair thanked the officer for the update. He commented that the Authority regularly put documents out for consultation with very little feedback and he suggested that greater use of social media should be made by the Council to engage particularly with young people. Members supported the view and it was proposed and unanimously supported by the Committee that the Finance and Policy Committee should be asked to look to formally engaging on a more proactive basis with social media.

A Member raised the issue of the night time economy in Hartlepool and the detrimental effects of binge drinking. The Licensing Committee had discussed the issue of an Early Morning Regulation Order last year and it would be appropriate for this Committee to ask the Licensing Committee to reconsider the position on an EMRO. The Chair commented that he had been the Chair of the Licensing Committee when the issue had initially been discussed and the Committee's hands were somewhat tied at that time. The Chair indicated that following the meeting he would write to the Chair of the Licensing Committee requesting a review of the EMRO decision as it was a year since the original consideration.

Recommended

1. That the updated Substance Misuse Treatment Plan 2014/15 be noted.

2. That the Chair write to the Chair of the Finance and Policy Committee requesting that the Council look to formally engaging on a more proactive basis with social media.
3. That the Chair write to the Chair of the Licensing Committee seeking a review of the Council's position on an Early Morning Regulation Order.

78. Health and Wellbeing Board's response to the Investigation into Chronic Obstructive Pulmonary Disease *(Health and Wellbeing Board)*

The Scrutiny Support Officer reported on the feedback on the recommendations from the Committee's investigation into Chronic Obstructive Pulmonary Disease (COPD), which had been reported to the Health and Wellbeing Board on 10 September 2014. The Health and Wellbeing Board approved the recommendations and actions, subject to a response being received from Hartlepool and Stockton-on-Tees Clinical Commissioning Group and North Tees and Hartlepool NHS Foundation Trust, in response to recommendations A to C. A 12 week timescale was provided for such responses, therefore, when the response was received, the action plan would be updated and re-circulated to this Committee and to the Health and Wellbeing Board.

Details of each recommendation and the proposed actions to be taken following approval by the Health and Wellbeing Board were set out in the Action Plan, which was submitted as an appendix to the report.

Recommended

That the report be noted.

79. Minutes of the recent meeting of the Health And Wellbeing Board

No items.

80. Minutes of the recent meeting of the Finance and Policy Committee Relating to Public Health

An extract from the minutes of the Finance and Policy Committee held on 18 August, 2014 relating to (Minute No. 37) Drug and Alcohol Recovery Services and (Minute No. 38) Stop Smoking Service were submitted for the Committee's information.

Recommended

That the two items be noted.

81. Minutes of recent meeting of Tees Valley Health Scrutiny Joint Committee

No items.

82. Minutes of recent meeting of Safer Hartlepool Partnership

The minutes of the meeting held on 18 July, 2014 were submitted

Recommended

That the minutes be received.

83. Regional Health Scrutiny Update

The Minutes of the meeting held on 17 April, 2014 were submitted for the Committee's information.

The Scrutiny Support Officer updated the Committee on the issues discussed at the most recent meeting of the Regional Health Scrutiny Committee held on 29 September, 2014. The minutes of the meeting would be circulated to the Committee as soon as they were available.

Recommended

1. That the minutes of the meeting held on 17 April be received.
2. That the update on the meeting held on 29 September be noted.

84. Any Other Items which the Chairman Considers are Urgent

During the meeting a copy of a survey being undertaken on behalf of the North East Ambulance Service (NEAS) was circulated for Members to complete.

85. Local Government (Access to Information) (Variation Order) 2006

Under Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

Minute 86 – Consideration of Investigation Report – This item contains exempt information under Schedule 12A Local Government Act 1972 as

amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 1) information relating to an individual.

86. Consideration of Investigation Report (*Chief Solicitor and Monitoring Officer*)

The Scrutiny Support Officer outlined the key points of an investigation into a complaint received from a Councillor relating to a breach of the Councillor Code of Conduct. Details were set out in the exempt section of the minutes.

Recommended

1. The Committee noted the finding of “no fault” against the subject Member and the recommendations contained within the investigation report.
2. That taking into account to the representations of the complainant and the subject Member, the Committee decided that no publicity should be attached to this investigation report and its findings.
3. That the Chief Solicitor be requested to consider the re-introduction of the Constitution Committee to allow Members an input into the Constitution.

The meeting concluded at 12.15 pm.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

13 NOVEMBER 2014

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

Present:

Councillor Ray Martin-Wells (In the Chair)

Councillors: Jim Ainslie, Rob Cook, Paul Thompson and George Springer.

Also Present: J Gray and L Allison, Hartlepool HealthWatch.

Officers: Clare Clark, Head of Community Safety and Engagement
Rachel Parker, Community Safety Research Officer
Nicholas Stone, Neighbourhood Safety Team Leader
Alyson Carman, Legal Services Manager
Joan Stevens, Scrutiny Manager
Laura Stones, Scrutiny Support Officer
David Cosgrove, Democratic Services Team

87. Apologies for Absence

Councillors Stephen Akers-Belcher and Kaylee Sirs.

88. Declarations of Interest

Councillor Jim Ainslie declared a personal interest in Minute No. 92.

89. Minutes of the meeting held on 16 October, 2014

Deferred.

90. Audit Items

No items.

91. Standards Items

No items.

92. **Hate Crime Investigation – Setting the Scene Presentation** *(Head of Community Safety and Engagement)*

The Head of Community Safety and Engagement, the Community Safety Research Officer and the Neighbourhood Safety Team Leader gave a presentation to the Committee outlining the main issues in the Hate Crime Strategy and the recording of hate crime. The main points highlighted were as follows -

- Hate Crime was still the most under-reported crime. It often had repeat offenders and repeat victims.
- A hate crime was 'any hate incident, which constituted a criminal offence, perceived by the victim or any other person, as being motivated by prejudice or hate.'
- A hate incident was 'any incident, which may or may not constitute a criminal offence, which is perceived by the victim or any other person as being motivated by prejudice or hate'.
- Hartlepool recorded hate crime in five categories; Disability, Race, Transgender Identity, Sexual Orientation and Religion or Belief.
- There were variations across the country in recording hate crime. For example Manchester also recorded an additional category of 'Sub Culture'.
- Home Office statistics showed that the vast majority of recorded hate crime related to race (84%).
- The increase in the recording of hate crime was been seen as positive in that the victims were coming forward more often as they had increased faith in something happening when they did.
- The law was, however, variable in its protection of victims. There were significant calls for the law in this area to be overhauled due to its complexity to assist both victims and the Police.
- Crime Survey for England and Wales (CSEW) – 43% of personal hate crimes are not reported to the police.
- Stonewall Gay British Crime Survey – over 75% of LGBT victims did not report hate crime to the police.
- MENCAP Survey – 88% bullied in previous 12 months and one third on a daily or weekly basis.
- MENCAP Survey – 23% had been physically assaulted within public places (street / public transport).
- Victims often didn't report hate crime as they doubted whether the incident was serious enough, or incidents were happening too often to report, some victims feared being outed as gay or having mental health issues, some didn't think the Police might take them seriously and others thought that reporting incidents was too difficult.
- The number of hate crime incidents being referred to the CPS (Crown Prosecution Service) had increased 14% over the past year to over 14,700 with 84.7% of prosecutions being successful.
- Locally, reported hate crime incidents were relatively low with 118 incidents in 2012/13 and 101 in 2013/14. In each year the vast majority of the incidents were racial, reflecting the national picture.

- The number of nationalities living in Hartlepool had doubled in the past few years with 46 different nationalities now being recorded.
- Locally most of the hate crime incidents related to taxi drivers and local store keepers. The majority were public order / verbal abuse incidents. Around 60% of these incidents were recorded as a hate crime.
- Over the last year there had been 19 recorded incidents of 'Mate Crime' locally. This was where people befriended often vulnerable people (often elderly, mentally ill or disabled people) and then exploited them or their family.
- Incidents in schools, other than racial incidents, were not recorded by schools. Most of these incidents were dealt with through fixed term exclusions.
- The Council's Community Development Team supported various groups around the town. Some community integration work had been done in Burbank for example when it was felt that the local asylum seeker community were not integrating.
- The 'Safe Places Scheme' was a scheme run with local businesses that had received training to provide a safe haven for people should they be subject to a hate incident. These places had a logo displayed in their windows.
- There were now ten third party reporting centres spread across the town where victims could report incidents. These centres addressed the reluctance among many victims to report incidents to the Police. At each centre there were trained staff that used standardised reporting forms and the venues also provided a safe haven. No information was shared outside of the reporting centre without the permission of the victim unless an incident was so serious that not to pass it to the Police would be wrong and would fail to safeguard the individual.
- There were Hate Crime Champions that regularly talked to groups and encouraged the reporting of incidents.
- The Safer Hartlepool website had an online reporting form.
- The Anti-Social Behaviour (ASB) Team provided victim support and advice.
- The powers used to tackle hate crimes by the Team included: Mediation / Restorative Interventions, Verbal / Written Warnings, Acceptable Behaviour Agreements, Community Protection Notices, Landlord action under a Tenancy Agreement, Anti-social Behaviour Orders (replaced by Injunctions in Jan 2015) and Criminal Prosecution by Police.
- Officers used the Vulnerable Victims Assessment to identify high risk people and groups.

The Head of Community Safety and Engagement suggested a series of recommendations that the Committee may wish to consider -

1. Improved protection for victims through strengthening the law to cover all protected characteristics.
2. We need to acknowledge the decrease in recorded hate crimes and ensure we continue to raise awareness of what constitutes hate crime, and improve local identification and recording of hate crime.
3. Raise awareness of mate crime as an issue and ensure we protect our

most vulnerable victims.

4. An ongoing dialogue with all sections of the community to ensure we are intervening early and responding to concerns to build confidence to report.
5. Build local capacity to develop further the restorative approach to improve victim satisfaction and reduce future hate crimes being committed by the perpetrator.

In relation to the reporting of incidents Members questioned if witnesses could report incidents independently, why victims were generally reluctant to report incidents, Police prioritisation of incidents and how education could reduce this type of crime. The Head of Community Safety and Engagement indicated that witness reports were followed up on whenever they were received. Police did prioritise all crime reports and there was improved following up of reported incidents.

National statistics showed that those committing these crimes were white males between 19 and 24 and 45 to 55 years old. Much could probably be achieved in educating people if there was more reporting in the press of the court sentencing.

The level of unreported hate crime was questioned and if this was reflective of the level of confidence in the Police. The Head of Community Safety and Engagement commented that much depended on the type of incident; verbal abuse could be simply an 'incident' but depending on the type and level of abuse, it may be classed as common assault.

Members questioned the safe havens around the town and specifically the lack of a venue in the Headland area. The Neighbourhood Safety Team Leader indicated that information had been circulated to the press and was on the Safer Hartlepool website. Members suggested that a list of the venues should be held at the Civic Centre possibly on a poster.

Members questioned if the use of restorative justice really had an impact on perpetrators of hate crime. There could be instances where simply making an example of some of these perpetrators may be more productive as many did see the court system as particularly weak. Much of the hate crime incidents involving children and young people were probably reflective of what they heard at home and there were many examples of homophobic language on local websites and forums.

The Chair thanked the officers for a comprehensive presentation on this issue and for their responses to Members questions.

Recommended

That the presentation and debate be noted.

93. Hate Crime Investigation – Investigation Timetable / Process Update (*Scrutiny Manager*)

The Scrutiny Manager reported that a questionnaire on hate crime issues had been devised with input from eighteen groups across the town. The survey would be circulated through a variety of means including a web based survey through Survey Monkey. A press release was also being prepared. There had been a lot of encouraging buy-in to the questionnaire from local groups. Consideration was being given to making the survey available in differing forms and the Scrutiny Manager sought the Committee's approval to the delegation of any expenditure required to achieve this to herself in conjunction with the Chair.

Members approved the necessary expenditure and further suggested that it would be appropriate that any spending up to £500 from the overall budget of £5000 should be delegated to the Scrutiny Manager and Chair in the future.

The Scrutiny Manager indicated that there had been consideration of translating the questionnaire into a number of languages, but the costs initially quoted were quite prohibitive. The Chair confirmed this and indicated that it was disappointing that the translation would not be able to be carried forward. The Scrutiny Manager did report that through contact with several of the groups in the town, there were individuals within those groups that were used to assisting others with translation and they would try to ensure as many members of their group had the chance to give their input to the survey which was very encouraging.

The results of the survey would be analysed and reported to the February meeting. There had also been a focus group arranged for 1 December 2014 at 11.30 am to meet a regular asylum seekers group to which all Members were invited.

Recommended

1. That the report be noted.
2. That the expenditure of funds from the Dedicated Scrutiny Budget as requested be approved.
3. That in future, any expenditure from the Dedicated Scrutiny Budget up to the sum of £500 be delegated to the Scrutiny Manager in consultation with the Chair of the Committee.

94. Six Monthly Monitoring of Agreed Scrutiny Recommendations (*Scrutiny Manager*)

The Scrutiny Manager reported on the six monthly progress made on the delivery of scrutiny recommendations that fall within the remit of this Committee. Of the actions reported, eleven were overdue but there was work ongoing on each action and each had a defined period for when this work was expected to be completed.

A Member referred to the Reoffending Investigation and specifically action SCR-CD/1g/vii “The development of improved partnership working around housing, with checks in place to ensure that there is no stigma applied to offenders in the allocation of housing.” The Member considered that the commitment to this should be re-circulated to all Members of the Council in light of comments made recently around a potential development of housing for ex-offenders. The Scrutiny Manager indicated that this could be re-highlighted to Members.

Recommended

That the report be noted.

95. Appointment to Tees Valley Joint Health Scrutiny Committee (*Democratic Services Manager*)

The Principal Democratic Services Officer sought nomination of a replacement appointment to the Tees Valley Joint Health Scrutiny Committee following recent changes to the membership of the Committee.

At Council on 18 September, 2014 Members appointed Councillor Cook to the membership of the Committee in place of Councillor Robinson. Council had previously at its Annual Meeting on 10 June, 2014 appointed Councillors R Martin-Wells, J Robinson and K Sirs as this Committee’s representatives to the Tees Valley Joint Health Scrutiny Committee. As Councillor Robinson was no longer a Member of the Committee, Members are requested to appoint a replacement Councillor to the Tees Valley Joint Health Scrutiny Committee.

Recommended

That Councillor Stephen Akers Belcher be appointed to the Tees Valley Joint Health Scrutiny Committee.

96. Minutes of the recent meeting of the Health And Wellbeing Board

The minutes of the meeting of the Health and Wellbeing Board held on 10 September 2014 were submitted for the Committee’s information.

Recommended

That the Health and Wellbeing Board minutes be received.

97. Minutes of the recent meeting of the Finance and Policy Committee Relating to Public Health (*Scrutiny Manager*)

An extract from the minutes of the Finance and Policy Committee held on 13 October, 2014 relating to (Minute No. 96) Health Weight Service Update,

was submitted for the Committee's information.

Recommended

That the minute be noted.

98. Minutes of recent meeting of Safer Hartlepool Partnership

No items.

99. Minutes of recent meeting of Tees Valley Health Scrutiny Joint Committee

No items.

100. Regional Health Scrutiny Update

No items.

101. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

Update on the Review of GP Services and Contracts

The Scrutiny Support Officer circulated an update indicating that the GP surgeries in Hartlepool that had been under review had had their contracts extended in the short term. The Hartfields Surgery was anticipated to receive a new long term contract due to an increase in patient numbers. The two surgeries in the south of the town had their contracts extended while work continued on the longer term future of GP surgery provision in this part of the town.

Members welcomed the news and a Members suggested that particular credit should given to Councillors Clark, Riddle and Beck for their work with local residents on this issue. Members agreed that a letter from the Chair should be sent to those Councillors.

Response from the CCG on Ambulance Response Times

The Scrutiny Support Officer circulated a letter received from the CCG on ambulance response times. The Committee was informed that the Tees Valley Joint Health Scrutiny Committee had picked up this issue and was monitoring performance on a quarterly basis. The Chair indicated that the

Joint Committee had sought details from the North East Ambulance Service (NEAS) on the use of and expenditure on private ambulances such as the St John's Ambulance service. Details of paramedic training numbers had also been sought.

Members commented that they had been aware of instances where ambulances from Newcastle had been sent to incidents in Hartlepool, which was totally unacceptable. Members also commented that the frequent backlog of ambulances at Accident and Emergency departments could only be exacerbating the issue. The Chair noted Members comments and indicated these issues would be raised with NEAS representatives.

Tees, Esk and Wear Valley NHS Foundation Trust Inspection

Members were informed that the Care Quality Commission (CQC) was undertaking a planned inspection of Tees, Esk and Wear Valley Trust and the CQC would welcome any relevant feedback about the quality of care provided. Members agreed to share the Committee's response to the Victoria Road consultation with the CQC.

Regional Health Scrutiny Meeting.

A special Regional Health Scrutiny meeting was scheduled for 24 November and an invitation was extended to any Committee Members who wished to attend. The meeting would focus on the future shape of NHS services in the Northern Region against the background of the challenges that the NHS faces locally and to explore how the work of the Northern Clinical Senate and the Regional Scrutiny Committee could complement each other.

102. Local Government (Access to Information) (Variation Order) 2006

Under Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

Minute 103 – Standards – Hearing Sub Committee – This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 1) information relating to any individual.

103. Standards – Hearing Sub Committee (*Chief Solicitor and Monitoring Officer*) This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para. 1)

The Legal Services Manager reported on the investigation of a complaint against a Parish Councillor within the Borough. An investigation, involving an Independent Person had been undertaken and a final report issued. The report finding was that there was evidence of a failure to comply with the Members' Code of Conduct. However, local resolution of the complaint had not been achieved and the matter had been referred to this Committee for a local hearing. The appointment of Members to a Hearing Sub Committee was therefore sought. The Legal Services Manager reported that the sub committee would also involve the independent person who had investigated the complaint and an appropriate Parish Council representative from this Committee.

Recommended

That a Hearing Sub Committee be established to conclude this matter and that Councillors S Akers-Belcher, Cook and Thompson be appointed to the sub committee. The independent member involved was Mr N Rollo and Parish Councillor Cambridge was also appointed.

The meeting concluded at 11.50 am.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

11 December 2014



Report of: Chief Finance Officer

Subject: MAZARS REPORT- ANNUAL AUDIT LETTER
2013/14

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Audit and Governance 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 2013/14.

2. BACKGROUND

- 2.1 This report updates the Audit and Governance Committee on the key messages from the 2013/14 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.
- 2.2 The Annual Audit Letter was circulated to all members of the Council on 16.10.14 for information.

3. FINDINGS OF MAZARS

- 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 and Governance Committee is kept up to date with the work of our External Auditor.

6. BACKGROUND PAPERS

- 6.1 Audit Completion Report.

7. CONTACT OFFICER

- 7.1 Chris Little
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Annual Audit Letter 2013/14

Hartlepool Borough Council

October 2014



4.1 Appendix 1

Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Members
Hartlepool Borough Council
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

14 October 2014

Dear Members

Hartlepool Borough Council Annual Audit Letter 2014

We are pleased to present to you the Hartlepool Borough Council 2013/14 Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs according to the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office. We focused our audit on the risks relevant to the preparation of the Council's financial statements and its ability to maintain proper arrangements for securing value for money.

2013/2014 was another challenging year for the Council in a period of continued unprecedented change, in terms of the continued significant level of savings required against the backdrop of a significant change in its governance arrangements. We reflect on these matters in the value for money and future challenges sections of this letter.

However we were pleased to issue an unqualified opinion on the financial statements and the value for money conclusion.

I would like to express my thanks for the assistance of the Council's finance team, as well as Senior Officers and Members of the Audit and Governance Committee; the continued constructive approach to our audit is appreciated.

If you would like to discuss any matters in more detail then please do not hesitate to contact me or my Senior Manager, Diane Harold on 0191 383 6322.

Yours faithfully

Mark Kirkham
Director
Mazars LLP

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4.1 Appendix 1

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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 Council. We take no responsibility to any Member or employee 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.

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Overall messages

The Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit period for Members and other interested parties of Hartlepool Borough Council (the Council).

In addition to this letter, we presented our Audit Completion Report to the Audit and Governance Committee on 25 September 2014 which provides more detail of the work we have undertaken in 2013/14. Our outline plan was set out in the Audit Strategy Memorandum we issued for the year and we updated Members periodically in our regular Audit Progress Reports.

Our audit of the financial statements

We issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2014.

Summary of main findings from the audit

We highlight the following key points:

- good quality of the financial statements and supporting working papers;
- few errors in the financial statements, either adjusted or unadjusted and no errors impacting upon the Council's General Fund balance or Earmarked Reserves;
- no significant deficiencies in internal control (noting our work is not intended to express an opinion on the effectiveness of the system of internal control); and
- some minor recommendations raised to further enhance internal controls.

Full details are available in our separate Audit Completion Report. We would highlight the positive outcome of the audit and in particular the continued constructive and responsive approach of officers.

Our Value for Money conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money (VfM) conclusion for 2013/14. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work focused on the two criteria specified by the Audit Commission, namely:

- financial resilience; and
- economy, efficiency and effectiveness in the use of resources.

Work carried out included consideration of a range of evidence in respect of both criteria, including:

- your Annual Governance Statement; and
- your Medium-Term Financial Strategy.

4.1 Appendix 1

Significant risk	Commentary
Significant risk in respect of the financial resilience criterion – gap in savings required	<p>As reported earlier, we highlighted a significant risk in respect of the extent of savings required for the period ahead, mirroring the significant risk the Council recorded in your Annual Governance Statement and Medium-Term Financial Strategy.</p> <p>The risk arises from the level of savings the Council needs to make in order to achieve a balanced budget with current forecast savings required of £6.246m in 2015/16 and a further £15m to £18.6m over the next three years (2016/17 – 2018/19).</p> <p>As reported in our Audit Completion Report, we were able to gain sufficient assurance from work done to mitigate the risk, although the financial challenge facing the Council for the coming period remains significant.</p>

Our work allowed us to satisfy ourselves, against the backdrop of the continued unprecedented change and challenges of recent years, that the Council has maintained proper arrangements for securing value for money in its use of resources during the year. As highlighted in our Audit Completion Report, the Council is well aware of the significant challenges it faces. We comment further on these in Section 03.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the Council's WGA consolidation pack with the audited statement of accounts. As your activity is below the threshold set by the NAO for a full review of the WGA pack, the procedures we were required to carry out were limited to consideration of property, plant and equipment and pensions entries. We reported that the Council's consolidation pack was consistent with the audited financial statements on 30 September 2014.

Our other responsibilities

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Council's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

Fees

As outlined in our Audit Strategy Memorandum presented to the Audit and Governance Committee on 20 March 2014, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 (as previously reported)	2013/14 Final Fee
Code audit work	£144,180	£144,180	£144,720
Certification work	£24,500	£13,729	£13,729
Non-audit work	n/a	n/a	n/a
Total	£168,680	£157,909	£158,449

There has been a very small increase in fees for Code audit work of £540 since we reported to you in our Audit Strategy Memorandum for 2013/14 (subject to formal approval by the Audit Commission in due course). This increase has arisen because the Audit Commission no longer makes certification arrangements for the National Non-Domestic Rates (NNDR 3) return, which previously provided auditors with assurance over the relevant entries in the Council's accounts. As a result, for 2013/14 we have undertaken additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts. The associated additional audit fee is in line with guidelines provided by the Audit Commission to all local authority auditors.

The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our Certification Letter.

We confirm that we did not undertake any non-audit work during the year and no other audit or non-audit services are provided to the Authority by Mazars LLP or its associated entities.

Future challenges

The Council has made good progress in addressing its biggest challenges in 2013/14 and 2014/15 to date. This is against the backdrop of a significant change in its governance arrangements from April 2013, with the change from a Mayoral to Committee system. As highlighted in your Annual Governance Statement, the main challenges facing the Council include:

- delivery of the Medium-Term Financial Strategy, the sustainability of services and the level of performance;
- delivery of the Council Plan; and
- the impact of continued changes as a result of the Welfare Reform Act.

Key areas for the Council to continue to focus on are set out below.

Key area of focus	Commentary
Delivery of the Medium-Term Financial Strategy, the sustainability of services and level of performance.	<p>Continued robust budget management as well as regular, clear finance reports to the Finance and Policy Committee is vital.</p> <p>The Council has a good track record of robust budget management and delivering planned budget reductions. As the financial pressures increase, alongside continued reducing capacity, this should not be taken for granted.</p> <p>We note the annual review of earmarked reserves; this is good practice and helps focus attention on the risks facing the Council and why reserves are held.</p> <p>There are regular Chief Finance Officer reports to the Finance and Policy Committee as well as the Council, highlighting the ongoing financial challenges, for example:</p> <ul style="list-style-type: none"> • the impact on the changes requires a result of the Welfare Reform Act; • the impact of the business rates retention scheme, including the impact of the Power Station in this area; and • a continued reduction in income (in particular from the shopping centre), which has been addressed within the Medium-Term Financial Strategy. <p>Against this backdrop, developing the local economy in key areas such as housing and infrastructure becomes more challenging; however, we note that the Council is still focusing on the development of the town.</p>
Delivery of the Council Plan.	<p>The difficulties in maintaining the Council's good service performance levels should not be underestimated. As part of ensuring this, in particular as capacity continues to be reduced, it is important that performance monitoring remains strong and focused on the key risk areas.</p> <p>There should also be a continued focus on ensuring the internal control environment and wider governance framework remains fit for purpose as</p>

4.1 Appendix 1

Key area of focus	Commentary
	<p>the local government environment changes.</p> <p>We highlighted the Council's successful transition from a Mayoral to a Committee system in previous reports and strong Member-Officer relationships will remain fundamental to the ability of the Council to develop in the coming years.</p>

Each year undoubtedly becomes harder, and the scope for reducing expenditure without affecting service standards becomes more and more difficult. The Council, however, continues to have a strong approach in considering a range of options, including agreeing these plans well ahead of the relevant financial year.

A key risk for the Council is that the success of achieving previous year's savings means stakeholders might perceive the continued achievement of savings can continue and meet the significant spending reductions required. However, as the Council is well aware, some difficult and bold decisions will be required including potentially radical decisions impacting on how the Council works as well as the services it provides given the scale of savings required in coming year.

Should you require any further information on this letter or on any other aspects of our work, please contact:

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Director

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Mazars LLP

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AUDIT AND GOVERNANCE COMMITTEE

11 December 2014



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2014/15 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2014/15.

2. BACKGROUND

- 2.1 In order to ensure that the Audit and Governance 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
Lynnfield Primary	Ensure school finance and governance arrangements are in line with best practice.	- A register of business interests (including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.	Y
		- Contract Procedure Rules should be followed when acquiring goods / services in excess of £5k. Records of	Y

Audit	Objectives	Recommendations	Agreed
		<p>contract evaluation and decision to award should be signed by officers involved in the process, retained and the decision reported to the Governing Body.</p> <ul style="list-style-type: none"> - Both the hardware and software inventory should be provided to the auditor during the follow up audit. - The school should complete the recently issued ICO Guide to Information for Schools. It should classify its assets and complete the template of information to be published. The documents are included with this report. - 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 all its legal responsibilities in relation to the data it retains. - 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. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Kingsley Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - Contract Procedure Rules should be followed when acquiring goods / services in excess of those stated in Contract Procedure Rules. Records of contract evaluation and decision to award should be signed by officers involved in the process, retained and the decision reported to the Governing Body. - The Governing Body should formally adopt a scale of charges for services provided by the school to all external parties. - The school should develop an Information Security Policy which defines the arrangements for securing personal / sensitive data in all forms (i.e. electronic / hard). The school may consider the LA's Guide to Information Security Policy (including acceptable Use) which is included with this report. - Backups should be stored in a secure location within the school away from the main computer/server. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Jesmond Gardens Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - Access to SIMS should be restricted to authorised staff only and updated to ensure only current employees have access rights. The level of access given to such users should be the minimum required for them to perform their duties. - Income records should be maintained 	<p>Y</p> <p>N</p>

Audit	Objectives	Recommendations	Agreed
		<p>for all income received by the school. This enables income reconciliations to be complete to confirm there has been no loss/theft of school monies.</p> <ul style="list-style-type: none"> - Reconciliation against the Purchase Card Statement is undertaken to ensure that the recharges correctly reflect purchases made. - Copies of the budget monitoring statements should be retained to provide evidence as to the accuracy of such reports. - Checks should be undertaken to ensure that salary costs charged to the school are valid and accurate and that salary costs recorded on SIMS agree with actual salaries paid. - 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. - Due to the timing of the audit visit, the 8 week timeframe set by Human Resources had not elapsed. With this in mind, audit will review this at the time of the audit follow up visit to ensure signed contracts have been forwarded by Human Resources. - Purchases made by staff should be discouraged as it may affect VAT and warranties for goods purchased as well as bypass budgetary controls. - The school ensures that members of the Governing Body have up to date DBS clearances. - The school should develop an Information Security Policy, which defines the arrangements for securing personal/sensitive data in all forms (i.e. electronic/hard). The school may consider the LA's Guide to Information Security Policy (Acceptable Use), which was included at the time of issuing the draft report. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>N</p> <p>Y</p> <p>N</p> <p>Y</p> <p>Y</p>
Rift House Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - The current SFVS is presented to Governors for consideration and approval. - Minutes from Governor meetings should contain more detail relating to budget discussions and can give a reflection of the budget monitoring reports presented. In addition, copies of the budget monitoring statements should be retained to provide evidence as to the accuracy of such reports. - Employment references are obtained and retained on file. - A Register of Business Interests 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		<p>(including 'nil' returns) should be maintained for all governors and those staff who can influence purchasing decisions. The register should be updated at least annually.</p> <p>- Staff reimbursements should be discouraged where possible and where a purchase order is not possible, the school's purchasing card should be utilised.</p> <p>- Contract Procedure Rules should be followed when acquiring goods/services in excess of £5,000. Records of contract evaluation and decision to award should be signed by officers involved in the process, retained and the decision reported to the Governing Body.</p> <p>- Orders should be used for all goods and services with a few limited exceptions. These orders should be committed on the school's financial system prior to purchase to prevent overspending.</p> <p>- Checks should be undertaken to ensure that salary costs recorded on SIMS correctly reflect actual salaries.</p> <p>- Income records are amended to include the total amount collected for the week, arrears owing etc and also the date banked to enable reconciliations to be performed. The auditor will provide an electronic template document that the school may be able to utilise.</p> <p>- The Governing Body should formally adopt a scale of charges which should be reviewed on an annual basis.</p> <p>- A stock check should be undertaken on an annual basis. All items of equipment costing in excess of £500 or are of a portable and attractive nature should be recorded on the inventory record.</p> <p>- Records should be maintained to document that all staff have been informed of their responsibilities for data protection and information security. All staff with access to IT systems should complete a data protection form of undertaking.</p> <p>- The school should complete the recently issued ICO Guide to Information for Schools. It should classify its assets and complete the template of information to be published.</p> <p>- The school ensures that staff and members of the Governing Body have up to date DBS clearances.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
St Josephs	Ensure school finance and	- The school should discourage	Y

Audit	Objectives	Recommendations	Agreed
Primary	governance arrangements are in line with best practice.	<p>purchases made by staff as it may affect VAT and warranties for goods purchased as well as bypass budgetary controls. Expenditure relating to the school should be via purchase orders or the school's purchase card.</p> <ul style="list-style-type: none"> - 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. - Benchmarking data is presented to Governors. - The school should complete the recently issued ICO Guide to Information for Schools. It should classify its assets and complete the template of information to be published. The document is included with this report. - The school should develop an Information Security Policy which defines the arrangements for securing personal/sensitive data in all forms (i.e. electronic/hard). The school may consider the LA's Guide to Information Security Policy (Acceptable Use) which is included with the report. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Brougham Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - All staff and governors involved in the procurement process must complete a 'Declaration of Interest' annually or sooner if a change is made. - 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. - 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 all its legal responsibilities in relation to the data it retains. - The school should complete the recently issued ICO Guide to Information for Schools. It should classify its assets and complete the template of information to be published. The documents are included with this report. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
Golden Flatts Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - The school should carry out a benchmarking exercise for this financial year using the DFES Teachernet benchmarking website to evaluate performance against similar schools. - An adequate income record should be used to record all income received by the school, the date on which it was 	<p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		banked and entered on to the school's financial system.	
		- The Governing Body should formally adopt and review annually a scale of charges for services it provides.	Y
		- The school should complete the recently issued ICO Guide to Information for Schools. It should classify its assets and complete the template of information to be published. The document is included with this report.	Y
		- Minutes of the Governing meeting were the quotes had been reviewed should be provided to the auditor. Any future purchases over £5k should be subject to contract procedure rules and all paperwork retained as per retention procedures.	Y
		- Orders should be used for all goods and services with a few limited exceptions. These orders should be raised as soon as the cost is known (prior to the invoice being received) then be committed on the school's financial system to prevent overspending.	Y

3.2 In terms of reporting internally at HBC, Internal Audit produces a draft report which includes a list of risks currently faced by the client in the area audited. It is the responsibility of the client to complete an action plan that details the actions proposed to mitigate those risks identified. Once the action plan has been provided to Internal Audit, it is 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 is then reported to the Audit and Governance Committee.

3.3 The benefits of this reporting arrangement 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, making managers more risk aware in the performance of their duties. Greater assurance is gained that actions necessary to mitigate risk are implemented and less time is spent by both Internal Audit and management in ensuring audit reports are agreed. A greater breadth of assurance is given to management with the same Internal Audit resource and the approach to risk assessment mirrors the corporate approach to risk classification as recorded in covalent. Internal Audit can also demonstrate the benefit of the work it carries out in terms of the reduction of the risk faced by the Council.

3.4 Table 2 below summarises the assurance placed on those audits completed with more detail regarding each audit and the risks identified and action plans agreed provided in Appendix A.

Table 2

Audit	Assurance Level
I.T Network Controls	Limited
Officers Expenses	Reasonable
Extra Care Village	Reasonable
Resource Link System Controls	Reasonable
Disabled Discrimination Act	Reasonable
Health and Safety	Reasonable
Debtors	Reasonable
Creditors	Reasonable
Public Health Outbreaks	Reasonable
Internet Controls	Limited
Housing Benefit	Reasonable
Integra Application Controls	Reasonable

3.5 I.T Network Controls and Internet Controls are both judged as limited assurance audits. These risks related to ensuring Council policies in respect of network access and monitoring internet usage are adhered to. Actions have been agreed that mitigate the risks identified and are in the process of being implemented, which will lead to reasonable assurance being placed in these areas.

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

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

3.7 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.
Continuous Audit	Ongoing testing of fundamental systems.
Rossmere Primary	Ensure school finance and governance arrangements are in line with best practice.
Car Parking	Ensure that all statutory requirements are met and income received is protected.
Empty Homes	Provide assurance that properties are selected according to consistent criteria and purchased and improved in a manner that ensures that the scheme is financially viable.
Direct Payments	Ensure direct payments are made in line with statutory requirements and are accurate and effectively monitored.
Credit Card Payments	Identify the processes in place for ensuring compliance with the Payment Card Industry Data Security Standard (PCI DSS) and provide assurance that these processes effectively mitigated the risks.

ITU Concessionary Travel	Ensure adequate arrangements are in place to effectively manage the scheme.
Middleton Grange Shopping Centre	Ensure arrangements are in place that results in the Authority receiving what it is due under the contract terms and conditions.
Sexual Health Services	Ensure the provision of services comply with the Local Authorities (Public Health Functions and Entry to Premises by Local Health watch Representatives) Regulations 2013.
I World System Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.
Main Accounting System	Ensure final accounts are prepared that comply with all legislation, regulation, guidance and standards; Effective closedown procedures are in place to ensure that balances and assets are accurately reported in the statement of accounts in line with legislative / regulatory requirements; The financial ledger provides the data required to meet accounting standards; Data from feeder systems transferred to the financial ledger is bone fide, authorised, accurate and reconciled.
St John Vianney Primary	Ensure school finance and governance arrangements are in line with best practice.
Insurance	Ensure adequate procedures are in place in respect of the cover in needed.
Payroll	Payments made are accurate, timely and valid.
Redundancies	HBC and legislative requirements are met.
Council Tax	All taxable properties are identified, assessed and recorded and records are accurately maintained; All persons liable for council tax and all discounts, exemptions, benefits and other allowances have been identified and correctly recorded; Amounts due in respect of each taxable property have been correctly calculated and promptly demanded from the person(s) liable; Secure and efficient arrangements exist for all collections, which are promptly posted to the correct taxpayers' accounts. The billing authority complies with all statutory requirements for tax setting and the keeping of accounts.
S17 Welfare Payments	Ensure all payments are made in line with legislation and are adequately recorded.
Redundancies	Ensure HBC and legislative requirements are met.

- 3.8 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 and Governance 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

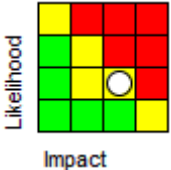
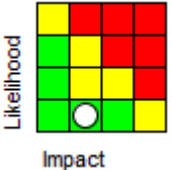
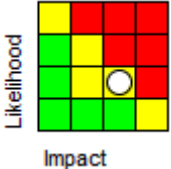
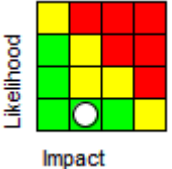
- 7.1 Noel Adamson

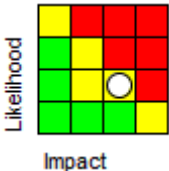
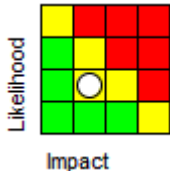
Head of Audit and Governance
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Victoria Road
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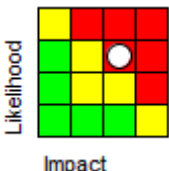
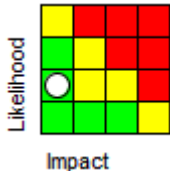
Tel: 01429 523173

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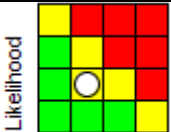
Appendix A

Audit	Objective	Assurance Level		
I.T Network Controls	Ensure a network strategy exists and standards and policies are in place to support its delivery.	Limited		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
<p>Poor controls over connection and access to networks may have the following consequences:</p> <ul style="list-style-type: none"> • users being able to gain unauthorised access to amend, copy, delete, transmit or receive data; • theft of, damage to or loss of data or software; • loss of service; • incompatibilities between networks within different parts of an organisation, thereby restricting communication, increasing costs and causing problems with future network expansion; • embarrassment to the organisation through adverse publicity. 		<p>There is an existing starters / leavers process that removes individuals as they leave the authority as an extra precaution for removing leavers access regular monthly reports of leavers are supplied to key system owners and Northgate (to remove email and network access) . The windows 7 project has also removed a number of unused accounts from the HBC network. On an ongoing basis a review of the information of any unused accounts will be undertaken this will be reported on as part of the monthly regular security reporting that is part of the new Northgate contract.</p>		
<p>Poor controls over connection and access to networks may have the following consequences:</p> <ul style="list-style-type: none"> • users being able to gain unauthorised access to amend, copy, delete, transmit or receive data; • theft of, damage to or loss of data or software; • loss of service; • incompatibilities between networks within different parts of an organisation, thereby restricting communication, increasing costs and causing problems with future network expansion; 		<p>There is a password reset tool that enables user to reset their own passwords with security questions once they have registered with the service. We will also introduce a requirement for an additional personal piece of information (e.g. D.O.B.) when contacting the Northgate Helpdesk as additional step to reset a users password.</p>		

<ul style="list-style-type: none"> embarrassment to the organisation through adverse publicity. 			
<p>There is no control over security of information held on networks</p> <ul style="list-style-type: none"> Computer systems are at risk of corruption and from hacking Data is available to unauthorised persons Non-compliance with the Data Protection Act Loss of service Fines are imposed Adverse publicity Loss of reputation 		<p>Network access is governed as part of the change process through CICT. A request for network access changes is logged with CICT any old access is reviewed / removed at this point.</p>	

Audit	Objective		Assurance Level
Officers Expenses	Review expenses to ensure that all are claimed and paid in line with council policy.		Reasonable
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Claims submitted may not be accurately processed and paid in a prompt manner.		<p>A project is in place to move employee expenses from Integra and onto My-View (Resourcelink self-service). Phase 1 includes mileage forms and incorporates checks of driver details. Procedures for the retention of supporting documents will be included as part of this project and these audit findings will be used as part of this process.</p>	

Audit	Objective		Assurance Level
Extra Care Village	Extra Care schemes are delivered in accordance with national/local requirements, effective contract monitoring ensures that the full range of user/service outcomes are considered on a regular basis ensuring the delivery of strategic objectives and the Extra Care Service is delivered in a cost effective manner.		Reasonable
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Contractual obligations relating to the Care and Support service may not be complied with and		The Council's monitoring programme requires 16 of the 28 outcomes to be monitored. The remaining 12	

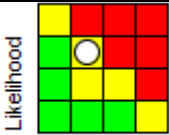
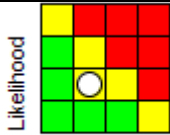
<p>go unnoticed if monitoring arrangements do not obtain the necessary assurance that all outcomes are achieved.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>outcomes are not monitored as they do not relate to safety and quality and although the outcomes are relevant to service delivery attention should be focused on those outcomes which impact on the service user. The Care Quality Commissioning is the regulator of the service and also monitors the 16 rather than 28. They too feel that the remaining 12 should not be monitored. The 12 outcomes which are not monitored by either organisation are included within the Essential Standards Guidance document. This document is referred to within the Council's Service Specification as it was more practical to refer to the whole of the document rather than selecting separate elements from it. The concept of the document and the Outcomes being included within the Specification was to mirror requirements placed on care homes by the Care Quality Commission to ensure that providers work to one specification and that both organisations will look at the same things.</p> <p>The Commissioned Services Team will therefore continue to monitor the 16 outcomes on a rolling program which commenced in 2012. In addition to the monitoring undertaken by the Council, as the Care Quality Commission monitors the same regulations and outcomes the results of CQC inspection reports are also used as part of the contract compliance and monitoring of the Council.</p> <p>Two of the 16 outcomes are to be monitored by health colleagues. Work is ongoing to establish a framework for this.</p>	 <p>Likelihood</p> <p>Impact</p>
<p>The Extra Care Service may not be delivered in a cost effective manner if a financial evaluation has not been undertaken.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>As indicated in the report a comparison has been made between the costs for residential care against the costs for extra care. This showed that generally a service user can received the same level of hours intervention in extra care as in a care home and that the extra care placement would be more cost effective. The outstanding issue is whether the outcomes for the individual are better value for money in extra care. To</p>	 <p>Likelihood</p> <p>Impact</p>

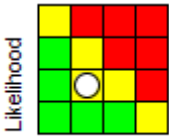
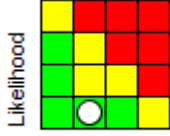
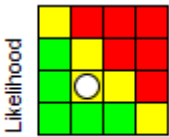
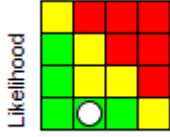
		do it has been too early to assess this as extra is still in its infancy. Work is ongoing at a national level to better understand the relationship between outcomes and home for life within extra and the department will monitor progress in relation to this before a decision is made to seek evidence on a local level.	
Payments to providers may not be accurate or in accordance with Contract terms and conditions.	<p>Likelihood</p> <p>Impact</p>	A process has been developed and implemented to ensure that the accuracy of charges on invoices for Comfort Call extra care are correct prior to payment being authorised.	<p>Likelihood</p> <p>Impact</p>


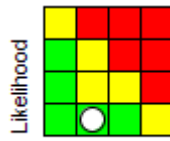
Audit	Objective		Assurance Level
Resource Link System Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.		Reasonable
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unauthorised access could be gained to the system resulting in erroneous or fraudulent transactions and access to personal information.	<p>Likelihood</p> <p>Impact</p>	To be reviewed with NYCC to confirm whether amendments to access can be applied retrospectively. To review Resourcelink Database Query tool to see whether regular enquiries can be created to identify when any user access permissions are amended.	<p>Likelihood</p> <p>Impact</p>
Data may be lost or corrupted or made available to unauthorised people.	<p>Likelihood</p> <p>Impact</p>	To be discussed with NYCC and arrangements confirmed with NYCC / NGA	<p>Likelihood</p> <p>Impact</p>

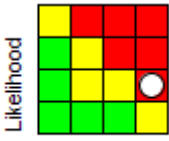
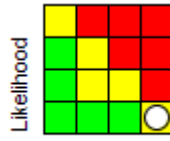
Audit	Objective			Assurance Level
Disabled Discrimination Act	The audit focused on access to buildings and services although a review of the Authority's Corporate policies and procedures to ensure compliance with the Equality Act provision relating to disability, will be undertaken.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Non compliance with legislation as set out in Section 149 (Public Sector Equality Duty) of the Equality Act regarding the provision relating to disability which may result in claims of discrimination leading to potential financial penalties.			<p>Training for eight officers has been identified. The training will be carried out between the 8th and 10th December 2014.</p> <p>This will allow all eight staff within the team to receive the training for the same cost as sending two staff to London. It also has the benefit of staff being available for job related issues as the course will be delivered within Building Design & Construction offices. It is then intended that two staff will be identified to proceed with obtaining accredited access auditor status. The course identified allows for direct progress to the accreditation process.</p> <p>The review of all previous access statements will commence when training has been completed. A programme will be issued in January 15</p>	

Audit	Objective			Assurance Level
Health and Safety	Review legislative updates, policies and procedures, risk assessments, scheduled works, reactive works and performance management.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
<p>H&S risk assessments are not recorded as per the corporately agreed procedure resulting in the following risks:</p> <ul style="list-style-type: none"> Unable to provide evidence of corporately operational risk assessment recording 			<p>The two policies have been revised and combined and are currently with Trade Union reps as part of the Council consultation arrangements. It is expected the revised health and safety arrangements will be in place by 31st December 2014. A report will be taken to CMT</p>	

procedure in the event of a claim being made after an incident occurs, which could result in: Enforcement action incurred; Adverse publicity; Financial loss; Loss of credibility and reputation.	 Likelihood Impact	regarding the use of Covalent for managing risk for a decision.	 Likelihood Impact
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Audit	Objective			Assurance Level
Debtors	Access to the debtors system is effectively managed to ensure employees' access rights are appropriate to their role and unauthorised access to the system is prevented. Debtor records are bona fide, complete and accurate.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Potential fraudulent activity or unintentional errors may occur if access to system data is not appropriately managed.		 Likelihood Impact	A review of users has been completed. The two users identified had not had the default environment removed from their permissions meaning they were still visible within the User Membership screen. However their login permissions had been disabled meaning they would have been unable to access the system. An analysis of users is to be run to identify whether there are any other disabled users that have not had this flag removed and will be amended on the system.	 Likelihood Impact
Performance monitoring may not identify problems and inefficiencies in sundry debt processes.		 Likelihood Impact	Procedures are reviewed internally year on year to identify any areas for potential improvements. This is reflected in the ongoing improvement in recovery rates. Benchmarking has not been undertaken nationally for a period of time. However as Payroll / Payments were completed in 2014 I will recommend, subject to funding being available, that a debtors review be included within the CIPFA benchmarking exercise for 2015.	 Likelihood Impact



Audit	Objective			Assurance Level
Creditors	Supplier accounts are raised promptly, accurately and only when they do not already exist or when the raising of such suppliers would breach corporate contracts in place at the authority. Controls are in place to prevent the amendment of supplier accounts for fraudulent purposes.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Payments may be made for goods / services that have not been requested or received by the Authority or incorrect payments may be made.		 Likelihood Impact	The Payments team will be restored to full capacity with effect from 20 th October enabling all previous operational arrangements to be re-established.	 Likelihood Impact

Audit	Objective			Assurance Level
Public Health Outbreaks	Review the standards and guidance in place with regard to Local Authority involvement in outbreaks and emergencies and verifying that HBC has plans and processes in place that are up to date, meet the guidance where applicable and appropriate and have been tested regularly.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unidentified risks, or risks not adequately assessed could lead to the organisation being unprepared for an accident/incident and being unable to meet its statutory duties to respond and protect the public appropriately. This could result in: preventable injuries or fatalities occurring during an outbreak or emergency as a result of poor or ineffective liaison with the relevant bodies; legal or financial penalties imposed on the organisation as a result of litigation following		 Likelihood Impact	Review liaison arrangements with partner agencies. Review learning from debriefs from Outbreaks and Emergencies to ensure lessons learnt are implemented.	 Likelihood Impact

ineffective management of an outbreak or emergency.			
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Audit	Objective			Assurance Level
Internet Controls	Ensure compliance with HBC policies and procedures.			Limited
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Staff able to accessing inappropriate sites.			Blocking of Gambling sites has been re-introduced as of 21/07/2014	
Staff using internet for personal reasons during work time affecting business productivity and/or internet facilities.			<p>Reports can be produced that show what any individual does using the Councils Internet. A report was produced showing all staff and their internet usage in one particular day. We will consider random sampling of users rather than the whole Council although this may need agreeing with Unions / HR.</p> <p>The report may need to re-configure to show actual sites visited rather than an IP address.</p>	

Audit	Objective			Assurance Level
Housing Benefit	Review Housing Benefit processes including Local Housing Allowance (LHA) payments; claims processing including backdated claims and changes in circumstances; disputes and appeals; payments of benefits including arrangements for recovering overpayments; Discretionary Housing Payments (DHP); Fraud prevention and detection and data security.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
Integra Application Controls	Provide assurance that controls are in place to manage application areas and, where possible, that these controls are working appropriately.			Reasonable
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Unauthorised access could be gained to the INTEGRA system resulting in erroneous or fraudulent transactions and access to personal information.		 <p>Likelihood</p> <p>Impact</p>	Arrangements to be put in place to regularly review user access arrangements	 <p>Likelihood</p> <p>Impact</p>

AUDIT AND GOVERNANCE COMMITTEE

11 December 2014



Report of: Chief Finance Officer

Subject: TREASURY MANAGEMENT STRATEGY

1. PURPOSE OF REPORT

1.1 The purposes of the report are to:

- i. Provide a review of Treasury Management activity for 2013/14 including the 2013/14 outturn Prudential Indicators.
- ii. Provide a mid-year update of the 2014/15 Treasury Management activity.
- iii. Enable the Audit and Governance Committee to scrutinise the recommended 2015/16 Treasury Management Strategy before it is referred to the full Council for approval.

2. BACKGROUND

2.1 The Treasury Management Strategy covers the:

- the borrowing strategy relating to the Council's core borrowing requirement arising from historic capital expenditure funded from Prudential Borrowing;
- the borrowing strategy for the use of Prudential Borrowing for approved capital investment business cases, for example LED streetlight replacement, housing schemes and the development of a new 'Centre for Independent Living' where loan repayment costs are funded from budget savings and / or increased income; and
- the annual Investment strategy relating to the Council's cash flow.

2.2 The Treasury Management Strategy needs to ensure the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget, which has been reduced as part of the Medium Term Financial Strategy. Similarly, for specific business cases the Treasury Management Strategy needs to ensure loan repayment costs do not exceed the costs built into the business cases.

2.3 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential

Code and to set prudential indicators for the next three years to ensure capital investment plans are affordable, prudent and sustainable.

- 2.4 The Act therefore requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing 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.
- 2.5 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to full Council. This responsibility has been allocated to the Audit and Governance Committee. Key elements of this report have also been referred to the Finance and Policy Committee for information owing to the linkages with the Medium Term Financial Strategy.
- 2.6 This report covers the following areas:
- Economic background and outlook for interest rates
 - Treasury management outturn position for 2013/14
 - Treasury Management Strategy 2014/15 mid-year review
 - Treasury Management Strategy 2015/16
 - Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2015/16

3. **ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES**

3.1 **The Global Economy**

- 3.2 **U.S.A. economy** – The Federal Reserve has continued monthly reductions in Quantitative Easing (QE) throughout 2014 and it was announced that QE had ended in October. The U.S.A faces similar debt problems to those of the UK, although the annual Government deficit has been halved from its peak without appearing to do too much damage to growth. However, weak labour force participation remains a key concern for the Federal Reserve as this will continue to depress sustainable consumer lead growth. Therefore, the Federal Reserve faces a similar dilemma to the Bank of England regarding the timing and scale of future interest rate increases.

- 3.3 **Eurozone economy** – continues to face the most challenging economic position owing to the increasing threat from weak or negative growth and deflation. Therefore, whilst concerns in financial markets for the Eurozone subsided during 2013, the sovereign debt difficulties (i.e. Government debt levels) have not gone away. Consequently, major issues could return for countries which have not addressed the fundamental issues of low growth, international uncompetitiveness and the need for economic reform. These factors mean that sovereign debt concerns have not disappeared, but have only been postponed. This situation is likely to lead to continuing weak or negative growth over the next few years within the Eurozone.

3.4 **China** – Government action in 2014 to stimulate the economy is not working as well as anticipated and the growth target of 7.5% is increasingly unlikely to be met. There are also concerns regarding the creditworthiness of bank lending to the corporate sector and Chinese local government during the post 2008 credit expansion period and the potential impact of a significant reduction in houses prices drawing nearer. These factors could reduce future Chinese growth, which would have a negative impact on other economies.

3.5 **The UK Economy**

3.6 The UK economy grew in 2013 and is forecast to continue growing in 2014 and 2015. However, for the recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, particularly manufactured goods. This will be challenging owing to the outlook for the global economy, particularly in relation to the Eurozone.

3.7 One of the key issues for the UK economy and the Council's Treasury Management Strategy is the outlook for interest rates. In August 2013 the Governor of the Bank of England initiated "forward guidance", with the intention of making the banks policies more effective and to provide businesses and households with greater clarity on future interest rates.

3.8 Forward Guidance has been updated on a regular basis by the Governor of the Bank of England to reflect changes in the economic outlook. In response to the frequency of changes in the outlook for interest rates announced by the Governor some economic commentators have suggested the Governor has changed from being the 'unreliable boyfriend', blowing hot one day and cold the next (i.e. will interest rates increase soon, or won't they), to being the 'fearful fiancée' who has popped the question but can't bring himself to name the day (i.e. interest rates will increase, but the size and timing of the increase(s) is uncertain).

3.9 The position facing the Governor is extremely complicated owing to the unprecedented challenges of managing interest increases from the current historically low level and of managing the unwinding of 'Quantitative Easing'. The frequency of updated forward guidance reflects the Governors consistent approach that interest rate decisions will be driven by data and regular updates are designed to enable business and households to prepare for future changes in interest rates.

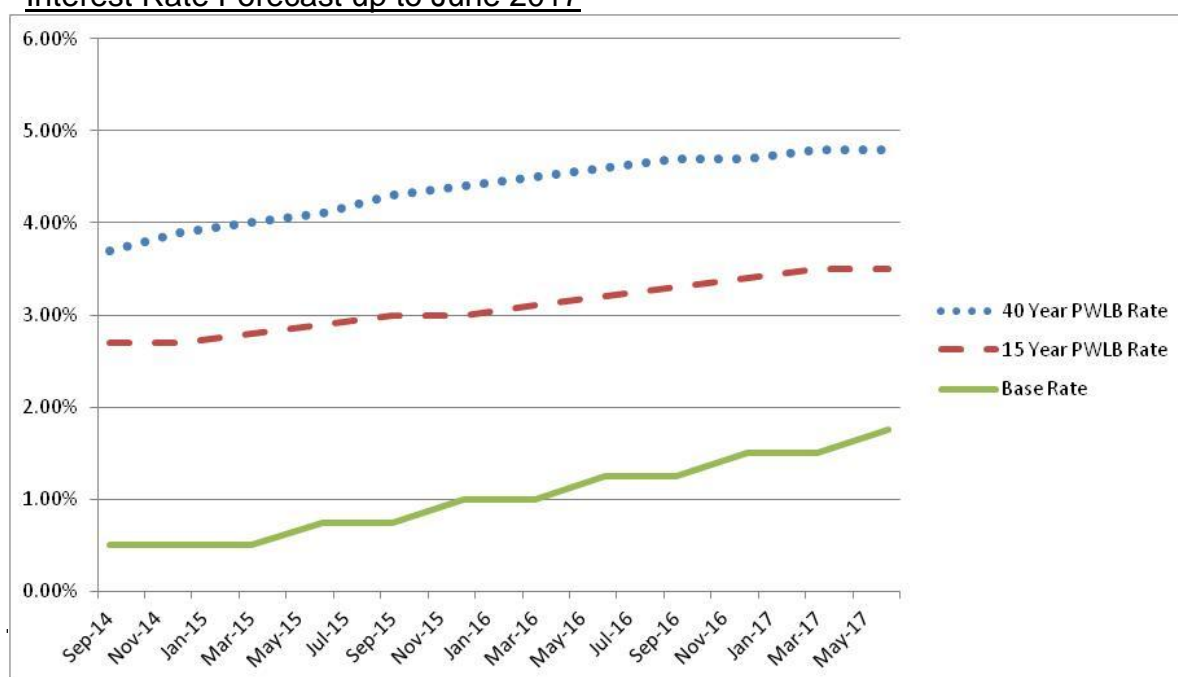
3.10 At this stage the outlook is for steady and small increase in the Base Rate commencing in 2015, with a peak rate below the pre 2008 Base Rate of 5%, reflecting the negative impact increased interest rates will have on the economy. What remains uncertain is the timing of the first interest increase and the frequency/value of subsequent increases. The Governor has indicated these decisions will be subject to regular review to assess the impact of changes in the economy.

- 3.11 In terms of the impact on longer term borrowing rates it is currently anticipated that there will much smaller increases as longer terms rates have changed less and forecast rates already anticipate increases in the Base Rate.

3.12 Interest Rate Forecasts

- 3.13 As indicated above forecasting future interest rates remains extremely challenging as the base rate has remained unchanged for longer than most economists initially forecast. Capita Asset Services (the Council's Treasury Management advisors) continue to update their forecasts to reflect statements by the Governor and changes in the economy. The latest forecasts up to June 2017 are provided in the following graph.

4. Interest Rate Forecast up to June 2017



4.1 Capital Expenditure and Financing 2013/14

- 4.2 The Council's approved capital programme is funded from a combination of capital receipts, capital grants, revenue contributions and prudential borrowing.
- 4.3 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.

- 4.4 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 £23.590m, of which £6.269m was funded by Prudential Borrowing.
- 4.5 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.
- 4.6 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.
- 4.7 The Council's CFR for the year was £92.236m as shown at Appendix A comprising £80.378m relating to the core CFR and £11.858 relating to business cases. This is lower than the approved estimate of £98.411m owing to the rephasing of capital expenditure in relation business cases over a number of years.
- 4.8 The Council's total long term external borrowing as at 31st March, 2014 was £54.525m. 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, the position is summarised in the table below. This strategy was approved in February 2013 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 2013/14 and contributed to the overall favourable 2013/14 outturn. In line with the approved strategy, specific borrowing was taken out in relation to specific business cases:
- Waste recycling scheme - £0.680m
 - Installation of new cremators - £1.385m

Split of Borrowing between Core and Departmental Capital Financing Requirement (CFR)	2013/14 CFR £'000	2013/14 Borrowing £'000	2013/14 Under Borrowing £'000
Borrowing Relating to Core CFR	80,378	48,279	(32,099)
Borrowing Relating to Business Case CFR	11,858	6,228	(5,630)
Total	92,236	54,507	(37,729)

- 4.9 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 borrowing in relation to advanced funding of the CFR was taken out in 2013/14.

4.10 Prudential Indicators and Compliance Issues 2013/14

- 4.11 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.
- 4.12 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 2013/14 the Council has maintained gross borrowing within its Authorised Limit.
- 4.13 **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 2013/14 plus the expected changes to the CFR over 2013/14 and 2014/15. The Council has complied with this Prudential Indicator.
- 4.14 **The treasury position 31st March 2014**
- 4.15 The table below shows the treasury position for the Council as at the 31st March, 2014 compared with the previous year:

Treasury position	31st March 2013		31st March 2014	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt				
- Tees Valley Unlimited Loan	£0.0m	0.00%	£1.6m	0.00%
- PWLB	£6.0m	4.87%	£7.9m	4.54%
- Market Loans	£45.0m	4.00%	£45.0m	4.00%
Total Long Term Debt	£51.0m	4.10%	£54.5m	3.97%
Total Investments	£34.2m	0.44%	£40.1m	0.32%
Net borrowing Position	£16.8m		£14.4m	

- 4.16 A key performance indicator shown in the above table is the very low average rate of external debt of 3.97% (4.08% if the Tees Valley Unlimited loan is excluded) for debt held as at 31st March, 2014. This is a historically low rate for long term debt.
- 4.17 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 14th February, 2013.
- 4.18 The Council also continued to exclude all foreign banks, including Irish banks from the list following the downgrading of the country’s sovereign rating.

- 4.19 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, during 2013/14 the risk associated with these higher returns would not have been prudent.
- 4.20 A prudent approach will continue to be adopted in order to safeguard the Council's resources, although some changes are recommended later in the report.
- 4.21 **Regulatory Framework, Risk and Performance 2013/14**
- 4.22 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.
- 4.23 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.

5. TREASURY MANAGEMENT STRATEGY 2014/15 MID YEAR REVIEW

- 5.1 The Treasury Management Strategy for 2014/15 was approved by Council on 6th February 2014. The Council's borrowing and investment position as at 31st September 2014 is summarised as follows:

	£m	Average Rate
Market Loans	45.0	4.00%
PWLB Loans	11.8	3.96%
Tees Valley Unlimited Loan	1.6	0.00%
Gross Debt	58.4	3.96%
Investments	52.9	0.30%
Net Debt	5.5	

- 5.2 The Council's 2014/15 Treasury Management Strategy remains unchanged from the Strategy approved on the 6th February 2014 and continues the strategy of netting down investments against borrowing and remains under-borrowed against the CFR. However, in line with the strategy, specific borrowing has been taken out to secure the business case for the Centre for Independent Living Scheme - £3.900m (included in the above figures).
- 5.3 Net Debt has increased since 31st March 2014 owing to the additional borrowing taken out as outlined above. It is anticipated that the net debt will increase towards the end of the year in line with previous years as a result of reducing cash flows.
- 5.4 As part of the Treasury Strategy for 2014/15 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.
- 5.6 The CFR and Capital Expenditure Financed by borrowing will vary from the original estimate approved by full Council in February 2014 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.

6. TREASURY MANAGEMENT STRATEGY 2015/16

- 6.1 Owing to the timing of the Audit and Governance Committee meeting it is not possible to provide detailed prudential indicators as part of the Treasury Management Strategy for 2015/16 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.
- 6.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies, detailed in section 7 and 8.

7. BORROWING STRATEGY 2015/16

7.1 As indicated earlier in the report borrowing strategies are needed for the Core Borrowing Requirement and the Borrowing Requirement related to specific business cases, as outlined in the following paragraphs.

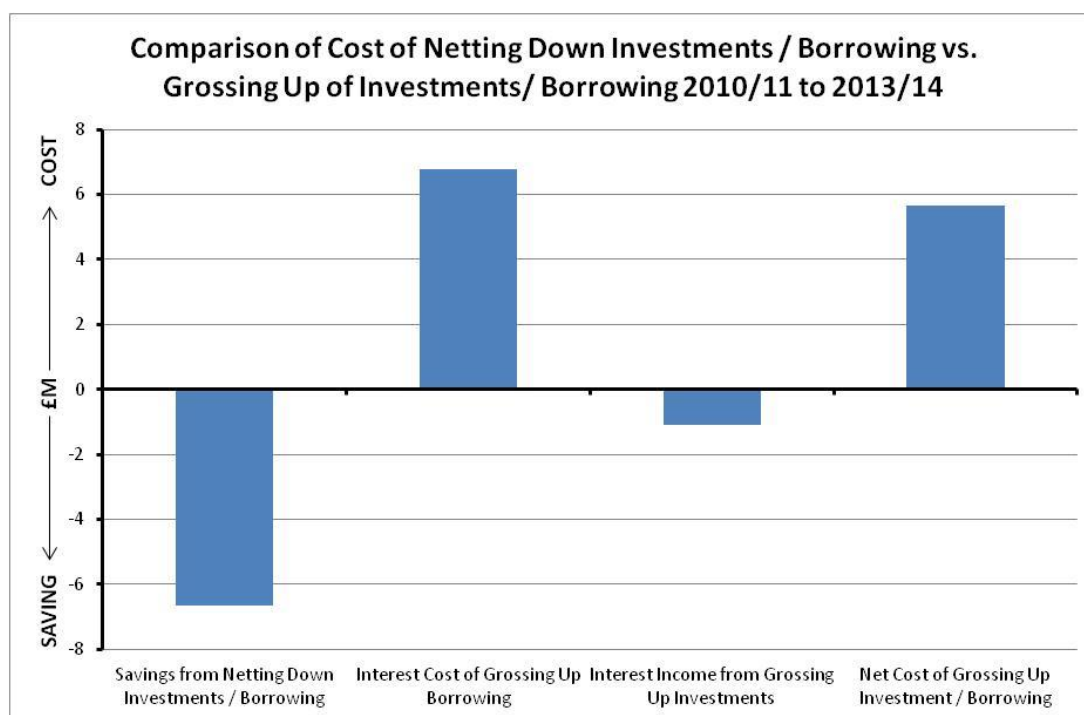
7.2 Core Borrowing Requirement

7.3 The continuing objective of the Council's Treasury Management Strategy is to fund the core annual borrowing requirement at the lowest possible long term interest rate.

7.4 Since the unprecedented reduction in the Base Rate to 0.5% in March 2009 (the lowest level in more than 300 years) the Treasury Management Strategy has been to net down investments and borrowings. This approach has been adopted by many other Authorities. In simplistic terms this approach is the equivalent of a household having an offset mortgage, although the regulations for the Council's Treasury Management arrangements are significantly more complex and the Council is managing public money.

7.5 This approach also enabled the Council to reduce investment counterparty risk and to provide the lowest cost to the Council for the last 4 years (2010/11 to 2013/14). Reducing investment counterparty risk continued to be particularly important during the banking crisis as it reduced the value of external investments at a time of significant financial uncertainty. This approach continued the Council's cautious investment approach, which also avoided investing in foreign banks, including Icelandic banks.

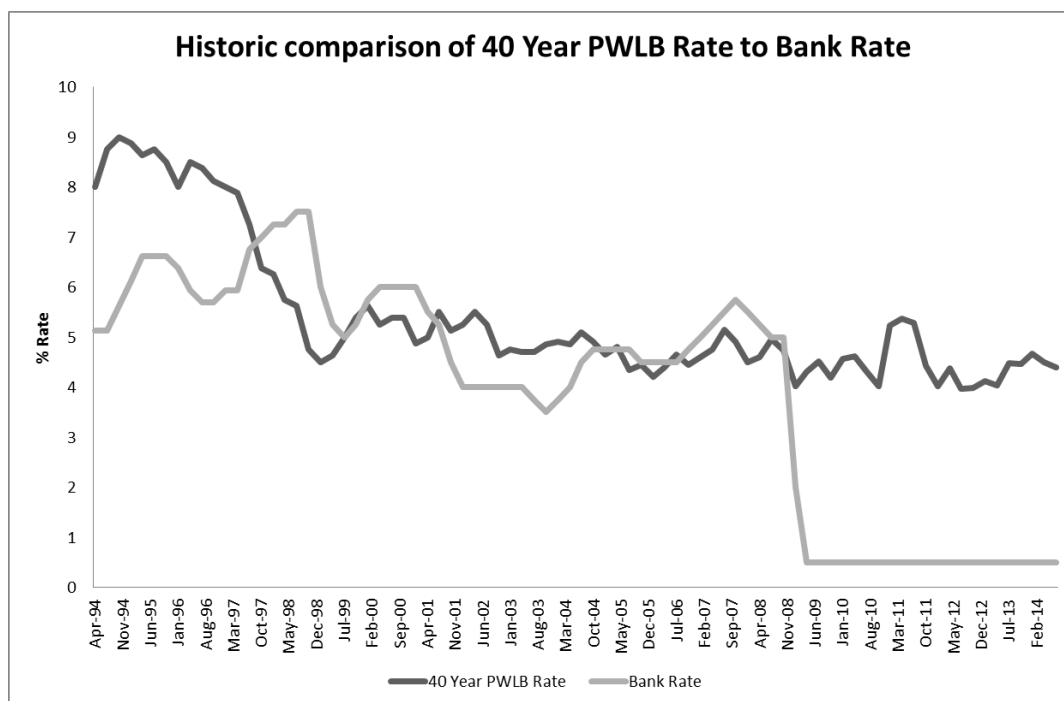
7.6 The approach avoided committing to longer term interest rates for loans, which have typically remained at about 4.2% for 40-year debt, as opposed to generating only around 0.6% on investments (the average for 2010/11 to 2013/14). This approach has provided temporary revenue saving on the cost of 'carrying' debt of around 3.6% per annum (i.e. the difference between long term interest rates for borrowing and short term rates for investments). Over the period 2010/11 to 2013/14 this has resulted in cumulative savings of £6.7m compared to a potential cumulative net cost of carrying the debt of £5.7m as summarised in the graph below. The resulting savings have been reflected in the annual outturn strategy which has earmarked resources to support the revenue budget in future years, support the Local Council Tax Support scheme and manage financial risks (for example Business Rates Risks).



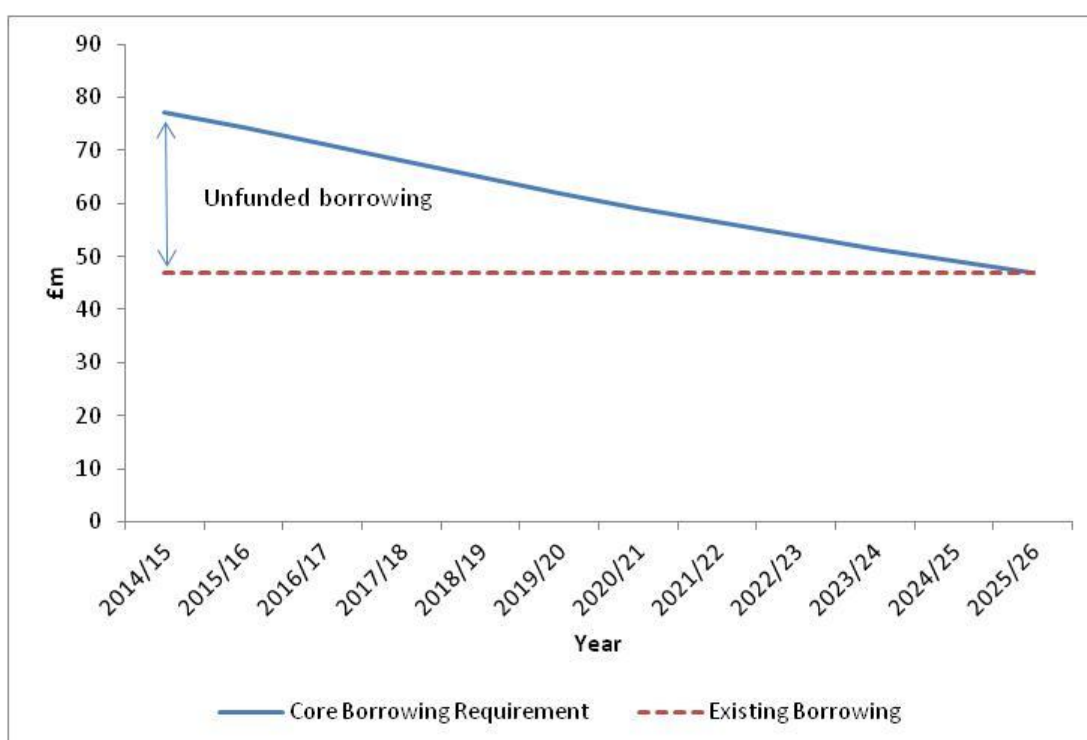
7.7 The existing Treasury Management Strategy always recognised that this approach was not sustainable in the longer term as the one-off resources which have been used to temporarily avoid long term borrowing will be used up. Therefore, at some point the Council will need to fund the borrowing requirement from longer term loans and secure affordable long term interest rates to achieve the Treasury Management savings already built into the 2015/16 base budget of £1.270m:

- Sustainable saving built into base budget from 2014/15 £1m;
- Additional sustainable saving built into base budget from 2015/16 £0.270m

7.8 The timing of borrowing decisions will need to reflect the outlook for the Base Rate and the impact this will have on longer term interest rates. Whilst, current long term interest rates are significantly higher than the current Base Rate they are still historically low, as highlighted in the following graph:



- 7.9 Recent announcements by the Governor of the Bank of England indicate that increases in the current Base Rate of 0.5% are now getting closer, although the timing and scale of increases is still uncertain. Whilst, most economists and financial commentators are not expecting the Base Rate to return to 5%, they had not forecast the unprecedented cut to 0.5%. This underlines the financial challenge facing the Council in making future borrowing decisions.
- 7.10 As reported previously the Core Borrowing requirement is forecast to reduce over a number of years as the Council is not adding to this debt. This position reflects the Government's decision to replace supported Prudential Borrowing with capital grants for capital projects/programmes it wishes to support. This change was necessary owing to the impact of re-localising Business Rates and the system for supporting revenue budgets. On this basis the level of the Core Borrowing requirement will reduce from £80.378m at 31st March 2014 to £47.058m at 31st March 2026, as summarised in the following graph.

Forecast Core Borrowing requirement 2014/15 to 2025/26

- 7.11 The “triangle” on the graph shows the annual reductions in the difference between the Core Borrowing requirement and the existing fixed long terms loans. This difference shows the value of unfunded borrowing and as time progresses the financial risk to the Council reduces as a result of the cumulative impact of annual repayments of the borrowing requirement.
- 7.12 The decisions which need to be made over the next 12 to 24 months will be key to ensuring interest costs are contained within the reduced revenue budget provision. In due course these decisions will be subject to scrutiny with the benefit of hindsight. However, these decisions need to be made on current information to secure the lowest long term cost for the Council. The following options are available:
- **Option 1 – Delay long term borrowing** - under this option long term borrowing will be delayed until there is a significant increase in the base rate;
 - **Option 2 – Fully fund the borrowing requirement up to 2025/26** - under this option long term borrowing will be taken to secure a loan fixed at current long term interest rates;
 - **Option 3 – Partly fund the borrowing requirements** – under this option long term loans could be taken out for either part of the unfunded borrowing requirement, or for the whole requirement up to 2018/19 (i.e. to cover the existing MTFS period).

7.13 The advantages and disadvantages of these alternatives are summarised below:

Option	Advantages	Disadvantages
1	<ul style="list-style-type: none"> • Maximises potential short-term interest cost savings (i.e. the next 3 years); • Potential to maximise medium term savings (i.e. 3 to 5 years) if Base rate remains below current long term interest rate. 	<ul style="list-style-type: none"> • Greater risk than other options that when long term borrowing is undertaken interest rates are higher than current long term interest rates, resulting in higher overall cost and unbudgeted revenue pressure.
2	<ul style="list-style-type: none"> • Provides greatest certainty of long term interest costs and ensures costs within budget. 	<ul style="list-style-type: none"> • Significant cost of 'carry' over the next 3 years as interest rates on borrowings will significantly exceed interest rates earned on investments. This will result in annual budget pressures.
3	<ul style="list-style-type: none"> • Provides certainty of medium term interest costs; • Provides a balance between certainty of future interest costs and benefits of potential short-term savings. 	<ul style="list-style-type: none"> • Lower benefit from short-term interest savings (i.e. within the next 3 years).

7.14 In recommending one of the above options the key requirement is to ensure the borrowing costs associated with the Core Borrowing Requirement are minimised in the long term and can be sustained within the existing revenue budget over:

- the period of the current Medium Term Financial Strategy; and
- the period beyond 2018/19 to ensure the longer term financial sustainability of the Council.

7.15 Borrowing costs will need to be secured by locking into long term interest rates at the appropriate time and before there is any significant increase in current long term interest rates.

7.16 At the same time the Council will need to avoid incurring costs of 'carrying' long terms loans by unwinding the current netting down of borrowing and investments which would arise as a result of the significant difference between long term interest rates and the interest earned on investments. In normal financial circumstances this is not an issue as long term rates and short-term interest rates are typically much closer. Historically there have

been significant periods when short-term interest rates exceeded long-term interest rates which meant there were no costs of 'carrying' long term loans in advance of need. However, owing to forecast interest rates for short and long term loans to June 2017 there are significant potential costs of 'carrying' investments. The graph in paragraph 3.13 highlights the difference in forecast interest rates.

- 7.17 On this basis of the issues detailed in the previous paragraphs it is recommended that **Option 1 – delay long term borrowing** is implemented, which continues the existing strategy. This recommendation is based on the planning assumption of continuing to maintain the 'Treasury Management Reserves' (balance at 31st March 2014 of £0.87m) to manage the potential risk that interest rates increase sooner and / or to a higher level than currently forecast. This reserve will avoid an in-year budget pressure in 2015/16 from higher and / or earlier increases in interest rates if this situation arises. As the position on the future timing and scale of interest rate becomes clearer the value of the Treasury Management Reserve will be reviewed to reflect an updated assessment of risk.
- 7.18 However, owing to the unprecedented financial environment and the uncertainty over the timing and scale of future interest rate increases this strategy will be kept under constant review. If circumstances change and it is anticipated interest rates will increase sooner and to a higher level than currently anticipated it may then be appropriate to implement **Option 2 – Fully fund the borrowing requirement** to fix long term interest costs at an affordable level to protect the Council's long term financial position.
- 7.19 **Borrowing Requirement Business Cases**
- 7.20 The options detailed in paragraph 7.12 are also applicable to the borrowing requirement for business cases where the loan repayment costs will be funded from savings and / or increased income.
- 7.21 However, the financial viability of each business case is assessed on an individual basis reflecting the specific risk factors for individual business cases. This includes the repayment period for loans and fixed interest rates for the duration of the loan. This assessment is designed to ensure the business case can be delivered without resulting in a General Fund budget pressures and corresponding increase in the overall budget deficit.
- 7.22 Therefore, in order to ensure the above objectives are achieved it is recommended that **option 2** is adopted for individual Business Cases to secure fixed interest rates.
- 7.23 **Municipal Bonds Agency**
- 7.24 The Local Government Association are looking to establish a Municipal Bonds Agency predominantly for the purpose of potentially offering lower interest rates to councils. As the Council's borrowing and investment Strategies hinge around netting down, involvement in the Municipal Bonds

Agency is not something that will be progressed at present. This approach avoids incurring a share of the initial set-up costs for the Municipal Bonds Agency. This position will be reviewed if the Council's position changes in the future.

8. INVESTMENT STRATEGY 2015/16

- 8.1 The Department for Communities and Local Government (CLG) issued investment guidance in 2010 and this forms the structure of the Council's policy. 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.
- 8.2 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.
- 8.3 In the current economic climate the investment strategy has one over-riding risk consideration which is safeguarding the principal invested. As a result of this underlying concern the existing investment strategy nets down investments and borrowing. This strategy restricts both the institutions the Council will invest in and the period of Investment.
- 8.4 **Counterparty Selection Criteria**
- 8.5 The Council's criteria for providing a pool of high quality investment counterparties uses the credit rating information produced by the three 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 criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 8.6 The **lowest common denominator** method of selecting counterparties and applying limits is used. This means that the application of the Council'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 Council's criteria, the other does not, the institution will fall outside the lending criteria

8.7 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 select number of counterparties that are considered to be the lowest risk.

8.8 As the market is beginning to return to more "normal" conditions a review of the current counterparty list has been completed. The current counterparty list is very limited especially as the Co-operative Bank has been removed as a counterparty and the Council has temporary cash to invest on a daily basis. This often means that Council investments are being increasingly made with the Government's Debt Management Office which offers extremely low investment rates. Recommended changes to the list are outlined below:

- The review has identified that the Swedish Bank, Svenska Handelsbanken's ratings have remained strong throughout the financial crisis never falling below the category A ratings in the table of investment criteria outlined below (Sweden has retained its AAA sovereign rating throughout the crisis). In order to spread counterparty risk the Chief Finance Officer recommends placing investments with Svenska Handelsbanken. Investments made with this bank will be limited to £1m and for a maximum duration of 3 months or instant access.
- The use of three AAA Money Market Funds (MMFs) to further spread counterparty risk. AAA MMFs are highly liquid pooled investment 'vehicles' that only invest in other highly rated institutions and products (at least 50% of which must meet category A and none of which can be lower than category B outlined in the table of investment criteria below). Investment risk is further reduced as AAA MMFs invest in a large number of institutions never having more than 5% exposure for more than 7 days with any single institution i.e. their investments are highly diverse and highly liquid. Investments with individual MMFs will initially be limited to £1m per fund (a total of £3m). Investments with money market funds are highly liquid (i.e. instant access), therefore a time limit for investment is not necessary. There are currently over 20 MMFs used by local authorities.
- For existing institutions on the list it is recommended that the time limit for investments be extended from three months (six in the case of Local Authorities) to a maximum of one year. This reflects a reduction in risk in the financial market.

- 8.9 The table below shows the current and proposed limits in 2015/16 for the Council:

Category	Fitch	Moody's	Standard & Poor's	Current Counterparty Limit	Current Time Limit	Proposed Counterparty Limit	Proposed Time Limit
A	F1+/AA-	P-1/Aa3	A-1+/AA-	£7.0m	3 months	£7.0m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£2.0m	3 months	£3.0m	1 Year
C	Debt Management Office			£28m	3 months	£25m	1 Year
D	Part Nationalised Banks and Banks covered by UK Government Guarantee			£10m	3 months	£10m	1 Year
E	Other Local Authorities Individual Limits per Authority: - £4m County, Metropolitan or Unitary Councils - £1m District Councils, Police or Fire Authorities			£20m	6 months	£20m	1 Year
F	Three Money Market Funds (AAA) with maximum investment of £1.5m per fund			0	0	£4.5m	Liquid (instant access)
G	Svenska Handelsbanken			0	0	£1.0m	3 Months

- 8.10 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.
- 8.11 **Specified and Non-Specified Investments**
- 8.12 CLG regulations classify investments as either Specified or Non-Specified. Specified Investment is any investment not meeting the Specified definition.
- 8.13 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 Council to use rather than defining what its investments are.
- 8.14 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.

8.15 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).

8.16 In the normal course of the Council'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.

8.17 **Benchmarking**

8.18 A requirement in the revised Codes 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.

8.19 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

8.20 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.

- 8.21 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%

- 8.22 The Council has an extremely cautious investment strategy and this has avoided investment default. As a result the Council has never suffered investment loss. It is expected that the recommended changes to the investment strategy will avoid investment default. However the Council still needs to set a formal limit. It is therefore suggested that the Council will aim to ensure that the historic default probability of its investment portfolio will not exceed 0.2%.
- 8.23 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.
- 8.24 To ensure adequate Liquidity the Council maintains a bank overdraft facility of £1.5m. In addition the Council 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.

9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2015/16

- 9.1 There are two elements to the Councils annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs. The Council is required to pay off an element of the CFR each year through a revenue charge called the Minimum Revenue Provision (MRP).
- 9.2 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 annuity loan repayments.

9.3 **CIPFA Treasury Management Code of Practice**

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

9.5 **Treasury Management Advisors**

- 9.6 The Council uses Capita Asset Services – Treasury Solutions (formerly known as Sector) as its external treasury management advisors.
- 9.7 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.
- 9.8 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.

10. **BANKING CONTRACT UPDATE**

- 10.1 Owing to concerns surrounding the Co-operative Bank (the Council's bank) a proactive strategy was implemented in 2013/14 of clearing the Council's bank account on a daily basis and placing deposits with more highly rated institutions.
- 10.2 Later in the year the Co-operative Bank announced that after current local authority contracts expire, it will no longer be providing banking services to Local Authorities. The bank's stated aim is to simplify and rebuild the bank by focusing on individuals and small/medium sized businesses whilst ending relationships that require more complex banking requirements, such as with Local Authorities.
- 10.3 The Council was already planning a tendering process for the banking contract when the Co-op made the announcement and in August 2014 a new contract was awarded to Lloyds Bank. Schools were transferred to the

new bank on 1 November 2014 and a phased implementation for the rest of the Council is planned to begin on 1 December 2014.

11. CONCLUSION

- 11.1 The borrowing decisions to be taken over the next 12 to 24 months will be particularly challenging owing to the expectation of increases in the current historically low Base Rate. The actions to be taken by the Bank of England to increase the Base Rate and to reduce the economy's dependency on 'Quantitative Easing' are unprecedented. Whilst, most economists and financial commentators are expecting a gradual increase in the Base Rate and a peak below the pre-crisis Base Rate of 5%, this position cannot be guaranteed.
- 11.2 It is anticipated that increases in the Base Rate are already largely factored in to longer terms interest rates, although this position cannot be guaranteed.
- 11.3 Against this uncertain national background and the requirement to make significant budget reductions to balance the 2015/16 to 2017/18 budget the Council will need to make significant borrowing decisions over the next 12 to 24 months to secure the Treasury Management savings already built into the base budget. Similar decisions will be made by many other authorities as they also seek to fund long term borrowing requirements.
- 11.4 The Council's core borrowing requirement is forecast to reduce from £80.4m at 31st March 2014, to £47.1m at 31st March 2026, which reduces the impact of higher interest rates over this period owing to annual reductions in the borrowing requirement.
- 11.5 The report outlines a strategy for managing interest rate risks with the aim of ensuring the borrowing requirement can be funded from the available revenue budget and use of the Treasury Management Reserve if necessary.
- 11.6 In relation to the investment strategy the Council has adopted an extremely prudent approach over the last few years. An updated assessment of potential risk has been completed and it is recommended that the Council increases the duration of investments and also adds additional investment counterparties to the approved lending list. These recommendations are based on an updated assessment of potential risk and reflect improvements in the banking sector and banking regulations. In the short-term changes to the investment criteria will have a limited impact as the Councils overall approach will be to continue to net down investments and borrowings, as this is the lowest costs and lowest risk option.

12. RECOMMENDATIONS

12.1 It is recommended that Members approve the following interdependent proposals:

12.2 **Treasury Management Outturn Position 2013/14**

- i) Note the 2013/14 Treasury Management Outturn detailed in section 4 and Appendix A.

12.3 **Treasury Management Strategy 2014/15 Mid-Year Review**

- ii) Note the 2014/15 Treasury Management Mid-year Position detailed in section 5.

12.4 **Treasury Management Strategy 2015/16 (Prudential Indicators)**

- iii) Note that detailed prudential indicators will be reported to full Council in February 2015.

12.5 **Borrowing Strategy 2015/16**

- iv) **Core borrowing requirement** - Approve the adoption of Option 1 to delay long term borrowing until there is a significant increase in the base rate;
- v) To note that in the event of a change in forecast interest rates the Chief Finance Officer may implement Option 2 to fund the borrowing requirement at fixed long term interest rates at an affordable level to protect the Authorities long term financial position;
- vi) **Borrowing required for business cases** – Approve the adoption of Option 2 to fixed interest rates for individual business cases.

12.6 **Investment Strategy 2015/16**

- vii) Approve the addition of Svenska Handelsbanken to the counterparty list with a counterparty limit of £1m and time limit of 3 months.
- viii) Approve the addition of three Money Market Funds to the counterparty list, with a counterparty limit of £1m per fund, noting that funds will be liquid (i.e. instant access) therefore a time limit is not applicable.
- ix) For existing counterparties, extend the time limits for investments to a maximum of 1 year.

12.7 **Minimum Revenue Provision (MRP) Statement**

- x) Approve the MRP statement outlined in paragraph 9.2 above.

13. REASON FOR RECOMMENDATIONS

- 13.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy

14. CONTACT OFFICER

Chris Little
Chief Finance Officer
Chris.Little@hartlepool.gov.uk
01429 523003

Appendix A

Prudential Indicators 2013/14 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.

2013/14 Estimate		2013/14 Outturn
6.62%	Ratio of Financing costs to net revenue stream	5.44%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2013/14 Estimate £'000		2013/14 Outturn £'000
28,539	Capital Expenditure	23,590

The actual is lower than estimated owing to the phasing of overall expenditure between years.

3. Capital Expenditure Financed from Borrowing

This shows the borrowing required to finance the capital expenditure programme, split between core expenditure and expenditure in relation to business cases.

2013/14 Estimate £'000		2013/14 Outturn £'000
600	Core Capital Expenditure Financed by Borrowing	3,681
5,059	Business Case Capital Expenditure Financed by Borrowing	2,588
5,659	Total Capital Expenditure Financed by Borrowing	6,269

The actual is higher than the estimate owing to expenditure funded by prudential borrowing repensed 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.

2013/14 Estimate £'000		2013/14 Outturn £'000
78,948	Core Capital Financing Requirement	80,378
19,463	Business Case Capital Financing Requirement	11,858
98,411	Total Capital Financing Requirement	92,236

The core capital financing requirement is higher than estimate owing to the timing of capital expenditure differing from that forecast i.e. the phasing of capital expenditure. The business case CFR is lower than the estimate as a result of capital expenditure included within the estimate which has been rephased between years 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.

2013/14 Limit £'000		2013/14 Peak £'000
118,000	Authorised limit for external debt	54,525

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 £54.507m. The peak level during the year was £54.525m.

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.

2013/14 Limit £'000		2013/14 Peak £'000
108,000	Operational boundary for external debt	54,525

The operational limit was not exceeded in the year. The peak level of debt was £54.525m.

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.

2013/14 Limit £'000	Upper limits on fixed and variable interest rate exposure	2013/14 Peak £'000
108,000 78,000	Fixed Rates Variable Rates	54,525 -

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	Lower Limit	Actual by Maturity Date	Actual by soonest call date
	£000	£000	£000	£000
Less than one year	98,000	0	164	15,164
Between one and five years	108,000	0	2,113	32,113
Between five and ten years	108,000	0	742	742
Between ten and fifteen years	108,000	0	875	875
Between fifteen and twenty years	108,000	0	635	635
Between twenty and twenty-five years	108,000	0	459	459
Between twenty-five and thirty years	108,000	0	483	483
Between thirty and thirty-five years	108,000	0	592	592
Between thirty-five and forty years	108,000	0	725	725
Between forty and forty-five years	108,000	0	2,270	2,270
More than forty-five years	108,000	0	45,505	505

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	0	0	0
Actual	0	0	0

AUDIT AND GOVERNANCE COMMITTEE

11 December 2014



Report of: Chief Solicitor and Monitoring Officer

Subject: STANDARDS COMPLAINTS PROCESS AND PROCEDURE

1. PURPOSE OF THE REPORT

- 1.1 At the meeting on 21st August, 2014, the Committee received two reports detailing the outcome of investigations, following complaints, under the Council's Code of Conduct and in line with arrangements made through the Localism Act, 2011. Members as an aside to consideration of those investigation reports, also recommended that the "time scales" in completing an investigation should be reviewed and that any member who makes a complaint so publicly (prior to submission to the Monitoring Officer) should "waive their right to an investigation report being considered as confidential" by the Audit and Governance Committee. According, this report deals with those two particular aspects as well as other matters which were raised, coincidentally by the committee.

2. BACKGROUND

- 2.1 The Council has in place a Code of Conduct and arrangements for dealing with standards allegations that are fully compliant with the provisions of the Localism Act, 2011. However, the system operating pursuant to the Localism Act, 2011, is radically different in its approach to that adopted under the ethical framework, introduced under the provisions of the Local Government Act, 2000. The "old" system had a model Code of Conduct, a statutory "Standards Committee" and oversight with additional regulation through the Standards Board for England. A local assessment and determination process had been introduced from 2008, with appeals to the Adjudication Panel for England, the system was very much based on "sanctions" where there had been a finding of failure to comply with the Councils Code of Conduct. As before, the Localism Act (Section 27 refers) retains a duty 'to promote and maintain high standards of conduct' amongst members and co-opted members of the Local Authority, but only when they are "acting in an official capacity". Although, the maintenance of "arrangements" for dealing with complaints is a statutory function in line with this duty, this is not under the remit of a statutory based committee, as was previously the case. Moreover, we now have an "action" based system which entails that although there can be; the censure of a member, arrangements

for training, withdrawal of facilities and recommendations made to a group leader (where the member is affiliated to a particular political group) and general publication of findings, the previously available sanctions of suspension and disqualification, no longer exist. Although, there is an accent upon local resolution one local authority in their procedures have made comment that “*complaints will only be referred for local investigation as a last resort in view of the disproportionate amount of time involved and the limited sanctions available to the Standards Committee under the new legislation*”.

- 2.2 This Council in unison with most other principal local authorities have “Assessment Criteria” upon which a complaint is referenced, which is appended herewith as **Appendix 1**. The Council also have a procedural document entitled “Arrangements for dealing with standard allegations under the Localism Act, 2011” and again this document is referenced under this report as **Appendix 2**, for completeness. The recommendations as contained in this report, if approved, will therefore relate to amendments to these particular exhibits.

3. ITEMS FOR CONSIDERATION

- 3.1 (i) Timescales - in the Councils procedural document (Appendix 2) it is indicated that the Monitoring Officer will acknowledge receipt of the complaint within 5 working days of receipt and further, will keep the complainant informed as to the progress of the matter. Further, the Monitoring Officer in unison with the Independent Person(s), will assess the complaint against the stated criteria (Appendix 1) and will take a decision within 20 working days of receipt of the complaint as to whether there should be a formal investigation, or not. It should be pointed out that the Borough Council utilises the experience and dedication of the Independent Persons at the very start of a complaint, which is comparable to how a majority of local authorities approach such matters, but this is not necessarily the case in other local authorities. For the avoidance of doubt, Independent Persons act in a purely advisory capacity in the “new” system and the Monitoring Officer is statutorily obliged to liaise with an Independent Person before any decision is taken, following the outcome of an investigation. As there is a statutory requirement, to allow the member the subject of the complaint to approach the Independent Person, it is clearly preferable that they are involved from the initiation of any complaint. The time periods expressed above are in unison with the statutory requirements which did operate under the provisions of the Local Government Act, 2000 and accompanying regulations. Although, it is not defined the length of time an investigation should take, clearly its complexity or otherwise, is a material consideration. Equally there are occasions when another agency might be involved which prohibits the conduct of an investigation until that other body has made its own determination upon the matter of complaint. The Standards Board for England did previously indicate that an investigation should be completed within a period of 6 months and although it is not stated within the Council’s procedures this could be reintroduced with a caveat as to the complexity/contentiousness of a case which might exceed this particular

guideline. However, I would not wish to be restricted within a perceived time limit and would therefore suggest that wording of the nature that an investigation should be conducted and completed “*as expeditiously as possible*” is a more appropriate form of words. I am conscious, that some Members have been involved through an investigation which has taken an unconscionable period of time to complete and those concerns are duly noted.

(ii) Publicity – it was suggested by the Committee that where an individual resorts to press or social media in articulating a complaint and then proceeds to pass that complaint to the Monitoring Officer, then any confidentiality behind any subsequent report should be waived. Such a suggestion has its merits, although I am conscious that matters that could be disclosed within the course of an investigation should properly be maintained as a confidential item, although, is accepted that the recommendations and any findings of a report should be for public dissemination. Section 63 of the Local Government Act 2000 did previously contain restrictions on the disclosure of information emanating from an investigation and where there was disclosure without the consent of the Monitoring Officer\Ethical Standards Officer then such contravention could merit a criminal sanction. No comparable provision exists under the Localism Act, 2011, although, there is still the common law provision of a breach of confidence, which could on occasion be actionable either in its own right or in a support of a claim in other proceedings. It is therefore suggested, that where a person approaches or uses any medium of publicity prior to making a formal complaint to the Monitoring Officer, then this should form part of the assessment of the overall complaint, as more fully canvassed below. In addition the Monitoring Officer must retain the discretion to notify the Committee of which parts of a report should remain confidential, but it is accepted that where a complaint has been articulated so publicly, that will clearly mitigate upon the same matters being contained within confidential parts of any investigation report. It is therefore recommended that the procedural document (Appendix 2) includes a statement in the following terms:

“The Monitoring Officer will request both the complainant and the subject member do not make public the complaint until the Monitoring Officer (in unison with the Independent Person) has decided how the matter should be dealt with and until any investigation is formally completed. Should the complainant and/ or the subject member disclose details of the complaint or any part of the investigation prior to its conclusion, then this would be a material consideration as to the confidentiality behind that item when it is formally reported to the relevant Council Committee, following the completion of that investigation. Any consideration as to whether that disclosure of information was in the public interest will be determined by the Monitoring Officer at that time, and included as a reference within that report.”

iii. Withdrawal of Complaints – under the Council’s ‘Assessment Criteria’ (Appendix 1) there is commentary on the discretion to withdraw a complaint and the accompanying text, is exceptionally relevant in that regard. However, it is recommended, to safeguard against any misuse, that it is material the stage at which the investigation has reached and therefore a consideration as to the exercise of that discretion as to whether the complaint should be formally withdrawn, or not. Accordingly, where it is presently mentioned “....before it is considered by the Monitoring Officer or a hearing sub committee”, it is recommended that a complainant should only be allowed to withdraw their complaint, *“prior to any investigation being undertaken”*. It is considered, that other than in an exceptional case, where an investigation has taken place, then this should merit the outcome of that investigation being reported to the Committee, as a matter of public interest.

(iv) Vexatious Complaints – the Council’s assessment criteria indicates that a matter would be unlikely to be referred for investigation where the complaint appears to be *“vexatious, malicious, politically motivated, relevantly minor or insufficiently serious”*. However, there is no further elaboration upon a definition of the term “vexatious” it is therefore suggested that within the procedure document (appendix 2), there is reference to “vexatious complainants” with the following text:

A complaint is unlikely to be referred for investigation where the complaint is either habitual/repeated or is vexatious in nature, or is otherwise the unreasonable pursuit of a complaint. The Council shall keep under review those complaints that have been determined to be either habitual, repeated or vexatious and for the avoidance of doubt, will not disregard any new issues which are so significantly different from the original complaint that they need to be addressed as a separate complaint. However, it will be unlikely that a matter would proceed for investigation in the following circumstances:

- *A persistence in pursuing a complaint where the local assessment and determination process has been fully and properly implemented and exhausted.*
- *Where the complainant has persistently changed the substance of a complaint or raises identical or similar issues or otherwise seeks to prolong unreasonably the matters of complaint through further concerns or questions whilst the original complaint is being addressed.*
- *The complaint is unreasonable or disproportionate in the amount of time expended and those matters of complaint are considered to be unreasonable as to impose a significant burden in terms of time and cost to be expended by the Council, if such matters were pursued.*
- *Is a matter of complaint which can fairly be characterised as being obsessive or manifestly unreasonable through, for example, repetitive allegations.*
- *The matter of complaint is politically motivated and where press and other publicity has been attracted to the matter of complaint before the*

same have been reported to the Council's Monitoring Officer and which the Monitoring Officer in unison which the Independent Person reasonably believes is not in the public interest to warrant an investigation. It will be also be a consideration as to whether independent evidence is likely to be obtained and the nature of seriousness of complaint which may not warrant any further action being taken.

(v) Miscellaneous – it has been a concern of some members the subject of a complaint where the complainant has retained their anonymity, as provided for under the Council's procedures. There are occasions where the complainant does not wish the release of their details and this is a matter of judgement against the Council's adopted criteria, which is perfectly adequate on this particular issue. Nevertheless, representations are always invited to address whether anonymity should be maintained or not. This is balanced against public interest considerations and also the principles of national justice, as outlined within the current criteria. I therefore see no reason to amend this particular part of the Council's procedures.

Whereas the "old system" did entail that there were some aspects of the then model Code of Conduct which covered a member and co-opted member acting in a private as well as their "official capacity" (see in particular the case of Livingston –v- Adjudication Panel for England (2006)) the "new" system merely applies to a member where they act in that official capacity. It would therefore benefit the Council's procedure document (appendix 2), which is available upon the Council's website, along with other information, if there was some definition given behind the terminology of "official capacity". It is therefore recommended, that the following statement be included, as follows:

The Council's Code of Conduct will have application when a Member acts in their official capacity, namely where they are conducting the business of the Borough Council or otherwise acting, claiming to act, or giving the impression that they are acting as a representative of the Borough Council. Further, that at the time of the alleged misconduct, they were an elected or co-opted member of the Borough Council.

4. RECOMMENDATIONS

4.1 1 That Members note the contents of this report.

2 There be approval of the recommendations to amend the assessment criteria and procedural arrangements for dealing with standards allegations as outlined within paragraph 3 of this report.

5. REASONS FOR RECOMMENDATIONS

- 5.1 Following the receipt of investigation reports during the current municipal year, it is perhaps timely for the Committee to review the operation of the assessment procedures operating within the Council when dealing with standards allegations under the localism Act 2011. Whilst the Committee are requested to consider the recommendations contained within this report, it would be pertinent for the views of the Independent Persons to be also taken into account, when the Committee considers and determines any recommendations to amend or otherwise alter procedures.

6. BACKGROUND PAPERS

- 6.1 Local Government Act 2000
Localism Act 2011

7. SECTION 17 CRIME AND DISORDER ACT,1998

- 7.1 This report has no impact upon Section 17 considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1 This report has no impact upon Equality and Diversity considerations

9. CONTACT OFFICER

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HARTLEPOOL BOROUGH COUNCIL
AUDIT AND GOVERNANCE COMMITTEE
ASSESSMENT CRITERIA FOR DEALING WITH STANDARDS ALLEGATIONS
UNDER THE LOCALISM ACT, 2011

Assessment Criteria

Before commencing an assessment of a complaint, it needs to be satisfied that:-

1. It is a complaint against one or more named Members of the Council or a Parish Council within the Borough of Hartlepool.
2. The named Member was in office at the time of the alleged conduct and the Code of Conduct was in force at the time.
3. The complaint, if proven, would be a breach of the Code under which the Member was operating at the time of the alleged misconduct.

If the complaint fails one or more of the above requirements it cannot be investigated as a breach of the code and the complainant will be informed that no further action will be taken in respect of the complaint.

Decisions to refer a complaint for investigation

A complaint is likely to be investigated when it meets one or more of the following criteria:-

- It is so serious, if proven, to justify in the public interest a formal investigation of the complaint.
- It is part of a continuing pattern of less serious misconduct that is unreasonably disrupting the business of the Authority and there is no other avenue left to deal with it, other than by investigation.

Note: In considering the above points, consideration will be given to the time that has passed since the alleged conduct occurred.

Decisions not to refer for investigation

A complaint is unlikely to be referred for investigation where it falls into any of the following categories:-

- The complaint appears to be vexatious, malicious, politically motivated, relatively minor or insufficiently serious,
- The same, or substantially similar, complaint has already been the subject of an investigation and there is nothing more to be gained by further action being.

- The complaint concerns acts carried out in the Members private life, when they are not carrying out the work of the authority or have not misused their position as a Member.
- It appears that the complaint concerns, or is really about dissatisfaction with a Council decision, or policy rather than a breach of the Code.
- There is not enough information currently available to justify a decision to refer the matter for investigation.
- The complaint is about someone who is no longer a member of the Authority.
- A significant period of time has elapsed since the events the subject of the complaint occurred.
- The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter.

Other Considerations

- Training for the Member concerned is considered to be a more appropriate way of dealing with the matter.
- The Monitoring Officer in conjunction with the Independent Person believe that a breakdown in relationships has occurred which may be effectively dealt with by conciliation/mediation and the member complained of and the complainant are amenable to engaging in such alternative action.
- An investigation is not the most cost effective way of resolving the matter and the Monitoring Officer is able to deal with it informally.
- Some other action is more appropriate e.g. a review and/or change to the Authority's policies and procedures.
- The conduct complained of is not so serious that it requires a substantive investigation.

Decisions to refer the complaint to another Authority

The Monitoring Officer is likely to refer complaints to another Authority where:-

- The Complaint is about someone who is no longer a Member of an Authority within Hartlepool, but is a Member of another Authority. In such cases the Monitoring Officer may refer the complaint to the Audit and Governance Committee of that other Authority.

Anonymous Complaints

The Monitoring Officer will only consider anonymous complaints if there is independent evidence to substantiate them. There must be documentary, photographic or other evidence which supports the substance of the anonymous complaint. However, even if such evidence has been provided, the Monitoring Officer in consultation with the Independent Person is unlikely to consider a complaint that is minor in nature, or appears to be malicious or politically motivated.

Considering Requests for withholding a complainant's details

The Monitoring Officer and where required a Hearing Sub-Committee will need to determine whether or not the complainant's details should be withheld from the subject member. Rarely is it in the public interest not to disclose the complainant's details. This could be on the basis that disclosure could prejudice an investigation, may lead to intimidation of the complainant or indeed, any witnesses involved, or could lead to evidence being compromised or destroyed. This will necessarily involve undertaking an assessment of the potential risks against the wider connotations of procedural fairness and the principles of natural justice.

Withdrawing Complaints

A complainant may ask to withdraw their complaint before it is considered by the Monitoring Officer or a Hearing Sub-Committee.

In such circumstances, and before coming to a decision on the request, consideration will need to be given to;

- whether the public interest in taking action about the complaint (eg because of its seriousness) outweighs the complainant's wish for the matter to be withdrawn;
- if the complaint can be actioned e.g. investigated, without the complainant's participation or assistance;
- the actual reasons given (if any), and what other reasons there appear to be, for the request to withdraw and whether those reasons would support a decision to agree to the withdrawal of the complaint.

HARTLEPOOL BOROUGH COUNCIL

Arrangements **for dealing with standards allegations under the** **Localism Act 2011**

1 BACKGROUND

These “Arrangements” set out how you may make a complaint that an elected or co-opted member of this Authority *[or of a parish council within the Borough]* has failed to comply with the Authority’s Code of Conduct, and sets out how the Authority will deal with allegations of a failure to comply with the adopted Code of Conduct.

Under Section 28(6) and (7) of the Localism Act 2011, the Authority must have in place “arrangements” under which allegations that a member or co-opted member of the Authority *[or of a parish council]*, or of a Committee or Sub-Committee of the authority, has failed to comply with that Authority’s Code of Conduct can be investigated and decisions made on such allegations.

Such arrangements must provide for the Authority to appoint at least one Independent Person, whose views must be sought by the Authority before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Authority at any other stage, or by a member *[or a member or co-opted member of a parish council]* against whom an allegation as been made.

2 The Code of Conduct

The Authority has adopted a Code of Conduct for members, which is attached as Appendix One to these arrangements and available for inspection on the Authority’s website www.hartlepool.gov.uk and on request from Reception at the Civic Centre.

[Each parish council is also required to adopt a Code of Conduct. If you wish to inspect a Parish Council’s Code of Conduct, you should inspect any website operated by the parish council and request the parish clerk to allow you to inspect the parish council’s Code of Conduct.]

3 Making a complaint

If you wish to make a complaint, please write or email to –

Mr P J Devlin
Chief Solicitor & Monitoring Officer
Hartlepool Borough Council
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Or –

peter.devlin@hartlepool.gov.uk

The Monitoring Officer is a senior officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct.

In order to ensure that we have all the information which we need to be able to process your complaint, please complete and send us the model complaint form, which can be downloaded from the Authority's website, next to the Code of Conduct, and is available on request from Reception at the Civic Centre.

Please do provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress. If you want to keep your name and address confidential, please indicate this in the space provided on the complaint form, in which case we will not disclose your name and address to the member against whom you make the complaint, without your prior consent. The Authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

The Monitoring Officer will acknowledge receipt of your complaint within 5 working days of receiving it, and will keep you informed of the progress of your complaint.

4 Will your complaint be investigated?

The Monitoring Officer will review every complaint received and, after consultation with the Independent Person, take a decision as to whether it merits formal investigation. This decision will normally be taken within 20 working days of receipt of your complaint. Where the Monitoring Officer has taken a decision, he/she will inform you of his/her decision and the reasons for that decision.

Where he/she requires additional information in order to come to a decision, he/she may come back to you for such information, and may request information from the member against whom your complaint is directed. *[Where your complaint relates to a Parish Councillor, the Monitoring Officer may also inform the Parish Council of your complaint and seek the views of the Parish Council before deciding whether the complaint merits formal investigation.]*

In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the authority. Where the member or the authority make a reasonable offer of local resolution, but you are not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

If your complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to refer the matter to the Police and other regulatory agencies.

5 How is the investigation conducted?

If the Monitoring Officer decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer, who may be another senior officer of the authority, an officer of another authority or an external investigator. The Investigating Officer will decide whether he/she needs to meet or speak to you to understand the nature of your complaint and so that you can explain your understanding of events and suggest what documents the Investigating Officer needs to see, and who the Investigating Officer needs to interview.

The Investigating Officer would normally write to the member against whom you have complained and provide him/her with a copy of your complaint, and ask the member to provide his/her explanation of events, and to identify what documents he needs to see and who he needs to interview. In exceptional cases, where it is appropriate to keep your identity confidential or disclosure of details of the complaint to the member might prejudice the investigation, the Monitoring Officer can delete your name and address from the papers given to the member, or delay notifying the member until the investigation has progressed sufficiently.

At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to you and to the member concerned, to give you both an opportunity to identify any matter in that draft report which you disagree with or which you consider requires more consideration.

Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.

6 What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

The Monitoring Officer will review the Investigating Officer's report and, if he is satisfied that the Investigating Officer's report is sufficient, the Monitoring Officer will write to you and to the member concerned *[and to the Parish Council, where your complaint relates to a Parish Councillor]*, notifying you that he is satisfied that no further action is required, and give you both a copy of the Investigating Officer's final report. If the Monitoring Officer is not satisfied that the investigation has been conducted properly, he may ask the Investigating Officer to reconsider his/her report.

7 What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

The Monitoring Officer will review the Investigating Officer's report and will then either send the matter for local hearing before the Hearings Sub Committee or, after consulting the Independent Person, seek local resolution.

7.1 Local Resolution

The Monitoring Officer may consider that the matter can reasonably be resolved without the need for a hearing. In such a case, he/she will consult with the Independent Person and with you as complainant and seek to agree what you consider to be a fair resolution which also helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action by the Authority. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the Audit and Governance Committee *[and the Parish Council]* for information, but will take no further action. However, if you tell the Monitoring Officer that any suggested resolution would not be adequate, the Monitoring Officer will refer the matter for a local hearing.

7.2 Local Hearing

If the Monitoring Officer considers that local resolution is not appropriate, or you are not satisfied by the proposed resolution, or the member concerned is not prepared to undertake any proposed remedial action, such as giving an apology, then the Monitoring Officer will report the Investigating Officer's report to the Hearings Sub-Committee which will conduct a local hearing before deciding whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.

The Authority has agreed a procedure for local hearings, which is attached as Appendix Two to these arrangements.

Essentially, the Monitoring Officer will conduct a "pre-hearing process", requiring the member to give his/her response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing, and the Chair of the Hearings Sub-Committee may issue directions as to the manner in which the hearing will be conducted. At the hearing, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you as the complainant to attend and give evidence to the Hearings Sub-Committee. The member will then have an opportunity to give his/her evidence, to call witnesses and to make representations to the Hearings Sub-Committee as to why he/she considers that he/she did not fail to comply with the Code of Conduct.

If the Hearings Sub-Committee, with the benefit of any advice from the Independent Person, may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint. If the Hearings Sub-Committee concludes that the member did fail to comply with the Code of Conduct, the Chair will inform the member of this finding and the Hearings Sub-Committee will then consider what action, if any, the Hearings Sub-Committee should take as a result of the member's failure to comply with the Code of Conduct. In doing this, the Hearings Sub-Committee will give the member an opportunity

to make representations to the Sub-Committee and will consult the Independent Person, but will then decide what action, if any, to take in respect of the matter.

8 What action can the Hearings Sub-Committee take where a member has failed to comply with the Code of Conduct?

The Audit and Governance Committee has delegated to the Hearings Sub-Committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly the Hearings Panel may –

- 8.1 Publish its findings in respect of the member's conduct;
- 8.2 Report its findings to the Authority *[or to the Parish Council]* for information;
- 8.3 Recommend to the member's Group Leader (or in the case of ungrouped members, recommend to the Authority or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
- 8.4 Recommend to the Leader of the Authority (operating executive arrangements) that the member be removed from the Cabinet, or removed from particular Portfolio responsibilities;
- 8.5 Instruct the Monitoring Officer to *[or recommend that the Parish Council]* arrange training for the member;
- 8.6 Remove *[or recommend to the Parish Council that the member be removed]* from all outside appointments to which he/she has been appointed or nominated by the authority *[or by the Parish Council]*;
- 8.7 Withdraw *[or recommend to the Parish Council that it withdraws]* facilities provided to the member by the Council, such as a computer, website and/or email and Internet access; or
- 8.8 Exclude *[or recommend that the Parish Council exclude]* the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Authority, Committee and Sub-Committee meetings.

NOTE The Hearings Sub-Committee has no power to suspend or disqualify the member or to withdraw members' or special responsibility allowances.

9 What happens at the end of the hearing?

At the end of the hearing, the Chair will state the decision of the Hearings Sub-Committee as to whether the member failed to comply with the Code of Conduct and as to any actions which the Hearings Sub-Committee resolves to take.

As soon as reasonably practicable thereafter, the Monitoring Officer shall prepare a formal decision notice in consultation with the Chair of the Hearings

Sub-Committee, and send a copy to you, to the member *[and to the Parish Council]*, make that decision notice available for public inspection and report the decision to the next convenient meeting of the Authority.

10 Who are the Hearings Sub-Committee?

The Hearings Sub-Committee is a Sub-Committee of the Authority's Audit and Governance Committee. The Audit and Governance Committee has decided that it will comprise a maximum of seven members of the Authority and comprising members drawn from at least 2 different political parties. Subject to those requirements, a Member is appointed on the nomination of party group leaders in proportion to the strengths of each party group on the Authority.

The Independent Person is invited to attend all meetings of the Hearings Sub-Committee and his/her views are sought and taken into consideration before the Hearings Sub-Committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

11 Who is the Independent Person?

The Independent Person is a person who has applied for the post following advertisement of a vacancy for the post, and is the appointed by a positive vote from a majority of all the members of the Authority.

A person cannot be "independent" (subject to transitional arrangements) if he/she –

- 11.1 Is, or has been within the past 5 years, a member, co-opted member or officer of the authority;
- 11.2 *[Is or has been within the past 5 years, a member, co-opted member or officer of a parish council within the authority's area], or*
- 11.3 Is a relative, or close friend, of a person within paragraph 11.1 or 11.2 above. For this purpose, "relative" means –
 - 11.3.1 Spouse or civil partner;
 - 11.3.2 Living with the other person as husband and wife or as if they were civil partners;
 - 11.3.3 Grandparent of the other person;
 - 11.3.4 A lineal descendent of a grandparent of the other person;
 - 11.3.5 A parent, sibling or child of a person within paragraphs 11.3.1 or 11.3.2;
 - 11.3.6 A spouse or civil partner of a person within paragraphs 11.3.3, 11.3.4 or 11.3.5; or

- 11.3.7 Living with a person within paragraphs 11.3.3, 11.3.4 or 11.3.5 as husband and wife or as if they were civil partners.

12 Revision of these arrangements

The Authority may by resolution agree to amend these arrangements, and has delegated to the Hearings Sub-Committee the right to depart from these arrangements where the Sub-Committee considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

13 Appeals

There is no right of appeal for you as complainant or for the member against a decision of the Monitoring Officer or of the Hearings Sub-Committee

If you feel that the Authority has failed to deal with your complaint properly, you may make a complaint to the Local Government Ombudsman.

Appendix One The Authority's Code of Conduct

Appendix Two Procedure for Hearings

AUDIT AND GOVERNANCE COMMITTEE

11 December 2014



Report of: Scrutiny Manager

Subject: STATUTORY HEALTH SCRUTINY – OPERATIONAL CHANGES

1. PURPOSE OF REPORT

- 1.1 To update the Committee on changes to the process for the implementation of the Council's statutory health scrutiny responsibilities, in line with the decision of Council on the 24 November 2014.

2. BACKGROUND INFORMATION

- 2.1 In fulfilling the requirements of the Health and Social Care Act 2012, the Council has a statutory responsibility to review and scrutinise matters relating to the planning, provision and operation of health services at both local and regional levels. In doing this, local authorities not only look at themselves (i.e. in relation to public health), but also at all health service providers and any other factors that affect people's health.
- 2.2 As part of the review of governance arrangements undertaken in 2013, the Council's statutory health scrutiny responsibilities (as detailed in **Appendix A**) were delegated to the Audit and Governance Committee, with the exception of the power to refer to the Secretary of State which remained within the remit of Full Council.
- 2.3 The Committee fulfilled these responsibilities until the 24 November 2014, at which time the following motion was approved at an Extraordinary meeting of Full Council, convened to discuss the future of the University Hospital Hartlepool.

'That Council returns the Health Scrutiny powers and responsibilities delegated to the Audit and Governance Committee to Full Council so that future discussions and decisions are taken by the entire body of elected councillors.'

- 2.4 In accordance with the wishes of Council on the 24 November, all statutory health scrutiny powers transferred to Full Council with immediate effect. However, the remaining statutory scrutiny powers in relation to ‘crime and disorder’ will remain within the remit of the Audit and Governance Committee.
- 2.5 In order to update the Committee, detailed in **Appendix B** are the various elements of statutory Health Scrutiny work to be transferred to Full Council, encompassing:
- i) Proactive Health Scrutiny:
 - Ongoing investigations (CVD and Dementia); and
 - Issues raised/discussed annually (i.e. updates / performance reports / quality accounts, etc).
 - ii) Reactive Health Scrutiny:
 - Information requests; and
 - Issues raised on an ad-hoc basis (inc. service reconfigurations)
- 2.6 In transferring responsibilities to Full Council, consideration will need to be given to the way in which the investigation / evidence gathering aspects of Health Scrutiny can effectively operate, within Constitutional requirements for the conduct of Council meetings. This being particularly relevant in the retention / adaptation of current scrutiny practices which continued to contribute to service development / improvement and partnership working.
- 2.7 On this basis, consideration will need to be given to the way forward in the shorter and longer term, with a suggestion that:-
- i) Current investigations (CVD and Dementia) be completed, outside formal meetings, with final reports to be presented to Full Council for consideration.
 - ii) Consideration be given to how the following can be dealt with in the future through Full Council:
 - Health Scrutiny Work Programming process;
 - The conduct of investigations (including evidence gathering);
 - Performance monitoring (quality accounts / scrutiny recommendation monitoring / Presentation);
 - Information requests and ad-hoc / responsive issue.
- 2.8 To assist in this discussion, details of the activities to be transferred (as detailed in **Appendix B**) are to be reported to the Full Council meeting on the 18 December 2014. In addition to this, Council will be asked, in its first action as the Authority’s statutory scrutiny body, to express views in relation to a triennial review of the Independent Reconfiguration Panels operational activities and structure. Members of the Audit and Governance Committee will have the opportunity to express their views on the review as part of the Full Council meeting.

3. RECOMMENDATION

3.1 That the Committee notes the report.

Contact Officer:

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Hartlepool Borough Council
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BACKGROUND PAPERS

The following background paper was used in the preparation of this report:-

- (a) Minute and Motion – Extraordinary Full Council meeting – 24 November 2014 and report

APPENDIX A

To review / scrutinise and make reports with recommendations to the Council (and / or Finance and Policy Committee where appropriate), a 'responsible person' (that being relevant NHS body or health service provider) and other relevant agencies about possible improvements in service in the following areas:-

- (i) health issues identified by, or of concern to, the local population;
- (ii) proposed substantial development or variation in the provision of health services in the local authority area (except where a decision has been taken as a result of a risk to safety or welfare of patients or staff);
- (iii) the impact of interventions on the health of local inhabitants;
- (iv) an overview of delivery against key national and local targets, particularly those which improve the public's health;
- (v) the development of integrated strategies for health improvement; and
- (vi) The accessibility of services that impact on the health of local people to all parts of the local community.

Additional Responsibilities:

- Recommend to Council that a referral be made to the Secretary of State where there are concerns over insufficient consultation on major changes to services.
- Participates in, and develops, the Tees Valley Joint Health Scrutiny Committee and other joint arrangements with neighbouring authorities.

Health Scrutiny Regulations also enabled the Committee to request the attendance of 'a responsible person' to answer questions. The responsible person is under a duty to comply with these requests.

A responsible person – NHS body or relevant health service provider.

NHS bodies – NHS Foundation Trusts, Clinical Commissioning Groups, NHS England, all NHS Trusts including acute or hospital trusts, mental health and learning disability trusts, ambulance trusts and care trusts.

Relevant service providers – Private, independent or third sector providers delivering services under contract to the NHS or to the local authority.

PROACTIVE SCRUTINY**i) Health Scrutiny Work Programme 2014/15 – Ongoing Investigations****Cardiovascular Diseases Investigation**

	Activity / Evidence	Date	Current Route
Group 1:	Visit to Health Bus	TBC – early January 2015	Audit and Governance Members – Outside formal Committee meetings
Group 2:	Discussion with Dr Mike Stewart, cardiologist from South Tees Hospital	10 December 2014	Audit and Governance Members – Outside formal Committee meetings
Group 3:	Visit to Cardiac Rehabilitation Session	9 December 2014	Audit and Governance Members – Outside formal Committee meetings
Formal meeting	<p>Feedback from group activities</p> <p>Discussion with Cardiologist from North Tees and Hartlepool NHS Foundation Trust</p> <p>Discussion with NEAS regarding defibrillators / use in ambulances</p>	8 January 2015	Audit and Governance Committee
Formal meeting	Finalise and Approve Final Report	19 March 2015	Audit and Governance Committee

Dementia Investigation

	Activity / Evidence	Date	Current Route
Meeting of working group	Discussion with Adult Social Care and the Hospital of God at Greatham	5 December 2014	Audit and Governance Members – Outside formal Committee meetings
Meeting of working group	Discussion with public health, NTHFT, Hartlepool and Stockton on tees CCG, TEWV, VCS organisations and family / carers of people with dementia	TBC	Audit and Governance Members – Outside formal Committee meetings
Formal meeting	Feedback from the Dementia working group	19 February 2015	Audit and Governance Committee
Formal meeting	Final Report	19 March 2015	Audit and Governance Committee

ii) Annual items

	Activity / Evidence	Date	Format / timescale	Current Route
Statutory Health Scrutiny: i) Annual Work Programme Setting; ii) Scoping of Investigations. iii) Conduct of investigations	Annual - Exploration of potential topics, selection, scoping and	i) Start of Municipal Year ii) Regular meetings during the course of the year.	Full meeting:- i) Detailed reports, including use of scoring matrix ii) Discussions in relation to potential topics	Audit and Governance Committee
North Tees and Hartlepool FT Quality Accounts	Annual reflection on the 2013/14 Quality Account and contribution towards the	19 February 2015 (is also considered initially August time)	Presentation / questions (approx 45 mins)	Audit and Governance Committee

	2014/15 Quality Account for North Tees and Hartlepool NHS Foundation Trust Quality Account Market Place Event	16 December at 2pm (Hartlepool Hospital)	This is the first time this has been held	
Tees, Esk and Wear Valleys NHS Foundation Trust – Quality Account	Annual reflection of the 2013/14 Quality Account and contribution towards the 2014/15 Quality Account for Tees, Esk and Wear Valleys NHS Foundation Trust	19 February 2015 or 19 March 2015	Presentation / questions (approx 45 mins)	Audit and Governance Committee
North East Ambulance Service Quality Account (NEAS) – Quality Account	Annual reflection of the 2013/14 Quality Account and contribution towards the 2014/15 Quality Account for NEAS	19 February 2015 or 19 March 2015	Presentation / questions (approx 45 mins)	Audit and Governance Committee
Health Inequalities	Annual Update on health inequalities, focusing on women's life	8 January 2015	Presentation / questions (approx 45 mins)	Audit and Governance Committee

	expectancy.			
Director of Public Health Annual Report	Annual report produced by the Director of Public Health	Report already goes through Full Council		Audit and Governance Committee
HWBB Performance / HWB Strategy Performance		TBC	TBC	Audit and Governance Committee
Six monthly monitoring of scrutiny recommendations		Beginning of new municipal year	Report – 10 mins	Audit and Governance Committee
Closing the Loop reports in relation to Scrutiny Final Reports (submitted following consideration of rec's by appropriate Committee)		Beginning of new municipal year	Report – 10 – 20 mins	Audit and Governance Committee
<p>Requested information awaited from North Tees and Hartlepool Foundation Trust:- (timescale to be confirmed)</p> <ul style="list-style-type: none"> - information on the take up of transport services provided by the Trust to define staff and patient usage - information regarding the average length of stay at the Holdforth unit - A brief explanation as to how the SHMI and HSMR statistics are calculated and what essentially they mean - ward statistical information collected on the nursing dashboard when making decisions on treatment through the Choose and Book System - figures in relation to the overall number of whistle blowing incidents - Details on the clinical performance of the Accident and Emergency Service at North Tees following the movement of the service from the University Hospital of Hartlepool including: <ul style="list-style-type: none"> • Waiting Times; and • Whether patients were presenting at North Tees Accident and Emergency Service 				

via a referral from the One Life Centre, direct from their GPs or self-referral direct to the Unit.

Issues arise on an ad-hoc basis

<p>Recent examples:</p> <ul style="list-style-type: none"> - Evaluation of the reconfiguration of Emergency Medical and Critical Care Services - Suspension of Service Notice – Assisted Conception Service - Service Reconfigurations <p>Current example:</p> <ul style="list-style-type: none"> - Independent Reconfiguration Panel Review (to be discussed at Council on the 18 December 2014) 	<p>Audit and Governance Committee</p>
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HEALTH AND WELLBEING BOARD

MINUTES AND DECISION RECORD

20 October 2014

The meeting commenced at 9.30 am in the Civic Centre, Hartlepool

Present:

Councillor C Akers-Belcher, Leader of Council (In the Chair)

Prescribed Members:

Representatives of Hartlepool and Stockton-on-Tees Clinical Commissioning Group (2) – Dr Schock and Alison Wilson

Director of Public Health, Hartlepool Borough Council - Louise Wallace

Director of Child and Adult Services, Hartlepool Borough Council – Gill Alexander

Representatives of Healthwatch – Ruby Marshall and Margaret Wrenn

Other Members:

Chief Executive, Hartlepool Borough Council – Dave Stubbs

Representative of Hartlepool Voluntary and Community Sector – Tracy Woodhall

Shaun Jones as substitute for Caroline Thurlbeck, Representative of NHS England

Also in attendance:-

Dr Louisa Ells, Specialist Advisor to Public Health England (obesity, knowledge and intelligence)

Councillor Ainslie, Member of Audit and Governance Committee

S Johnson, G Johnson, L Allison, J Gray, HealthWatch

Hartlepool Borough Council Officers:

Steven Carter, Workplace Health Improvement Specialist

Deborah Gibbon, Health Improvement Practitioner

Joan Stevens, Scrutiny Manager

Amanda Whitaker, Democratic Services Team

Ed Carter, A Rae, Public Relations Team

21. Apologies for Absence

Elected Members, Hartlepool Borough Council - Councillors Carl Richardson and Chris Simmons

Director of Regeneration and Neighbourhoods, Hartlepool Borough Council – Denise Ogden

Representative of the NHS England – Caroline Thurlbeck
Representative of Tees Esk and Wear Valley NHS Trust – Martin Barkley
Representative of North Tees and Hartlepool NHS Foundation Trust – Alan Foster

22. Declarations of interest by Members

Councillor Christopher Akers-Belcher reiterated the declaration he had made at a previous meeting of the Board (minute 3 refers) that in accordance with the Council's Code of Conduct, he declared a personal interest as Manager for the Local HealthWatch, as a body exercising functions of a public nature, including responsibility for engaging in consultation exercises that could come before the Health and Wellbeing Board. He had advised that where such consultation takes place (or where there is any connection with his employer), as a matter of good corporate governance, he would ensure that he left the meeting for the consideration of such an item to ensure there was no assertion of any conflict of interest

23. Minutes

The minutes of the meeting held on 10 September 2014 were confirmed.

With reference to minute 16, the Chief Officer, Hartlepool and Stockton-on-Tees CCG, advised the Board that the Better Care Fund planning templates had been submitted in accordance with the deadlines previously reported to the Board. There had been no changes made to the planning templates subsequent to the Board meeting. It was noted that feedback would be reported to the Board when it had been received.

24. Childhood Obesity in Hartlepool (*Director of Public Health, Director of Child and Adult Services and Chief Officer, Hartlepool and Stockton-on-Tees CCG*)

The Health and Wellbeing Board, at its meeting on the 11 August 2014, had agreed to establish a defined work programme. The report set out the background to the identification of the topic area of work upon which to focus the Board's activities during 2014/15. The Board had recognised the scale and impact of the obesity epidemic and that it was imperative to tackle the obesity issue at a co-ordinated local level and understand the overall obesity issue in Hartlepool. It was acknowledged that childhood obesity in particular was one of the most serious global public health challenges for the 21st century and on this basis, it was agreed that the Board's work for 2014/15 should focus on childhood obesity.

Detailed background information including statistics and current initiatives

were set out in the report. The terms of reference for the Board's piece of work were included in the report together with potential areas to explore to gain evidence to inform the themed work programme. It was suggested that the Board could also wish to refer to a variety of documentary / internet sources as highlighted in the report. Board members reiterated the complexity of the issue and recognised that it was essential to understand the needs of the population together with educational and wider environmental implications.

It was recommended that Members of the Board consider receiving evidence and comparative information and invite a variety of individuals / bodies to participate in a stakeholder conference. The conference was considered to be a critical component of the work to be undertaken by the Board. Suggested invitees were outlined in the report and Board members suggested extending invitations to other partners/organisations including those involved in fast food outlets and supermarkets. It was noted that a report on the conference would be submitted to the Commissioning Executive and an update report would be submitted also to the next meeting of the Board.

It was recognised that a key stakeholder, and part of the Council's infrastructure, was the Children's Strategic Partnership. In recognition of this, specific consideration was given to how the Partnership could participate and it was agreed that the issue should be referred to the Partnership in order to commence their deliberations.

It was recognised also that community engagement would play a crucial role in the process and diversity issues had been considered in the background research for work under the Equality Standards for Local Government. Based upon the research undertaken, the report included suggestions as to potential groups which the Board could involve. Based on information set out in the report, a suggested timetable for the work to be undertaken was presented although it was recognised that this could be changed at any stage in the process.

The Board received a detailed presentation by Dr Louisa Ells, Specialist Advisor to Public Health England (obesity, knowledge and intelligence) and Reader in Public Health and Obesity at Teesside University. The presentation covered issues associated with obesity including causes and significant health and financial implications. The Director of Public Health continued the presentation and addressed obesity issues including changes in trends over a period of time with salient features highlighted by the Director and the Council's Workplace Health Improvement Specialist and Health Improvement Practitioner. The Council's Public Relations Manager concluded the presentation by addressing how obesity is reported, suggested phasing of communication and the continued use of the Change4Life initiative. The Board agreed that the Change4Life initiative was widely recognised and could be targeted locally.

Board Members discussed extensive research which had been undertaken and highlighted the requirement for outcomes to be evidence based and to be

mindful of best practice examples. Dr Ells updated the Board on current research and advised that she would be content to share the findings of that research with the Board. During the discussion the benefits of 'whole life' interventions were highlighted including pre conception, maternity and family centred issues.

The appropriateness of utilisation of the BMI formula/national child measurement programme was discussed. It was noted that concerns had been expressed regarding the terms of the 'standard letters' sent to parents regarding the outcome for their child of the national child measurement programme. The letter had been subsequently revised and the Chair of the Board requested that a copy of the revised letter be circulated to all Board Members.

Concerns were expressed in relation to the location of fast food outlets in close proximity to schools. The limitations of the powers of the Council's Planning Committee's consideration of planning applications relating to fast food outlets were highlighted. It was proposed that a letter should be written to the Rt Hon Eric Pickles, MP, Secretary of State for Communities and Local Government as it was considered that in order for progress to be made, it would be necessary for the issue of material planning considerations to be reviewed.

Issues relating to perception and stigma were discussed together with the benefits derived from use of 'Champions'/role models and the involvement of partner organisations. A suggestion was made that consideration should be given as to whether pupil premiums could be utilised in addressing obesity issues.

Decision

- (i) The Board endorsed the use of the Change4Life initiative and agreed that an action plan be produced by the Council's Public Relations Manager.
- (ii) It was agreed that the Children's Strategic Partnership be requested to consider their participation in the Board's chosen topic area.

25. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

26. Nursing Care

A representative of HealthWatch referred to concerns regarding the

availability of nursing care beds in the community. In response, the Chair of the Board agreed that feedback should be made to the Board at its next meeting.

Meeting concluded at 11.15 a.m.

CHAIR