

AUDIT AND GOVERNANCE COMMITTEE

AGENDA



Thursday 7 January 2021

at 10.00 am

in the Civic Centre, Hartlepool.

PLEASE NOTE: this will be a 'remote meeting', a web-link to the public stream will be available on the Hartlepool Borough Council website at least 24 hours before the meeting.

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Buchan, Cassidy, Hall, Hamilton, Harrison, James and Loynes.

Standards Co-opted Independent Member: Ms Clare Wilson.

Standards Co-opted Parish Council Representatives: Parish Councillor John Littlefair (Hart) and Parish Councillor Alan O'Brien (Greatham).

Local Police Representative: Superintendent Sharon Cooney.

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 23 November 2020.
 - 3.2 To confirm the minutes of the meeting held on 10 December, 2020. (to follow)
4. **AUDIT ITEMS**
 - 4.1 Mazars Report- Annual Audit Letter – *Assistant Director, Finance*
 - 4.2 Internal Audit Plan 2020/21 Update - *Head of Audit and Governance*
 - 4.3 Treasury Management Strategy - *Director of Resources and Development*
 - 4.4 Business Continuity - *Assistant Director (Regulatory Services)*

CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone.

The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

5. STANDARDS ITEMS

- 5.1 Revised Code of Conduct for Elected Members and Co-Opted Members and Best Practice Recommendations – *Chief Solicitor and Monitoring Officer*

6. STATUTORY SCRUTINY ITEMS

Crime and Disorder Scrutiny

No items.

Health Scrutiny

- 6.1 Independent Complaints Advocacy Service Update
(i) Covering report – *Statutory Scrutiny Manager*
(ii) Presentation of Update Report - *Contracts Manager, North East NHS Independent Complaints Advocacy (ICA)*
- 6.2 Coronavirus in Hartlepool Update - *Director of Public Health (To Follow)*
- 6.3 Update on Orthodontic/Dentistry Provision in Hartlepool – *Statutory Scrutiny Manager*

7. OTHER ITEMS FOR DECISION

- 7.1 Regulation of Investigatory Powers Act 2000 (RIPA) – Quarter 3 Update – *Chief Solicitor*

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

- 8.1 To receive the minutes of the meeting held on 7 September 2020.

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

No items

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

No items.

11. MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP

No items.

12. REGIONAL HEALTH SCRUTINY UPDATE



13. DURHAM, DARLINGTON AND TEESSIDE, HAMBLETON, RICHMONDSHIRE AND WHITBY STP JOINT HEALTH SCRUTINY COMMITTEE

No items.

14. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

For information: -

Date and time of forthcoming meetings –

Thursday 11 February, 2021 at 10.00 am

Thursday 18 March, 2021 at 10.00 am



AUDIT AND GOVERNANCE COMMITTEE MINUTES AND DECISION RECORD 23 NOVEMBER 2020

The meeting commenced at 10.00 am and was an online remote meeting in compliance with the Council Procedure Rules Relating to the holding of Remote Meetings and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

Councillor: Gerard Hall (In the Chair).

Councillors: Bob Buchan, Tom Cassidy, Lesley Hamilton, Brenda Harrison and Marjorie James.

Also Present: Councillor Tony Richardson.
Gavin Barker and Cath Andrew, Mazars.
Debra Stephen and Mark Cotton, North East Ambulance Service NHS Foundation Trust (NEAS)

Officers: Chris Little, Director of Resources and Development
Neil Wilson, Assistant Chief Solicitor and Deputy Monitoring Officer
Rachel Parker, Community Safety Team Leader
Joan Stevens, Statutory Scrutiny Manager
Angela Armstrong, Scrutiny Support Officer
David Cosgrove, Democratic Services Team

33. Apologies for Absence

Apologies for absence were received from Councillor Brenda Loynes and Standards Co-opted Member Ms Clare Wilson.

34. Declarations of Interest

None.

35. Minutes of the meeting held on 1 October 2020

Subject to the addition of Councillors Buchan and T Richardson to those present, the minutes were confirmed.

36. The 2019/20 Financial Report (including the 2019/20 Statement of Accounts) *(Director of Resources and Development)*

The Director of Resources and Development reported that as Members were advised at the meeting on 1 October, it had been anticipated that the Council's External Auditors, Mazars, would have received the final report from the Pension Fund External Auditors before the 1st October. However, as this report had not been received it had not been possible for Mazars to finalise the 2019/20 audit. Members were advised that depending on the outcome of Pension Fund External Audit it may be necessary to re-submit the accounts to finalise the approval process.

The Audit of the Pension Fund had been completed and in response an additional note had been included in the Financial Report (page 37, note 3), which was submitted as an appendix to the report. No changes had been necessary to the Pension Liability figure reported in the balance sheet and the additional note highlights the financial uncertainty arising from Covid. At the time of preparing this report Mazars had not received the final assurance from the Pension Fund auditors. Once this is received Mazars will formally write to the Council to conclude the audit.

The representatives from Mazars commented that once they had received the letter from the Pension auditors, they would write to the Director of Resources and Development setting out anything that wasn't in their original outcome letter. The Mazars representative commented that there were many Councils in a similar position as Hartlepool having to deliver their account statements slightly later to Elected Members. The Mazar's representative assured Members this was simply a technical issue and the pension fund investments were safe.

A Member made reference to the repeated need for the Council to seek a disapplication in relation to the dedicated schools grant and questioned if this was sustainable. The Children's Services Committee had at its last meeting agreed to write to the Minister seeking changes to funding to avoid the need for seeking disapplication.

The Director of Resources and Development commented that it was simply the way the system worked and until the government made fundamental changes to the funding system, disapplication would be required.

Recommended

1. The Committee noted the Mazars' update and the Letter of Representation submitted as an appendix to the report.
2. That the final 2019/20 Financial Report as submitted, be approved and the Committee noted that the document would be published before the 30 November 2020 statutory deadline.

37. Coronavirus in Hartlepool - Update (Presentation) (Acting Director of Public Health)

The Acting Director of Public Health gave a presentation detailing the rates of Coronavirus in Hartlepool together with an update on the numbers hospitalised and those that had died within 28 days of a positive Covid-19 test result. The presentation also updated Members on the availability of testing throughout the town.

The Chair commented that he was experiencing a wide range of views from people on the Covid-19 pandemic from those too frightened to leave their homes to those who believed the whole pandemic to be a conspiracy. The Chair indicated that it had been reported that over 80% of all deaths related to Covid-19 had occurred in residential homes. There were also greater concerns for people who smoked and those that were clinically obese.

The Acting Director was not aware of such a statistic but undertook to share numbers of deaths in Hartlepool residential homes with Members. Being obese or a smoker was a factor in potentially worse outcomes for Covid-19 patients. The advice, as always, was to stop smoking and take more exercise.

Members were concerned around the testing of patients in hospital and particularly those being discharged from hospital to residential care settings. There was also concern expressed at the numbers of people ignoring the government guidance and it was suggested that this needed to be clearer with an explanation of the consequences of not following the guidance, particularly with the restrictions that could be in place once the countrywide lockdown was lifted.

The Acting Director indicated that it was at this time expected that Hartlepool would be in the Tier 3 restrictions based on the numbers of confirmed infections. How these restrictions would be structured was not yet known.

Recommended

That the presentation and discussions be noted.

38. Safer Hartlepool Partnership Performance (Director of Neighbourhoods and Regulatory Services)

The Community Safety Team Leader updated the meeting with the Committee with the Safer Hartlepool Partnership performance for Quarter 1 and 2 – April to September 2020 (inclusive) against key indicators linked to the priorities outlined in the Community Safety Plan 2020/21. Full details were set out in the comprehensive report submitted to the Committee.

Members discussed the issues of fly-tipping across the town with some back streets being particularly problematic. The Community Safety Team Leader indicated that with many more people spending longer at home, they were generating more waste which may account for some of the side waste which was causing problems for residents. A detailed report on fly-tipping was to be considered by the Neighbourhood Services Committee and the link to the report would be circulated to Members after the meeting.

Members discussed some of the issues around domestic abuse and the additional support being provided by central government. The Community Safety Team Leader stated that the Council lead on domestic abuse was the Director of Children's and Joint Commissioning who was involved in the work being undertaken at Tees Valley level. Tackling domestic abuse was a SHP priority and work would be undertaken in tandem with the wider Tees Valley work. Some additional funding had been made available to support domestic abuse work to Police and Crime Commissioners across the country. The Statutory Scrutiny Manager stated that she would seek some information from Harbour to share with Members and to seek ways of supporting Harbour raise the profile of their work.

Recommended

That the report be noted.

39. North East Ambulance Service (NEAS) Quality Account *(Statutory Scrutiny Manager)*

The Statutory Scrutiny Manager introduced the two NEAS representatives who gave a presentation to the Committee outlining the performance update against the 2019/20 Quality Priorities and setting out the proposed Quality Priorities for 2020/21. The presentation also included an update on NEAS performance against the national ambulance response standards.

The presentation outlined the following key points: -

- Performance on the priority 'Cardiac Arrest – improving survival, which included an update on the establishment of a cardiac arrest registry, the numbers of community defibrillators, Community First Responders and the GoodSAM app.
- Statistics around the return of spontaneous circulation following cardiac arrest and the survival to discharge rates.
- The NEAS Mini-Medics programme for children.
- Performance on the priority 'Mental Health – improving care and experience', including the details of the NEAS Mental Health Strategy and the services and support available to staff.
- Performance on the priority 'Just Culture – improving patient safety' including the training of Just Culture champions throughout the

organisation and improvements in the reporting of patient safety incidents.

- Results for a NEAS staff survey.

The presentation also outlined the proposed Quality Priorities for 2020/21 which were;

- Managing the deteriorating patient in the Emergency Operations Centre (EOC)
- Cardiac arrest – continuing to build on the work from this year.
- To ensure patients receive end of life care and a peaceful death, in their preferred place of death, wherever possible.

In terms of performance the Trust representatives highlighted that the Covid-19 Pandemic had placed considerable strain on all services. NEAS had been the first trust to transport a Covid-19 patient. The 111 service had seen a three-fold increase in calls, primarily people seeking advice as they had been encouraged to do but this had had a knock-on effect to performance of this service. The government had, however, provided additional financial support and this had been invested into front line ambulances.

During the summer, NEAS, along with all other ambulance trusts, achieved all of the performance statistics which showed that when the service had the necessary resources, it could meet the required performance levels. The financial package to the end of this financial year was generous but work was ongoing to seek that support extending beyond March 2020/21.

In terms of 999 calls, there had been no reduction in the numbers of calls which was good and showed that the public were still seeking appropriate medical support.

Members welcomed the performance report and particularly congratulated the services on the Mini Medics programme which would hopefully attract new young people into the service. Members were concerned at the mental wellbeing of staff during the pandemic. The NEAS representative commented that the support from government and the public had been a great source of encouragement to staff but the end of the lockdown on 4 July had brought about in the following weekend the worst night of violent attacks against ambulance staff with three separate incidents and two members of staff requiring medical treatment. Staff welcomed the announcement that the sentencing for those convicted of violent attacks against 'blue light' workers had been extended to a maximum of two years in jail.

The Vice-Chair referred to her work within the Courts system and commented on the numbers of Ambulance Staff attending court as victims of assault. The Vice-Chair asked if these staff were provided with any guidance prior to going to court as this could be quite a daunting experience for those that had not attended a court hearing before. The NEAS

representatives stated that there was presently no guidance but thanked the Vice-Chair for the comment and undertook to consider the suggestion as part of their future support for staff.

Recommended

1. The Committee noted the progress made on the three quality priorities for 2019/20;
2. The Committee indicated its support for the priorities identified for quality improvement within the draft Quality Account for 2020/21.

40. Covid-19 Scrutiny Activity – Recovery and Response (Statutory Scrutiny Manager)

The Scrutiny Manager reported that work was ongoing on preparing for the Committees investigation and a presentation from the Managing Director and the Director of Resources and Development would be included on the agenda for the next meeting in December.

Recommended

That the report be noted.

41. Regulation of Investigatory Powers Act 2000 (RIPA) (Chief Solicitor)

The Assistant Chief Solicitor and Deputy Monitoring Officer presented the annual report on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011. The report set out the background to the regulations and the processes established within the Council for approval and monitoring any authorisations sought by officers in line with the legislation. It was reported that during 2019/20 no RIPA authorisations had been sought or utilised.

The report also made reference to the recommendations made by the Investigatory Powers Commissioner's Office (IPCO) following a desktop examination in October 2018 which recognised that whilst RIPA awareness training had been undertaken since the last inspection, there was a need for regular training and awareness to be developed and introduced throughout the Council and in order that those who may engage RIPA powers, remain "match fit". Arrangements were made for regular annual training to be introduced throughout the Council for those Officers who may engage in RIPA powers. An all-day RIPA training session was held on 16th October 2018 and a training event was held on 7th October 2019. Training this year has not been scheduled due to restrictions associated with the Covid pandemic.

The Council's RIPA Policy was available on the Council's intranet and a copy was submitted with the report. A number of amendments were proposed to the policy and these were set out in the report and the revised Policy Document attached to the report.

Recommended

That the report be noted and the amended Regulation of Investigatory Powers Act Policy be approved.

42. Personnel Sub Committee (*Chief Solicitor*)

The Chief Solicitor reported that subsequent to the resignation of Councillor Stephen Akers-Belcher from the Committee earlier in the Municipal Year, there existed a vacancy on the Personnel Sub Committee. An appointment to the Sub Committee was sought as there was a forthcoming hearing to be considered later in the week. In advance of the meeting, Councillor James had expressed her interest in being appointed to the Sub Committee.

Recommended

That Councillor Marjorie James be appointed to the Personnel Sub Committee.

43. Any Other Items which the Chairman Considers are Urgent

The Scrutiny Support Officer informed Members that a letter had been received from NHS England seeking the views of the Committee in relation to the procurement of orthodontic services across the North East and Yorkshire. A copy of the letter would be circulated to members after the meeting and a report submitted to the next meeting.

The Committee noted that the next meeting would be held on Thursday 10 December, 2020 commencing at 10.00 am.

The meeting concluded at 11.55 am.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

10 DECEMBER 2020

The meeting commenced at 10.00 am and was an online remote meeting in compliance with the Council Procedure Rules Relating to the holding of Remote Meetings and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

Councillor: Ged Hall (In the Chair).

Councillors: Bob Buchan, Lesley Hamilton, Brenda Harrison and Marjorie James.

Also Present: Councillor Tony Richardson.

Officers: Denise McGuckin, Managing Director
Hayley Martin, Chief Solicitor
Chris Little, Director of Resources and Development
Craig Blundred, Director of Public Health
Joan Stevens, Statutory Scrutiny Manager
Angela Armstrong, Scrutiny Support Officer
David Cosgrove and Jo Stubbs, Democratic Services Team

44. Apologies for Absence

Apologies for absence were received from Councillors Tom Cassidy and Brenda Loynes, and Standards Co-opted Member Ms Clare Wilson.

45. Declarations of Interest

None.

46. Minutes of the meeting held on 23 November 2020

Deferred.

47. Recruitment of Independent Persons - Update (*Chief Solicitor and Monitoring Officer*)

The Chief Solicitor referred to the meeting of the Committee held on 1 October 2020 (Minute No. 25 refers) when Members approved the recruitment process for up to three Independent Persons in accordance with the requirements of the Localism Act. The Chief Solicitor stated that the advertisement had been made with a closing date of 15 January 2021 and to date five information packs had been circulated.

In response to Members questions, the Chief Solicitor indicated that should there be no applications or appointments made, there was an agreed protocol with neighbouring local authorities 'to share' Independent Persons' should the need arise, though it was accepted that this was not ideal. The advert had appeared in local newspapers as well as on the internet/social media but could not be included in Hartbeat due to the issuing of Hartbeat having been suspended during the Covid-19 Pandemic. There were regular information newsletters being circulated to residents and the Chief Solicitor undertook to seek the inclusion of the advert in the next newsletter if it was to be circulated within closing date.

Recommended

That the report be noted.

48. COVID-19 in Hartlepool Update - Presentation (*Director of Public Health*)

The Director of Public Health gave a presentation giving the most up-to-date information on the numbers of Covid-19 infections, numbers in hospital and deaths related to Covid-19. Information on the numbers of infections around residential care homes and details of the testing arrangements and sites were shared with Members. At this time, the numbers for Hartlepool remained above the England average, though were still tracking the same path.

Members were concerned around the promises being made by government on care home visiting and testing. The Director stated that the situation remained complex and decision could only be made on a home by home basis. Members also discussed some of the issues around the numbers of elderly still living in the community, particularly those living alone; schools and the testing of pupils, workplaces and the availability of testing for those that could not travel. The Director indicated that officers were working with and providing advice on a regular basis to schools and workplaces across the town. Testing was a known issue and there were sites across the town for both vehicle and walk-in testing and these locations would be shared with Members. The Director cautioned that mass testing was not necessarily the best solution. Where it was being carried out it was still detecting only similar levels of infection and had to be seen as part of a much wider range of actions.

The roll-out of the vaccination programme was discussed with the Director indicating that while it had started, it would take time for those at most risk to be vaccinated before it could be rolled-out to the wider population. The issue of the forthcoming elections in May 2021 was highlighted as a concern by Members as campaigning usually started in earnest at Easter. The Managing Director stated that the government's guidance was that normal elections would be held in May. There were to be some significant problems around venues for polling stations to be addressed but at this time local authorities had been instructed to continue as normal.

Members also shared their concern at the relaxation of restrictions the government had introduced for Christmas. The Director of Public Health indicated that there would be communications to the public reminding them of the Hands – Face – Space guidance which must continue to be strictly followed through Christmas. The Managing Director indicated that any issued communications would be shared with Members.

Recommended

That the report be noted.

49. COVID-19 Recovery and Renewal Update / Presentation *(Managing Director and Director of Resources and Development)*

The Managing Director outlined the main aspects of the report submitted to the Finance and Policy Committee on 30 November which provided an update on the Covid-19 Recovery and Renewal Plan. The Plan had originally been developed when the Council was exiting phase 1 of the pandemic and had, therefore, needed to be updated to reflect the second stage and the second national lockdown. The Managing Director specifically highlighted the additional work/services in place to support people's mental health and the support for staff working at home and redeployed into different areas of work.

The meeting discussed issues around education and vulnerable children and the support being given to ensure the education of the most vulnerable didn't suffer during the pandemic. The Managing Director indicated that a considerable amount of work was being undertaken to support such children by both their schools and the local authority. Support and advice was being provided on a daily basis. Members expressed concerns at the services being provided to the homeless. There had been special measures funded by the government in the Spring to bring the homeless in off the streets and similar actions was needed at Christmas. The Managing Director stated that the Council was still supporting homeless people and the government had provided some specific funding which was being fully utilised.

Recommended

That the report be noted.

50. Anti-Social Behaviour Investigation - Action Plan Timetable - Update (*Statutory Scrutiny Manager*)

The Statutory Scrutiny Manager reported that presentation of an action plan to respond to each of the Audit and Governance Committee's recommendations had originally been timetabled for November 2020, however, demands on staffing resources as a result of the ongoing pandemic have resulted in an unavoidable delay. The action plan is now to be presented to the Safer Hartlepool Partnership on the 22 January 2021 and from there an update provided to the Audit and Governance Committee on the 11 February 2021.

Following consideration of a Councillor Call for Action by the Audit and Governance Committee on the 10th September 2020, it was agreed that the details of the CCfA would be utilised by the Committee as a training exercise around the member / officer response to public complaints (including noise nuisance). In accordance with the wishes of the Committee, the Statutory Scrutiny Manager reported that a training exercise for members of the Audit and Governance Committee was to be held in March 2020, with a further session to be included as part of the Member induction process in the new Municipal year.

Members raised concerns around fly-tipping, as discussed at the previous meeting and reported to the Neighbourhood Services Committee. The Statutory Scrutiny Manager undertook to provide Members with details of a break-down of incidents across individual wards as requested by Members.

Recommended

That the report be noted.

51. Orthodontic Service Procurement (North East and Yorkshire) (*Statutory Scrutiny Manager*)

The Scrutiny Support Officer reported on the background to NHS England's re-procurement of orthodontic services, with the aim of addressing the current inequity of access for patients; ensure delivery of high quality and accessible services for patients based on a consistent service specification and quality/performance standards; increase access for patients in line with the Orthodontic Health Needs Assessment (overall increase in capacity commissioned); and to ensure value for money services.

The process was being undertaken on a phased basis and phase 1 had been completed but the remaining phases of the procurement were paused late October 2019, initially because of legal challenge and more latterly due

to the need to focus on the management of the Covid-19 pandemic. The phases were at final evaluation or notification of recommended bidder phase prior to the pause. In light of the pause and Covid-19, NHS England had reviewed the options on whether to conclude the current procurement process or abandon and re-commence a new procurement. NHS England has written to all key stakeholders and the market to provide the opportunity to feedback on the options available to inform a decision on next steps.

Members expressed the view that it would be more appropriate to re-commence the process in light of the time that had passed and that expectations around services had changed quite significantly across many sectors in 2020. Members also sought details of the numbers of providers of this service that were likely in the Hartlepool area. Members expressed some concern at the current level of service being offered by many dentists in the town with many simply offering only emergency extractions.

The following decisions were agreed unanimously.

Recommended

1. That NHS England be informed that this Committee supports Option 2 as set out in the report; abandoning the current process and re-run a new procurement process to ensure compliance with Public Contract Regulations 2015.
2. That representatives from NHS England be invited to the next meeting of the Committee to update Members on the currently available dental services in Hartlepool.

52. Minutes of the Meeting of the Health and Wellbeing Board held on the 7 September 2020

Received.

53. Minutes of the Meeting of the Tees Valley Health Scrutiny Joint Committee held on the 18 September 2020

Received.

54. Tees Valley Health Scrutiny Joint Committee - Feedback from the meeting held on 20 November 2020

The Scrutiny Support Officer reported that there were currently three members of Members of Audit and Governance Committee appointed as representatives of the Committee on Tees Valley Joint Health Scrutiny Committee (TVJHSC); Councillors Gerard Hall, Brenda Harrison and

Brenda Loynes. In line with good practice and to assist the engagement of all Members of this Committee, it was proposed to circulate the agenda papers for the TVJHSC meeting to Members of the Audit and Governance Committee in advance of TVJHSC meetings. However, on this occasion and for ease of reference, the agenda papers for the last meeting were appended to the report, along with the presentations and a number of leaflets that were referred to during the meeting.

Members supported the proposal and welcomed the ability to forward any questions to the Scrutiny Team in advance so they could be fed into meetings. The Statutory Scrutiny Manager suggested that Members may wish to adopt the same process for the regional joint scrutiny meeting as well. This was also supported by Members.

Recommended

That the proposal to circulate agenda papers to all Committee Members ahead of forthcoming meetings of the Tees Valley Joint Health Scrutiny Committee and the North East Joint Health Scrutiny Committee be supported.

55. Minutes of the Meeting of the Safer Hartlepool partnership held on the 4 September 2020

Received.

56. Any Other Items which the Chairman Considers are Urgent

None.

The Committee noted that the next meeting would be held on Thursday 7 January, 2021 at 10.00 am.

The Chair extended season's greetings to Members and officers.

The meeting concluded at 11.30 am

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

7 January 2021



Report of: Assistant Director Finance

Subject: MAZARS REPORT- ANNUAL AUDIT LETTER

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 report Annual Audit Letter.

2. BACKGROUND

- 2.1 This report updates the Audit and Governance Committee on the key messages from the 2019/20 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 23.12.20 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. It is a positive report which includes an unqualified opinion on the Council's financial statements and an unqualified Value for Money conclusion.

4. RISK IMPLICATIONS

- 4.1 There is a risk that if Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, this may lead to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. RECOMMENDATIONS

11.1 That the Audit and Governance Committee:

i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

12.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

13. BACKGROUND PAPERS

13.1 Mazars Annual Audit Letter.

14. CONTACT OFFICER

14.1 James Magog
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Annual Audit Letter

Hartlepool Borough Council

Year ending 31 March 2020





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a 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.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Hartlepool Borough Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 7 December 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

The delay in issuing the audit report outside of the statutory timetable (ie. after 30 November 2020) was not due to the Council or the local auditor. The delay was due to the late receipt of information from the auditor of Teesside Pension Fund and issues identified that could not be resolved until 7 December 2020.



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended. The report included an emphasis of matter paragraph in relation to material uncertainties in the valuation of the Council's investment properties and surplus assets and the Council's share of pension fund property assets.

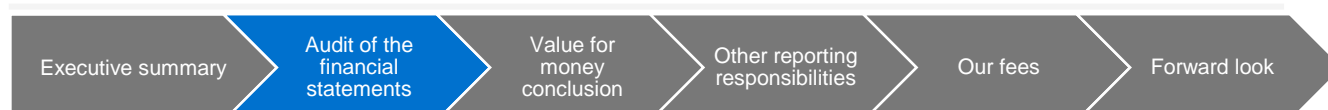
Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on 2% of gross revenue expenditure at the surplus/deficit on provision of services	£5,924,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£178,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - termination costs and senior officers remuneration - officers earnings bandings - members allowances	£100,000 One banding £6,000



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits	We addressed this risk through performing audit work over: <ul style="list-style-type: none">Accounting estimates impacting on amounts included in the financial statements;Consideration of identified significant transactions outside the normal course of business; andJournals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of management override of controls.
Property, Plant and Equipment (PPE) Valuation The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council uses an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We therefore identified the valuation of PPE to be an area of significant risk.	We addressed this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the internal valuer. We also assessed the competence, skills and experience of the valuer. We discussed methods used with the valuer and examined supporting information. We used indices provided by our own expert to confirm the assets not revalued are unlikely to have materially changed in value. We tested revaluations in year to valuation reports and supporting calculation sheets and re-performed the calculations to ensure that they were correct and source data agreed with floor plans and relevant indices. We also considered the impact of COVID-19 on the valuations to gain additional assurance on their reasonableness.	The valuer disclosed a "material valuation uncertainty" in relation to the valuation of the Council's surplus assets and investment properties, arising from the potential impact of covid-19 on values. This has been disclosed in note 3 of the final version of the financial statements. We, in line with normal practice, included reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
Defined benefit liability valuation The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension fund assets and liabilities were subject to triennial revaluation. This resulted in an increased risk of material misstatement.	<p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls that you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to our expert's report on all actuaries nationally.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We also considered the adequacy of disclosures in the financial statements.</p>	<p>The pension fund disclosed a "material valuation uncertainty" in relation to the valuation of the Pension Fund's property investments, arising from the potential impact of covid-19 on values. This has been disclosed in note 3 of the final version of the financial statements. We, in line with normal practice, included reference to this disclosure as an 'emphasis of matter' in our audit report. The purpose of this paragraph is to draw attention to this disclosure, it is not a qualification and does not modify our proposed unqualified opinion on the financial statements.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We have not identified any deficiencies in internal control as part of our audit



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor's report stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>We reviewed financial, performance and risk management reports throughout the year and attended meetings of the Audit and Governance Committee. We did not identify any concerns regarding data quality or the decision-making process.</p> <p>The Council reviewed budget monitoring reports and updates to the medium term financial strategy through the year and took early and effective action to address financial pressures.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <p>a) Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</p> <p>b) Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;</p> <p>c) Reliable and timely financial reporting that supports the delivery of strategic priorities; and</p> <p>d) Managing risks effectively and maintaining a sound system of internal control.</p>	Yes



3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date and a balanced medium term financial strategy is in place. The fair funding review has been delayed once again but the Council has a strategy in place to meet several different funding scenarios.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> a) Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; b) Managing and utilising assets effectively to support the delivery of strategic priorities; and c) Planning, organising and developing the workforce effectively to deliver strategic priorities. 	Yes
Working with partners and other third parties	<p>The Council has a good record of working with partners and other third parties.</p> <p>We considered the following aspects of proper arrangements specified by the National Audit Office as part of our risk assessment, and, based on our risk-based approach, we did not identify any significant issues or exceptions in the Council's arrangements:</p> <ul style="list-style-type: none"> a) Working with third parties effectively to deliver strategic priorities; b) Commissioning services effectively to support the delivery of strategic priorities; and c) Procuring supplies and services effectively to support the delivery of strategic priorities. 	Yes



3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>The Council was forecasting a net overspend on the 2019/20 budget and had identified a gross budget deficit for 2020/21 estimated at £6.3m. The Council had analysed expected changes in funding and had identified savings to address the gross deficit, but there are no easy choices as any measures that might impact minimally on front line services have already been taken. The measures already taken to address the deficit include a council tax increase, including Adult Social Care precept, which sustains the Council's future resource base.</p> <p>We need to ensure our knowledge of the Council's financial planning arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>The measures the Council has taken in securing its financial sustainability through the 2020/21 budget process and beyond, has been a key area of audit focus in our 2019/20 value for money audit work. The Council was able to contain in-year financial pressures in services for looked after children from managed in-year savings in other areas and a review of grant regimes. This allowed the Council to avoid the use of additional reserves.</p>	<p>It is clear that the Council continues to face difficult decisions in balancing the budget going forwards, especially given the impact of the COVID-19 pandemic. Although the Council does have reserves available to minimise any immediate pressures, in accordance with the Council's own strategy, these are a temporary or transitional cushion while the savings needed are identified and delivered.</p> <p>In addition, the reserves available to support the budget are limited and the available balances are close to the minimum needed to deal with unforeseen circumstances and risk, and will not be available to support the revenue budget in the way that they did in previous years.</p> <p>The position beyond 2020/21 is very uncertain as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are needed.</p> <p>Action to bridge the budget gap over the medium term remains a key priority for the Council..</p>



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 7 December 2020.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit and Governance Committee in March 2020. This was based on the scale fee set by Public Sector Audit Appointments Limited. As noted throughout the year, we highlighted that there would be additional recurring audit fees as a result of increased regulatory pressures and requirements. We also mentioned that we would review the final position on fees when the audit was concluded.

Following completion of the audit, we have revisited the fees for 2019/20. In addition to the increase in the base audit fee, there have been some one-off increases in the audit fee for the 2019/20 audit year, and mainly relate to audit issues arising from the Covid-19 pandemic and other matters.

Any variations to the final fee will also require the approval of Public Sector Audit Appointments Limited, which manages the contracts for our work.

Area of work	2019/20 proposed fee / PSAA scale fee (£)	2019/20 final fee (£)
Delivery of audit work under the NAO Code of Audit Practice	83,882	83,882
Recurring increases in the base audit fee arising from regulatory pressures		12,624
One-off fee increases for 2019/20 specific issues		4,469
Total Audit Fees	83,882	100,975

All fees are subject to VAT

Analysis of Recurring increases in the base audit fee arising from regulatory pressures

Audit area for recurring additional work	Final fee 2019/20
Additional work on PPE and related valuations	£4,418
Additional work on pensions	£3,787
Additional work on review of journals	£2,525
Additional work in relation to the consideration of going concern	£1,894
Total additional fee for 2019/20 (recurring in future years)	£12,624



5. OUR FEES

Analysis of One-off fee increases for 2019/20 specific issues

Additional work relating to the 2019/20 audit	Final fee 2019/20
Additional procedures, including the impact of delays, in addressing the issues raised in the Pension Fund auditor assurance letter and the resolution of issues arising, including the overstatement of Pension Fund assets and the matters raised in relation to the Pension Fund category of 'undecideds'	£1,532
Additional procedures in relation to Material Valuation Uncertainty of the Council's property assets, including disclosures and the inclusion of an Emphasis of Matter paragraph in the audit report, which was subject to Consultant Partner Review	£1,236
Additional procedures in relation to Material Valuation Uncertainty of the Pension Fund's property assets, including disclosures and the inclusion of an Emphasis of Matter paragraph in the audit report, which was subject to Consultant Partner Review	£1,072
Additional procedures to consider the potential impact of the proposed remedy in the McCloud case against the pension liability disclosures, and consideration of the potential impact of the Goodwin case on pension liabilities	£629
Total additional fee for 2019/20 (not recurring)	£4,469

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

We have undertaken or are engaged to undertake the following audit-related assurance services in relation to the 2019/20 financial year.

Area of work	2019/20 proposed fee	2019/20 final fee
Certification of Housing Benefit Subsidy Claim (work underway; this year's deadline has been extended due to the pandemic)	£12,900	£12,900 *
Teachers' Pensions (work completed)	£3,900	£3,900

* Subject to completion



6. FORWARD LOOK

Financial outlook

The COVID-19 pandemic and the consequences of local and regional lockdowns and restrictions will have a significant impact on the UK economy for years to come. The pandemic has created significant uncertainties and pressures in the Council's medium term financial planning arrangements. Clarity over the impact will only be obtained when the virus has been brought under control and the impact on the economy becomes clearer. The Council is monitoring and updating plans but is anticipating future pressures in the income it receives. In particular, Collection Fund income is likely to be affected by any negative impact to the local and national economy. Public spending is also likely to be tightly controlled as the Government begins to manage the levels of borrowing incurred.

There is also uncertainty stemming from the UK's new trading arrangements with the European Union. While this may not directly impact on the Council's supply chains, the impact on the overall economy may create indirect pressures.

It is critical that the Council continues to monitor and refresh its medium term plan so that potential funding shortfalls can be identified as early as possible and mitigations identified to minimise the impact on services.

Operational challenges

The Covid-19 pandemic has had a significant impact on the services provided by the Council. Services have either been suspended or redesigned in order for them to be delivered in a safe manner for officers and users. Aside from Covid-19, other key challenges faced by the Council include:

- generating the savings necessary to deliver the medium term financial strategy;
- responding to the demand and funding pressures faced in Children services;
- maintaining available reserves to support the budget, reserves are reducing and the available balances will soon reach the minimum needed to deal with unforeseen circumstances and risk; and
- addressing future uncertainties around the funding position as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are still needed.

How we will work with the Council

In terms of the technical challenges around the production of the statement of accounts, we will continue to offer accounting workshops to finance officers, and the audit team will continue to share our knowledge of new accounting developments. We will also be on hand to discuss any issues as and when they arise.

Given the impact of COVID-19 on the 2019/20 reporting timetable, there is some uncertainty in respect of the 2020/21 completion dates. We will continue to work with the finance team to ensure timely completion of our audit work.

We will also share relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.



6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide you with any further updates to our approach arising from this guidance when it is released.



6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings are being considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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AUDIT AND GOVERNANCE COMMITTEE

7 January 2021



Report of: Head of Audit and Governance

Subject: INTERNAL AUDIT PLAN 2020/21 UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members of the progress made to date completing the internal audit plan for 2020/21.

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 Committee to form an opinion on the controls in operation within the Council. This in turn allows 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. Recommendations to mitigate the risks identified have been agreed and a follow up audit will be carried out to ensure satisfactory implementation.

Table 1

Audit	Objectives	Recommendations	Agreed
Ward Jackson Primary	Ensure school finance and governance arrangements are in line with best practice.	- The Governing Body should develop an Anti-Fraud Corruption Policy. It may consider adopting the HBC Policy to meet the needs of the school.	Y
		- The school should consider extending the requirement to declare pecuniary interests to include staff who can influence purchasing decisions i.e.	Y

Audit	Objectives	Recommendations	Agreed
		<p>cheque signatories. There is no requirement to include these declarations on the School website.</p> <ul style="list-style-type: none"> - The Schools Pay Policy should be presented to Governors for approval. <p>SIM's should be updated to reflect the updated pay rates to ensure the school budget can be accurately monitored.</p> <ul style="list-style-type: none"> - The school should aim to reduce the number of non-order invoices processed. - Annual checks should be undertaken to ensure inventory records are accurate and assets held by the school have not been lost / stolen. - Registers for class trips should include details of when income was received and passed to the School Office. <p>Independent checks should be undertaken on all records for income collected away from the school office to ensure that all income received has been collected and balances c/f are accurate.</p> <ul style="list-style-type: none"> - The school should ensure that invoices are paid within defined terms. - The school should seek the advice of HBC Insurance Services to determine whether the level of cash held is covered under the Authority's blanket policy and whether it needs to acquire a safe. 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>
St Begas Primary	Ensure school finance and governance arrangements are in line with best practice.	<ul style="list-style-type: none"> - The school should attempt to bring the website up to date as soon as is possible and ensure that it includes all relevant information as required by statute. - 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. - An Emergency Plan should be developed according to 'Coping with Emergencies' guidance and approved by Governors. A copy of the plan should be communicated to relevant staff and governors who should sign to confirm that they have seen the plan and understand their responsibilities. A timetable should be established to carry out exercises to test / validate the plan. Results of such exercises should be reported to Governors and any lessons learnt incorporated into future emergency planning. - Benchmarking information is clearly reported to governors and an action plan 	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>

Audit	Objectives	Recommendations	Agreed
		developed where necessary.	
		- Specific fund allocation information should be updated annually and published on the school's website.	Y
		- Receipts should be provided and retained for all staff reimbursements.	Y
		Reimbursements to staff for purchases should be discouraged with the school purchase card used to procure goods/services where a purchase order is not appropriate.	
		- Transaction logs should be completed for all purchases made using the school purchase card. All transaction logs should be completed by the buyer and authorised by a signatory and have supporting documentation to validate the purchase.	Y
		- Adequate income records should be maintained and used to record all income received by the school, the date on which it was banked and entered onto the school's financial system. All records should be reconciled to verify the accuracy of amounts recorded on each. Two member of staff should be involved in the collection and counting of cash income received. The income record should be signed by the two members of staff to verify that the amount collected agrees to the amount banked.	Y
		- Larger debts or those that are proving difficult to obtain should be referred to the Local Authority for recovery.	Y
		- Reconciliations between invoices and meals ordered should be undertaken to ensure that charges are correct.	Y
		- The school should consider adopting the ICO Model Publication Scheme.	Y
		- The annual examination of the fund undertaken by a person independent of the fund and certification of financial statements should be presented to the Governing Body for ratification.	Y
		- Orders should be used for all goods and services with a few limited exceptions. These orders should be committed to the school's financial system to prevent overspending.	Y
		- Supporting documentation should be retained for all payments made.	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 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 World IT System	Satisfactory
Council Tax	Satisfactory
Business Rates	Satisfactory
Risk Management	Satisfactory
Creditors	Satisfactory
Centre for Independent Living	Satisfactory
Highways - Repairs and Maintenance	Satisfactory
Disabled Facilities Grants	Satisfactory
Section 17 Payments	Satisfactory
Benefits	Satisfactory
Agency Residential Payments	Satisfactory
Cash/Bank	Satisfactory
Integra IT System	Satisfactory
Leisure Centres	Satisfactory
Main Accounting System	Satisfactory
Burn Valley Recycling Centre	Satisfactory
Budgetary Control System	Satisfactory
ResourceLink IT System	Satisfactory
Members Allowances	Satisfactory
Debtors	Satisfactory
ESF Community Grant Fund	Satisfactory
Youth Employment Initiative Grant	Satisfactory
Troubled Families Grant	Satisfactory
Staff Lottery	Satisfactory
BIS	Satisfactory
Procurement	Satisfactory

For Members information, Table 3 below defines what the levels of assurance Internal Audit places on the audits they complete and what they mean in practice:

Table 3

Assurance Level	Meaning
Satisfactory Assurance	Controls are operating satisfactorily and risk is adequately mitigated.
Limited Assurance	A number of key controls are not operating as intended and need immediate action.
No Assurance	A complete breakdown in control has occurred needing immediate action.

- 3.5 As well as completing the audits previously mentioned, Internal Audit staff have been involved with the following working groups:
- Information Governance Group.
 - Performance and Risk Management Group.
- 3.6 Internal Audit staff have also provided support in the payment of the Governments Business Support Grant Scheme and the Discretionary Business Support Grant Scheme using software analysis tools provided by the Government. This has enabled the status of all Limited Companies who are eligible to be reviewed. This support extended to providing detailed analysis of all businesses who applied for the Governments Discretionary Business Support Grant Scheme, providing a consistent basis for the equitable payment of grants to those who were eligible. Support continues to be provided in the most recent Government Local Restriction Support Grants, across the different elements of grant available, again using software analysis tools provided by the Government to determine the status of all Limited Companies who are eligible.
- 3.7 Internal Audit, in conjunction with the Payments Team, have also analysed all payments made as part of the Governments Business Support programme via an external credit reference agency provided by the National Fraud Initiative programme. This has given additional assurance around Bank Account details provided by all grant recipients. Internal data matching has been developed to ensure any anomalies when paying multiple grants to applicants are identified and investigated.
- 3.8 Internal Audit staff have also volunteered to be trained to play a role in any local system of track and trace that is implemented by the Council. It was felt that the skills possessed by the team would be appropriate to allow them to effectively carry out and provide support in this role.
- 3.9 Table 4 overleaf details the audits that were ongoing at the time of compiling the report.

Table 4

Audit	Objectives
Information Protection Policy	Ensure adequate policies/procedures are in place in line with statutory requirements.
Sport England Grant	Ensure grant is expended and any claims made are in line with terms and conditions.
Eclipse IT System	Ensure adequate IT controls are in operation.
Benefits System	Ensure all claims are paid in line with statutory guidance.
Health and Safety	Ensure adequate policies/procedures are in place in line with statutory requirements.
Budgetary Control System	Ensure Roles and responsibilities of officers and Members are clearly defined in relation to the budget setting and budget monitoring processes; Budgets are prepared within the timeframe set out in the budget timetable. The timetable is laid out in accordance with statutory requirements/deadlines and an approved medium/long term financial planning strategy is in place that has considered all potential issues.
Council Tax System	Liability for Council Tax is assigned to the correct parties. The application of discounts/exemptions to liability is valid, accurate and supported. Council Tax bills are issued in accordance with regulations and are accurate and complete. Effective arrangements are in place to ensure all payments received in respect of Council Tax are identified promptly and accurately posted to the correct accounts.
Creditors System	Review the systems and procedures in place for ordering, receiving and paying for goods and services to ensure that the supplies of goods and services are properly authorised and comply with Authorities Financial Procedure Rules
Debtors System	Payments are received in full and correctly processed on the debtors system and recovery action is in accordance with the agreed procedures.
Local Council Tax Support Scheme	Ensure all awards made are compliant with statutory requirements and the local scheme.
Recruitment	Ensure adequate policies/procedures are in place in line with statutory employment requirements.
Main Accounting System	Ensure identified risks are managed at an acceptable level with regard to legislative and regulatory requirements and financial accounts are accurate and complete.
Computer Audit – Virus Checker Defence Systems	Arrangements are in place that ensure adequate security arrangements are in place in respect of defence against malicious IT attack.
Members Code of Conduct	Ensure adequate arrangements are in place to ensure compliance with guidelines and best practice.
Business Rates	The correct liable party has been identified and informed of the amount due. Liabilities are correctly calculated and adequate & appropriate reviews take place to ensure that any reliefs have been correctly awarded.
Payroll System	Ensure correct payments are made to employees in the correct manner on time and in line with statutory guidance.
Covid Isolation Support Grants	Ensure grants are administered in line with government guidance.
Borough/Town Hall	Ensure policies/procedures protect Council assets and income.
VAT	Ensure VAT treated in line with all statutory requirements.

4. RISK IMPLICATIONS

- 4.1 There is a risk that if Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, this would lead to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

7. CHILD AND FAMILY POVERTY CONSIDERATIONS

7.1 There are no child and family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1 There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no asset management considerations.

11. RECOMMENDATIONS

11.1 It is recommended that Members note the contents of the report.

12. REASON FOR RECOMMENDATIONS

12.1 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.

13. BACKGROUND PAPERS

13.1 Internal Audit Reports.

14. CONTACT OFFICER

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Tel: 01429 523173

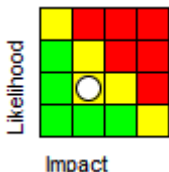
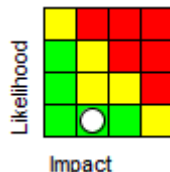
Email: noel.adamson@hartlepool.gov.uk

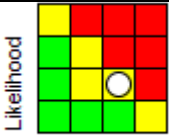

Appendix A

Audit	Objective			Assurance Level
I World IT System	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Significant penalties may be incurred if the Council is not complying with the GDPR regulations in the management and storage of data held.			The Revenues Manager will review the Corporate Retention Schedule and the documents retained in the NNDR service and propose additions to the schedule.	
Significant penalties may be incurred if the Council is not complying with the GDPR regulations in the management and storage of data held.			The Revenues Manager and the Principal Benefits Officers will review all areas of data sharing and verify whether a sharing agreement needs to be in place, whether there is one, and implement any that are found to be required.	

Audit	Objective			Assurance Level
Council Tax	Liability for Council Tax is assigned to the correct parties. The application of discounts/exemptions to liability is valid, accurate and supported. Council Tax bills are issued in accordance with regulations and are accurate and complete. Effective arrangements are in place to ensure all payments received in respect of Council Tax are identified promptly and accurately posted to the correct accounts.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

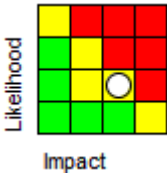
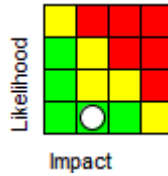
Audit	Objective	Assurance Level	
Business Rates	The correct liable party has been identified and informed of the amount due. Liabilities are correctly calculated and adequate & appropriate reviews take place to ensure that any reliefs have been correctly awarded.	Satisfactory	
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.			

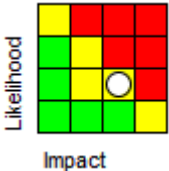
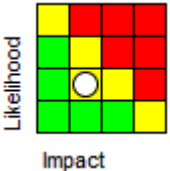
Audit	Objective		Assurance Level
Risk Management	Ensure adequate policies/procedures are in place in line with best practice requirements.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Processes in place do not provide assurance that risks are being effectively identified, assessed and managed in accordance with best practice and HBC guidance resulting in risks materialising and impacting on the authority's ability to achieve its aims and objectives or costly control measures being implemented where they are not required. No training, lack of training or training the wrong personnel will impact on whether the risk management process is being utilised correctly and may then affect the overall ability to achieve aims and objectives if risks are not mitigated or are over resourced.		There is a piece of work to be done to bring together the different elements of HBC risk work and this will then be taken to CMT for decision on any changes to the framework.	
Processes in place do not provide assurance that risks are being effectively identified, assessed and managed in accordance with best practice and HBC guidance resulting in risks materialising and impacting on the		Training needs relating to risk management will be identified and corporate training will be delivered within Departments by Departmental Risk Lead Officers as required.	

authority's ability to achieve its aims and objectives or costly control measures being implemented where they are not required. No training, lack of training or training the wrong personnel will impact on whether the risk management process is being utilised correctly and may then affect the overall ability to achieve aims and objectives if risks are not mitigated or are over resourced.			
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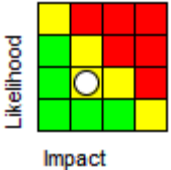
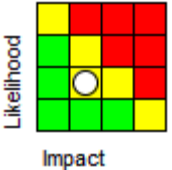
Audit	Objective	Assurance Level	
Creditors	Review the systems and procedures in place for ordering, receiving and paying for goods and services to ensure that the supplies of goods and services are properly authorised and comply with Authorities Financial Procedure Rules.	Satisfactory	
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.			

Audit	Objective			Assurance Level
Centre for Independent Living	Ensure the administrative arrangements in relation to the day to day operation of the centre are robust.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Petty cash monies may not be properly administered resulting in misappropriation and/or misuse of funds.		<div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>	In relation to the administration of petty cash we now have greater clarity as to how this operates and who has responsibility for it. Petty cash monies available at the Coastal Hub pertain to day services operations only. The Coastal community hub <u>will not hold</u> petty cash. In the event of an emergency purchase whereby other payment methods are not viable then, petty cash can be	<div><div>Likelihood</div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div>Impact</div></div>

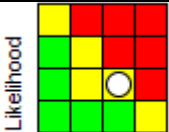
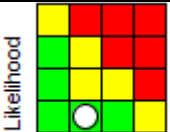








		<p>obtained via the day services and coded to the Coastal Community Hub via budget code 11311.</p> <p>-When petty cash is initially paid out the amount must initially be recorded on the voucher.</p> <p>-The voucher is completed <u>before</u> handing any money over to staff, the relevant member of staff signs for it, we keep the voucher in a folder and when the staff member returns it the receipt will be attached ready to be processed for a reconciliation,</p> <p>-If the amount on the receipt differs, i.e. (more or less than the amount originally given, we would then need to amend the voucher and the staff member would return the monies, if the receipt was for less than the amount given or it could be there is a need to reimburse a greater amount than originally given/requested</p> <p>-If an official receipt is not available/provided then a countersignature will be required from the manager together with an explanation of why no receipt is available.</p> <p>-When a petty cash reconciliation is carried out this will be completed by who will sign to say if all is correct</p> <p>-Car parking fees will no longer be reimbursed from petty cash. This will now paid to staff via MY VIEW</p>	
Income may not be properly accounted for and monies could be misappropriated, goods may not be procured in line with the Authority's Financial Procedure Rules and inadequate stock records are maintained which may result in the loss, theft and/or misappropriation of goods.		<p>A new check list for the safe has been produced and this will be used to carry out a monthly check of the safe. This will be completed by the day services manager and a member of the admin team and recorded. This will ensure that only HBC monies are stored and a proper record of the safe contents are recorded as well as ensuring only authorised personnel have access to the safe. All Bistro takings will be counted and signed as being correct/accurate before handing over to the main office placed within the safe. The current till will be replaced, in order that itemised receipts (showing meals purchased) can be reconciled with the amount of monies taken is accurate- The till will also be used to assist with stock control/reconciliations/monitoring. We aim to have this in place by November 2020.</p>	

		The Cook will ensure weekly stock checks are complete and will document this using the form labelled. It will be countersigned by the catering assistant and sampled monthly by the Community Hub Coordinator/Assistant Coordinator on a monthly basis.	
Without effective income controls, income may not be properly accounted for and monies could be misappropriated.		<p>Day Service monies are stored in the safe on (level 2). This safe does not include other valuables/items and access is restricted to the named individuals within the day services admin team and members of the Day Services management team. Monthly audit to be carried out by the Day Service Manager and a member of the admin Team. The Cook needs to ensure banking is done weekly and information is received and printed out from FMS. The People Pantry (a part of day services provision) receive a £1.00 contribution from the service users towards the receipt of baked goods that they produce. This contribution is recorded with in the daily diary and handed into the office. This is then banked and recorded on the paying in slip/FMS as Bistro Income (The People Pantry). If an individual does not hold money due to capacity issues, then the £1.00 contribution monies will be taken out of the person's personal spends on the same day daily and recorded appropriately. All cheques are recorded on the same FMS Sheet. A Procedure and protocol has been written for the management of the amenities fund.</p> <p>PayNet system in place. If a day service users owes more than £50 then 'debt recovery' will be informed. The PayNet system is for service users parent/carers to have the option to pay over the phone using their bank card, they could do this rather than sending cash/cheques in and also to pay off arrears and also for people paying for Day Care charges privately, this system doesn't keep a record of any deficits/credits, these are recorded on the weekly Register Spreadsheet. The Bambrough Court monies are paid through the register (the service user pays for their lunch as normal in the centre) these monies go through as income and recorded on the 11311 code No VAT.</p>	

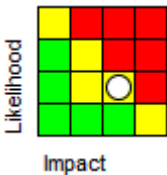
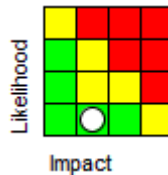
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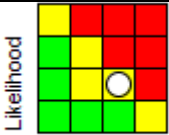

<p>Income may not be properly accounted for and monies could be misappropriated, goods may not be procured in line with the Authority's Financial Procedure Rules and inadequate stock records are maintained which may result in the loss, theft and/or misappropriation of goods.</p>		<p>Purchase card transactions for the costal hub operations with be completed by the Cook. Day Service transactions will be completed by the Admin Team. Transactions are logged on the RBS website as per procedures and receipts uploaded. For the day services transactions monthly statements/spreadsheets of purchases on the RBS card will be sent to the day services manager to check and authorise. The Cook will also ensure that weekly stock checks are complete and will document this using the form labelled appendix 1. It will be countersigned by the catering assistant and sampled monthly by the Community Hub Coordinator/Assistant Coordinator.</p> <p>All waste food is to be recorded daily and countersigned by catering assistant and sampled monthly by the community hub coordinator/assistant coordinator.</p> <p>Access to all food stocks will be limited to only appropriate staff i.e. site caretakers and members of the management team. Where goods such as Milk, coffee tea bags etc. need to be obtained in the absence of the Cook/other catering staff these items will be recorded (for the peoples pantry)and signed for by the relevant member of staff.</p>	
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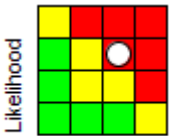



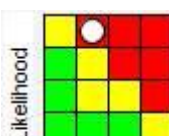

Audit	Objective	Assurance Level		
Highways - Repairs and Maintenance	Ensure the arrangements in place to manage the unscheduled maintenance highways work all awards made are compliant with statutory requirements.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Insufficient insurance cover. Ineffective linkage between claims made and inspections resulting in defects identified via members of the public not being addressed.		Insurance to maintain a spreadsheet of settled claims and this will be discussed with appropriate Highway personnel on a quarterly basis in an effort to make improvements to the service where required. Any specific defect issues (i.e. not recorded during an inspection) will be sent to both highway inspectors who		

	 <p>Likelihood</p> <p>Impact</p>	will be asked to make themselves aware of the situation in an effort to avoid any repeated occurrence in the future.	 <p>Likelihood</p> <p>Impact</p>
Non-compliance with contact procedure rules.	 <p>Likelihood</p> <p>Impact</p>	Central Procurement will be contacted for advice on the cases identified during the audit.	 <p>Likelihood</p> <p>Impact</p>
Highways defects may not be effectively rectified resulting in damage/injury to staff or members of the public. This may also lead to an insurance claim against the authority.	 <p>Likelihood</p> <p>Impact</p>	Work has now commenced to record spends against monthly orders (labour, materials etc.) and match this up against number of completed jobs per job type per month. This will enable trends to be followed and 'spikes' in costs or 'drops' in job numbers to be followed up.	 <p>Likelihood</p> <p>Impact</p>
Highways defects may not be effectively rectified resulting in damage/injury to staff or members of the public. This may also lead to an insurance claim against the authority.	 <p>Likelihood</p> <p>Impact</p>	Tablet devices were introduced in July 2020 (after a successful trial period) and all works gangs now receive job instructions via this method allowing job tickets to be closed down upon completion of work. A complete audit trail for each job is now available and reports can be extracted from the CONFIRM system displaying number of jobs closed down for a given time period. The Highways Team Leader also receives a weekly report showing job closed down and any comments left by the works gangs concerning issues on site which need noting.	 <p>Likelihood</p> <p>Impact</p>
Highways defects may not be effectively identified resulting in damage/injury to staff or members of the public. This may also lead to an insurance claim against the authority.	 <p>Likelihood</p> <p>Impact</p>	Inspections are checked periodically within the CONFIRM system whenever zones or partial zones are allocated to an inspector. The inspection scheduling module allows completion dates to be reviewed for each individual street and reports are available which provide a 'percentage completed' for each zone. At the time of writing (Oct 2020) the two Inspectors are on schedule	 <p>Likelihood</p> <p>Impact</p>

		and so any additional intervention to meet targets is not required.	
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Audit	Objective			Assurance Level
Disabled Facilities Grants	Ensure adequate arrangements are in place to manage the grants in line with Council and statutory procedures.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Without effective procurement controls that are in line with council policies and procedures there is the possibility that value for money is not obtained, allegations of favouritism in awarding contracts may not be able to be disproved and work may not be undertaken to the required standard.			We can confirm that all major DFG's for the likes of extension works now go through the Procurement Team for recording and processing. We can confirm that 3 quotations for works with an estimated cost between £5K and £25K are requested for each DFG. We acknowledge the concerns raised in relation to favouritism with contractors and best value for money. We have therefore introduced some changes to the procurement and allocation of the contractor process within constraints of a small team. In January 2020 we started to use our HBC internal workforce who have taken on the fitting of 5 level access showers and we are working with them to best understand how we can make the most effective use of this service going forward. We also believe that in value for money, we still need to consider 'value' as a whole, appreciating the work ethic and understanding that existing contractors have in relation to undertaking works for the most vulnerable people and the high standards that are expected from the Occupational Therapy Service.	
Non-compliance with Data Protection legislation (including GDPR) may result in data loss and large fines imposed, reputational damage and distress to individuals.			Storage of the DFG information is held within the housing shared drive and retention of DFG information carries a 10 year period. This storage process was adopted in 2015 and a review of this would need to take place from 2025. In some instances, this information may be accessed by others in the likes of Planning and	



	 <p>Likelihood</p> <p>Impact</p>	Regeneration who may be undertaking additional works to the property. Advice has been sought through Adult Services Information Governance Rep and also the Legal & Data Protection Officer and all relevant documentation from both Occupational Therapy Services and Special Needs Housing Team will in future, make reference to the relevant legislation and HBC Privacy Notice.	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective			Assurance Level
Section 17 Payments	Ensure all awards made are compliant with statutory requirements and the local scheme.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
There may be no means of verifying that service users have received assistance required. Fraudulent activity may go unnoticed.		 <p>Likelihood</p> <p>Impact</p>	Social Workers are aware that Form A documents require Service User signature to verify amounts have been received. Further communication will be made to enforce this.	 <p>Likelihood</p> <p>Impact</p>
Inadequate management information may lead to an inability to monitor the effective use of funds and ensure consistency across the service.		 <p>Likelihood</p> <p>Impact</p>	The use of correct expense heads used on documentation and application of ICS family numbers on narratives on Integra will provide a sufficient reporting tool.	 <p>Likelihood</p> <p>Impact</p>
Significant variances to budget of projections may not be acted on.		 <p>Likelihood</p> <p>Impact</p>	Regular budget monitoring ensures budget position is known. As a statutory function, payments have to be made regardless of budget position. 2020/21 budget currently appears to be in a relatively healthy position.	 <p>Likelihood</p> <p>Impact</p>



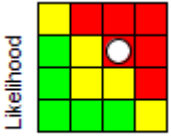





Audit	Objective			Assurance Level
Benefits	Ensure all claims are paid in line with statutory guidance.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
Agency Residential Payments	Ensure adequate governance arrangements are in place for Commissioning/Procurement; Service Delivery; Payments; Performance Monitoring; Financial Management and Information Governance.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				







Audit	Objective			Assurance Level
Cash/Bank	Ensure adequate arrangements are in place for recording, accounting and handling cash/bank processes.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Loss and/or theft of income may go undetected. Training issues may not be identified.		<div><div>Likelihood</div><div><div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div></div><div>Impact</div></div></div>	Changes to staff cover have been undertaken in order to address the issues raised. Regular management checks are being undertaken to identify and investigate any discrepancies and subsequent training needs.	<div><div>Likelihood</div><div><div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div><div><div></div></div><div><div></div></div></div></div><div>Impact</div></div></div>

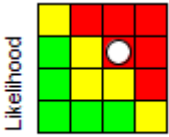
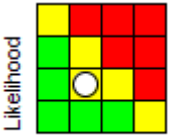




Audit	Objective			Assurance Level
VAT	Ensure VAT is treated and accounted for in line with legislative requirements.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Procedures may not promote efficient and effective operations and maximise cash flow for the organisation. Responsibility for the administration of the VAT system may not be defined and ineffective arrangements may be in place for keeping up to date with changes in VAT legislation which may result in breach of legislation requirements.		 Likelihood Impact	The date for implementation of phase 2 of Making Tax Digital has been pushed back until April 2021 due to the disruption caused by the Covid-19 pandemic. The VAT manual will be reviewed and updated in 2020 prior to these changes coming to reflect how VAT will be recorded and how returns will be submitted to HMRC.	 Likelihood Impact

Audit	Objective			Assurance Level
Integra IT System	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Data may be lost or corrupted or made available to unauthorised people.		 Likelihood Impact	The Document Retention documentation has been drafted for the System Support and Development Team and is currently being updated with all source data and the retention period is being reviewed to comply with the policy.	 Likelihood Impact



Audit	Objective	Assurance Level		
Leisure Centres	Review of procedures in place in order to obtain assurance on the effectiveness of controls within the facilities.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Goods/services may not be procured in line with the Authority's Financial Procedure Rules. (Millhouse)		Facebook refunded the amounts back to the card and a new card was issued. System Support to provide details of the investigation to Internal Audit. (Millhouse)		
Financial penalties may be imposed in the event of inappropriate access to personal data. (Millhouse)		XN leisure have consulted and there are some settings now available in order to enforce a minimum password criteria. These will be looked into and implemented. (Millhouse)		
Without adequate controls, all income due to the Authority may not be received or promptly and accurately recorded. (Brierton)		Debts are closely monitored in line with the HBC recovery team and are investigated and picked up accordingly. (Brierton)		
Financial penalties may be imposed in the event of inappropriate access to personal data. (Brierton)		XN leisure have consulted and there are some settings now available in order to enforce a minimum password criteria. These will be looked into and implemented. (Brierton)		

Audit	Objective			Assurance Level
Main Accounting System	Ensure identified risks are managed at an acceptable level with regard to legislative and regulatory requirements and financial accounts are accurate and complete.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				

Audit	Objective			Assurance Level
Burn Valley Recycling Centre	To give assurance in the following areas: Legislative Compliance; Contracts; Permits; Charges; Waste Re-Use and Security.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Loss of income if waste is not charged correctly.		 <p>Likelihood</p> <p>Impact</p>	A review of current charges for waste disposal of non-household wastes at the HWRC to be undertaken.	 <p>Likelihood</p> <p>Impact</p>
Loss of income if waste is not charged correctly.		 <p>Likelihood</p> <p>Impact</p>	A quarterly review of tonnages and income to be introduced. Site supervisor to undertake regular checks of staff to ensure consistency in charging.	 <p>Likelihood</p> <p>Impact</p>
Non compliance with re-use legislation.		 <p>Likelihood</p> <p>Impact</p>	A 'Household waste resource reuse business development proposal "to be developed. <i>Our waste, our resources: A strategy for England</i> ', HM Government 2018, P56, Section 2.2.2., 'Addressing barriers to reuse at Household Waste Recycling Centres and consulting on further measures to boost reuse, including reporting and reuse targets' sets out the	 <p>Likelihood</p> <p>Impact</p>

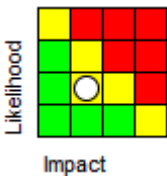
		Governments objectives for increasing household item reuse by capitalising on the opportunities provided by HWRC's. It is understood that this is a future business development objective for the Environmental Services Manager given its potential to lower waste disposal costs.	
Non-compliance with re-use legislation.	 <p>Likelihood</p> <p>Impact</p>	A reuse procedure to be developed and integrated into the site management plan.	 <p>Likelihood</p> <p>Impact</p>
Without guidelines to control the service some or all parties may fail to comply with the contract which may also result in non-compliance with legislative requirements.	 <p>Likelihood</p> <p>Impact</p>	Ensure that quotes for gate price figures are documented.	 <p>Likelihood</p> <p>Impact</p>
Without guidelines to control the service some or all parties may fail to comply with the contract which may also result in non-compliance with legislative requirements.	 <p>Likelihood</p> <p>Impact</p>	A new regional WEEE contract is currently being tendered for by NEPO. When this is awarded a signed copy will be requested.	 <p>Likelihood</p> <p>Impact</p>

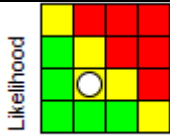
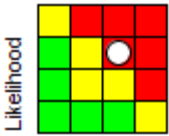
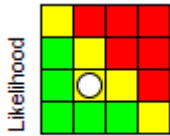



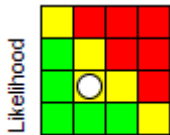
Audit	Objective		Assurance Level
Budgetary Control System	Ensure Roles and responsibilities of officers and Members are clearly defined in relation to the budget setting and budget monitoring processes; Budgets are prepared within the timeframe set out in the budget timetable. The timetable is laid out in accordance with statutory requirements/deadlines and an approved medium/long term financial planning strategy is in place that has considered all potential issues.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed
No unmitigated risk identified.			
		Risk Level after action implemented	

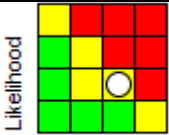

Audit	Objective			Assurance Level
ResourceLink IT System	Ensure adequate IT controls are in operation.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Non-compliance with Councils Data Retention Policy.		 <p>Likelihood</p> <p>Impact</p>	Retention of information is required currently to ensure required pension-related information is available. However, arrangements will be made to ensure the information retained is limited to only that required for this purpose. Retention review will take place early next year, once system upgrades have been embedded into system.	 <p>Likelihood</p> <p>Impact</p>

Audit	Objective			Assurance Level
Members Allowances	Ensure that payments made in respect of allowances and expenses incurred are paid in accordance with the rates approved by Council and the Independent Remuneration Panel and are bona fide; and records are maintained in a secure manner to enable claims to be validated and that allowances and expenses are published in line with legislative requirements.			Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.				



Audit	Objective		Assurance Level
Debtors	Payments are received in full and correctly processed on the debtors system and recovery action is in accordance with the agreed procedures.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed
No unmitigated risk identified.			







Audit	Objective		Assurance Level
ESF Community Grant Fund	Obtain assurance that the correct approvals are in place for participating in the project and the terms and conditions of the grant funding are complied with.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed
Documentation required as part of the decision-making process is not provided/retained resulting in grants not being awarded in line with grant condition requirements. Grants are awarded without adequate approval.			<p>Action 1: Ensure all minutes of the Grant Award Panel are fully detailed noting any comments, actions or deferrals for each Grant Application.</p> <p>Action 2: Implement a maximum time period for deferred applications to provide outstanding information to the ESF Project Team. The period must be agreed at the next Grant Awards Panel and if information is not provided within these timescales then Grant Applications will be rejected with a letter/email issued by the ESF Project Team.</p> <p>Action 3: Confirm all Panel Members are fully aware of the procedure for two written references, if an organisation has been trading for less than a year, at the next Grant Awards Panel.</p>
Documentation required as part of the decision-making process is not provided/retained resulting in grants not being awarded in line with grant condition			Undertake an additional quality check to ensure full due diligence and audits have been accurately carried out prior to any grants being awarded or payments made for the ESF Community Grants Programme. This will be the

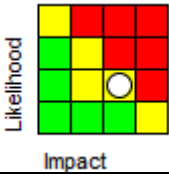
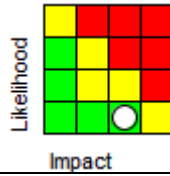
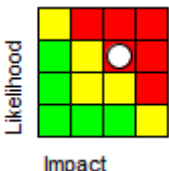
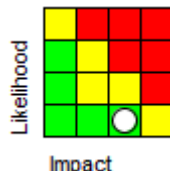
requirements. Grants are awarded without adequate approval.	 Likelihood Impact	responsibility of the Quality Manager who has extensive experience of similar programmes through previously working on the YEI.	 Likelihood Impact
Documentation required as part of the decision-making process is not provided/retained resulting in grants not being awarded in line with grant condition requirements. Grants are awarded without adequate approval.	 Likelihood Impact	Action 1: Complete a 100% check on the Due Diligence Templates for all Grant Recipients to confirm that all documentation is in place including policies, procedures and Insurance Certificates. This will be coordinated by the Quality Manager in partnership with the whole ESF Project Team and additional resource will be provided through the VCS Team. Action 2: Review the systems, processes and procedures to ensure that all documentation is in place against the Due Diligence Templates before grants are issued for the ESF Programme.	 Likelihood Impact
Without adequate monitoring arrangements, grants may be used for purposes other than those set out in the grant award terms and conditions.	 Likelihood Impact	Action 1: Review the current contract management process including the documentation used, to ensure monthly reports are submitted by Grant Recipients. Action 2: Reminder email to be issued to all active Grant Recipients on the requirement to complete monthly reports which must be monitored by the ESF Project Officer and then double-checked on an ongoing basis by the ESF Project Coordinator.	 Likelihood Impact
Without adequate monitoring arrangements, grants may be used for purposes other than those set out in the grant award terms and conditions.	 Likelihood Impact	Action 1: Review all relevant financial and administrative systems, processes and procedures which, where applicable, should mirror the YEI Programme. This includes the monitoring procedures to ensure mid-way reviews are completed on all Grant Recipients. Action 2: Ensure all mid-way and final review dates/times are planned in advance upon issuing the Grant Agreement for all future Grant Recipients.	 Likelihood Impact
Expenditure may be claimed without sufficient supporting documentation resulting in the full value not being re-imbursed, a delay in income being received or financial penalties being incurred.		Undertake an additional quality check to ensure audits have been accurately carried out including sampling financial evidence prior to any grant payments being made for the ESF Community Grants Programme. This will be the responsibility of the Quality Manager who has	

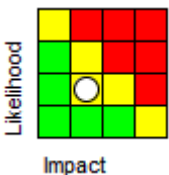

	 <p>Likelihood</p> <p>Impact</p>	extensive experience of similar programmes through previously working on the YEI Programme.	 <p>Likelihood</p> <p>Impact</p>
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Audit	Objective		Assurance Level
Youth Employment Initiative Grant	Terms and conditions of the grant funding are compiled with.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
No unmitigated risk identified.			

Audit	Objective		Assurance Level
Troubled Families Grant	Terms and conditions of the grant funding are compiled with.		Satisfactory
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Incorrect data may be recorded resulting in a reduction of grant award.	 <p>Likelihood</p> <p>Impact</p>	The Troubled Families programme is reliant on information from of external and internal services. As numbers attached to the programme continue to rise, issues such as timeliness of case recordings and discrepancies between data held by different services become more apparent. Every effort is made to ensure the accuracy at the time of claim, however, due to the changing and sometimes chaotic lifestyles of our cohort, we are not always aware of changes in benefit status. This is further compounded by being a full service Universal Credit authority as DWP have not updated their automated data sharing process to include UC.	 <p>Likelihood</p> <p>Impact</p>

Audit	Objective	Assurance Level		
Staff Lottery	Payments are received in full and correctly processed on the debtors system and recovery action is in accordance with the agreed procedures.	Satisfactory		
Risk Identified	Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented	
Staff may not be aware of the terms and conditions of the scheme. The scheme may not be operated in accordance with defined rules.		The staff lottery committee will ensure that the Payments section is aware of the need to retain all documentation in line with agreed protocols.		
Staff may not be aware of the terms and conditions of the scheme. The scheme may not be operated in accordance with defined rules.		Meetings will be reconvened in line with the constitution and minutes produced and agreed by the committee.		
Expenditure incurred may not be in line with the aims of the scheme.		Meetings will be reconvened in line with the constitution and minutes produced and agreed by the committee.		

Audit		Objective		Assurance Level
BIS		Ensure administrative arrangements are appropriate and robust.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
Tenants may not comply with requirements of tenancy if responsibilities are not clearly defined and communicated.			Unit inspections will be scheduled in by the BIS Deputy Manager with tenants on a quarterly basis and recorded on the relevant form. Unit inspections will be undertaken by the Enterprise Manager where possible or in their absence the Deputy Manager.	
Service standards may not be in line with desired levels if adequate arrangements are not in place to monitor / manage performance.			The Economic Regeneration Team Service Plan will be completed before end of 2020 and implemented in January 2021. Performance measures relating to the BIS will be worked towards.	

Audit		Objective		Assurance Level
Procurement		Procurement system meets statutory, professional, best practice and the organisation's requirements and standards.		Satisfactory
Risk Identified		Risk Level prior to action implemented	Action Agreed	Risk Level after action implemented
The procurement system may not meet statutory, professional, best practice and the organisation's requirements and standards.			It is not a statutory requirement to have a separate Procurement Strategy. Until additional resources are available this remains a 'nice' to have in the future. In the meantime all reference to HBC Procurement Strategy will be removed and replaced with reference to HBC adopting and following the LGA National Procurement Strategy.	

AUDIT AND GOVERNANCE COMMITTEE

7th January 2021



Report of: Director of Resources and Development

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 2019/20 including the 2019/20 outturn Prudential Indicators;
- ii. Provide a mid-year update of the 2020/21 Treasury Management activity; and
- iii. Enable the Audit and Governance Committee to scrutinise the recommended 2021/22 Treasury Management Strategy before it is referred to the full Council for approval.

2. BACKGROUND

2.1 The Treasury Management Strategy covers:

- the borrowing strategy relating to the Council's core borrowing requirement in relation to its historic capital expenditure (including Prudential Borrowing);
- the borrowing strategy for the use of Prudential Borrowing for capital investment approved as part of the Medium Term Financial Strategy; and
- the annual investment strategy relating to the Council's cash flow.

2.2 The Treasury Management Strategy needs to ensure that the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget, which was reduced as part of the Medium Term Financial Strategy in previous years. 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. As detailed later in the report these issues are being managed successfully.

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 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, and has subsequently been updated, most recently in 2017.
- 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.
- 2.6 This report covers the following areas:
- Economic background and outlook for interest rates
 - Treasury management outturn position for 2019/20
 - Treasury Management Strategy 2020/21 mid-year review
 - Treasury Management Strategy 2021/22
 - Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2021/22

3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

- 3.1 **UK** – The UK economy has faced an extended period of economic uncertainty due to the Covid-19 pandemic. The Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged on 5th November. However, it revised its economic forecasts to take account of the second national lockdown which is expected to further delay economic recovery. It therefore resolved to undertake a further tranche of Quantitative Easing of £150bn, to start in January when the current programme of £300bn, runs out.
- 3.2 The Bank of England does not intend to tighten monetary policy until there is clear evidence of a sustained economic recovery.
- 3.3 The risk of a persistent period of elevated unemployment remains material as a result of the Covid-19. The approval of a vaccine has boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help bring the unemployment rate down.
- 3.4 The Chancellor's November 2020 Spending Review highlighted the scale of the economic impact of Covid, which include an increase in Government borrowing of £394 million – the highest peace time level. The Office for Budget Responsibility's revised economic forecasts shown the depth of the economic contraction in 2020 and revised growth forecast up to 2023 are set out in the following table:

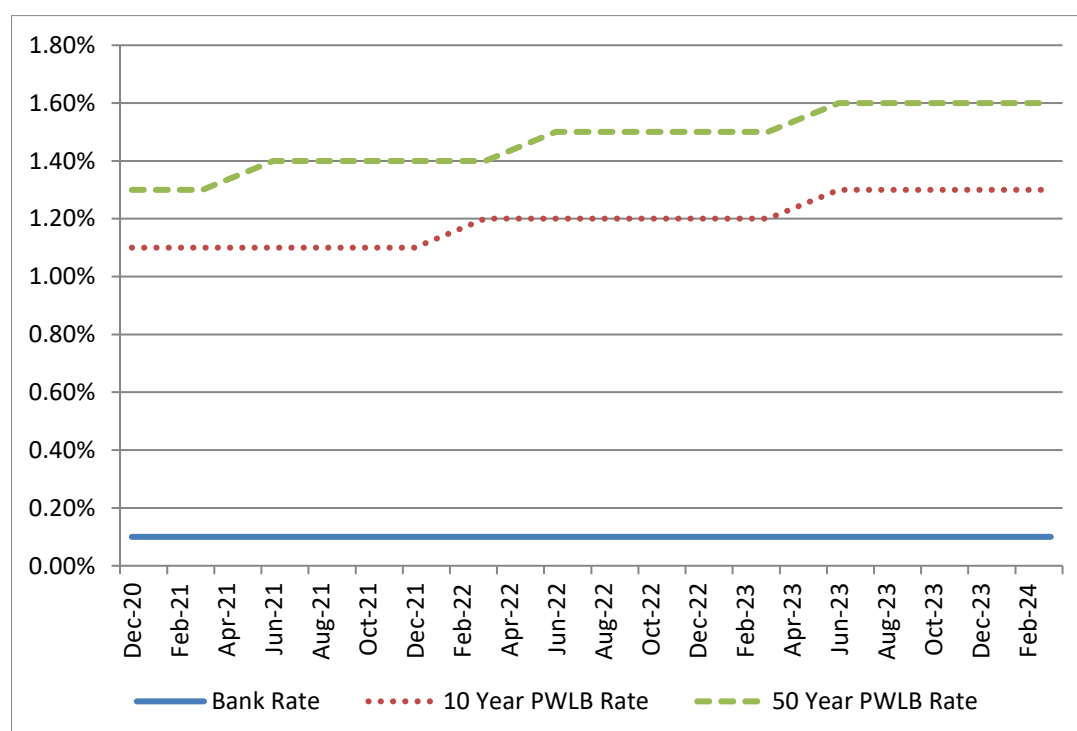
Year	March 2020 Growth Forecast	November 2020 Growth / (contraction) Forecast
2020	1.1%	(11.3%)
2021	1.8%	5.5%
2022	1.5%	6.6%
2023	1.3%	2.3%

- 3.5 **European Union (EU)** – The economy has faced similar challenges to the UK from the pandemic suffered a sharp drop in GDP caused by the virus (France 18.9%, Italy 17.6%). A second wave of the virus has affected many countries and is likely to hit hardest those countries more dependent on tourism.
- 3.6 **USA** – The results of the November elections means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if though the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans.
- 3.7 **Other Economies** – In China after a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Japan is struggling to stimulate consistent GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus.
- 3.8 **Interest Rate Forecasts**
- 3.9 Link Asset Services (the Council's Treasury Management advisors) continue to update their interest rate forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy. Their latest forecast have been based on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31 March 2021. Given the current level of political and economic uncertainty, forecasts may need to be reassessed in light of events over the coming weeks or months.
- 3.10 There is not likely to be any change in the Bank Rate of 0.10% in 2020-21 and 2021-22 due to whatever outcome there is from trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, the position is unclear and will be monitored closely.
- 3.11 The results of the PWLB consultation were released at the end of November, national borrowing from PWLB has now been reduced to 1.8% (after the increase in October 2019), based on current rates borrowing from PWLB has been restricted and cannot now be used to fund investment in property with the primary aid of generating investment income. The economic downturn

has highlighted the risk of this type of investment – which the Council has never pursued owing to these risks.

- 3.12 Economic and interest rate forecasting remains difficult with so many influences impacting on the economy. UK gilt yields (i.e. Government borrowing) and PWLB rates. The forecasts made by Link Asset Services, (and MPC decisions) may be liable to further amendment depending on how the political and economic developments transpire over the next year. Further national lockdowns or severe regional restrictions during 2021 are also a risk to the current forecasts.

3.13 Interest Rate Forecast up to March 2024



- 3.14 Since the late 1990s Base Rate averaged 5% until 2009 when the Bank of England reduced it to the historically low 0.5% in response to the financial crisis and increased to 0.75% in August 2018. Over the same period PWLB rates have been significantly higher than they are at present. In August 2018 the Bank of England raised the interest rate for only the second time in a decade. The rates for 10 year loans were on average 5% prior to the financial crisis but subsequently fell to between 3% and 4%. The rates for 50 year loans were also on average 5% although this trend continued throughout the financial crisis. PWLB interest rates fell to historically low levels in early 2015 predominantly as a consequence of falling oil prices. They fell further following the EU referendum to the current levels. In the context of previous interest rates, current rates are at a low historic level

4. TREASURY MANAGEMENT OUTTURN POSITION 2019/20

4.1 Capital Expenditure and Financing 2019/20

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, previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then to 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 £23.451m, of which £8.612m 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 yet to be expensed or paid for through revenue or capital resources. Each year the Council is required to apply revenue resources to reduce this outstanding balance (termed Minimum Revenue Provision).

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 £108.026m as shown at Appendix A comprising:

- £74.772m relating to the core CFR,
- £23.441m relating to business cases and
- £9.813m relating to the Housing Revenue Account (HRA).

The actual CFR is lower than the approved estimate of £120.008m owing to rephasing of capital expenditure into 2020/21.

4.8 The Council's total long term external borrowing as at 31st March, 2019 was £87.4m and reduced to £78.5m at 31st March 2020. This decrease was in line with the approved strategy and reflected the partial repayment of annuity loans taken out in previous financial years.

4.9 The total borrowing remains below the CFR and there continued to be an element of netting down investments and borrowing.

4.10 Prudential Indicators and Compliance Issues 2019/20

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 2018/19 the Council has maintained gross borrowing within its Authorised Limit.

4.13 **Gross Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, must only be for a capital purpose. Gross borrowing should not exceed the CFR for 2019/20 plus the expected changes to the CFR over 2020/21 and 2021/22. The Council has complied with this Prudential Indicator.

4.14 The treasury position 31st March 2020

4.15 The table below shows the treasury position for the Council as at the 31st March, 2020 compared with the previous year:

Treasury position	31st March 2019		31st March 2020	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt				
- Tees Valley Combined Authority	-	-	-	-
- PWLB	£36.4m	3.13%	£33.5m	3.21%
- Market Loans (Maturities)	£31.0m	3.16%	£25.0m	3.92%
- Market Loans (LOBOs)	£20.0m	4.12%	£20.0m	4.12%
Total Long Term Debt	£87.4m	3.43%	£78.5m	3.67%
Total Investments	£36.1m	0.92%	£12.8m	0.39%
Net borrowing Position	£51.3m		£65.7m	

4.16 At the time the LOBOs were taken out the prevailing PWLB rates were between 4.25% and 4.55%. The LOBOs have therefore allowed the Council to achieve annual interest savings between 0.13% and 0.43% compared to prevailing PWLB loans.

4.17 A key performance indicator shown in the above table is the very low average rate of external debt of 3.67% for debt held as at 31st March, 2020. This is a historically low rate for long term debt and the resulting interest savings have already been built into the Medium Term Financial Strategy.

- 4.18 The Council's investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) guidance, which has been implemented in the annual investment strategy approved by Council.
- 4.19 The Council does not rely solely on credit ratings and takes 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 between three and six months but a maximum of one year). 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 2019/20 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.
- 4.21 **Regulatory Framework, Risk and Performance 2019/20**
- 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 MHCLG 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

5. TREASURY MANAGEMENT STRATEGY 2020/21 MID YEAR REVIEW

- 5.1 The Treasury Management Strategy for 2020/21 was approved by Council on 20th February 2020. The Council's borrowing and investment position as at 30th September 2020 is summarised as follows:

	£m	Average Rate
PWLB Loans	32.1	3.26%
Market Loans (Maturities)	25.0	3.92%
Market Loans (LOBOs)	20.0	4.12%
Gross Debt	77.1	3.70%
Investments	21.3	0.23%
Net Debt as at 30-09-20	55.8	

- 5.2 Net Debt has decreased since 31st March 2020 owing to positive cash flows. 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.
- 5.3 As part of the Treasury Strategy for 2020/21 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.
- 5.4 In accordance with the decision made by Council in February 2020 borrowing of £17m in relation to the Capital Investment Programme has been secured at a fixed rate below prevailing PWLB interest rates at the time of the agreement. This action has removed future interest rate risk and this funding will not be drawn down until September 2021.

6. TREASURY MANAGEMENT STRATEGY 2021/22

- 6.1 Prudential Indicators and other regulatory information in relation to the 2021/22 Treasury Management Strategy is set out in Appendix B.
- 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 2021/22

- 7.1 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 Owing to the continued low Base Rate the Treasury Management Strategy has been to net down investments and borrowings resulting in annual

savings reflected in the MTFS. The existing Treasury Management Strategy has 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 would be used up. The MTFS for 2019/20 recommended proposals for using significant one-off resources and therefore a large proportion of reserves will be used up over the next three years and will not be available to net down the borrowing requirement. Therefore, in advance of this a decision was taken to partially fund the core borrowing requirement when long term PWLB interest rates fell to unprecedentedly low levels in January 2015.

- 7.5 This decision has secured low long term interest rates, meeting the objective of funding the borrowing requirement at historically low long term interest rates. This action secured the Treasury Management savings built into the budget since 2015/16 of £1.270m, which reduced the recurring budget by 21%.
- 7.6 Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing. This is at a level that is forecast to be sustainable. However owing to the unprecedented financial environment it may be appropriate to take out further borrowing and the position will be kept under constant review. A decision to borrow up to the CFR may be taken by the Director of Resources and Development if it is in the best interests of the Council to do so. It is recommended that the Director of Resources and Development is authorised to implement Treasury Management arrangements which minimise the short and long term cost to the Council.
- 7.7 **Borrowing Requirement Business Cases (including the Housing Revenue Account)**
- 7.8 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.
- 7.9 In order to ensure that the above objectives are achieved a strategy of fully funding the borrowing for business cases has been adopted in recent years. However, given the reduction in interest rates and current interest rate forecasts it is recommended that a strategy of temporarily internally funding business cases maybe appropriate in order to mitigate counterparty risk. The timing of long term borrowing decisions will then be managed carefully to ensure that interest rates are fixed at an affordable level.
- 7.10 **Borrowing in Advance of Need**
- 7.11 The Council has some flexibility to borrow funds for use in future years, including in relation to the CIP pot. The Director of Resources and

Development may do this under delegated power where, for instance, an increase in interest rates is expected. In these circumstances borrowing early at fixed interest rates may be undertaken where this will secure lower fixed interest rates for specific business cases; including the Western Growth Corridor Scheme or to fund future debt maturities (i.e. if the remaining LOBOs were called). Any borrowing in advance of need will be reported to the Council in the next Treasury Management report.

8. INVESTMENT STRATEGY 2021/22

8.1 The Ministry for Housing, Communities and Local Government (MHCLG) issued investment guidance in 2010, updated in 2017, 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 Director of Finance and Policy 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; and
- investment return.

8.3 Counterparty Selection Criteria

8.4 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.

8.5 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

- 8.6 The Director of Resources and Development 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.
- 8.7 There are no proposed changes to existing counter parties and the table below shows the proposed limits in 2020/21 for the Council:

Category	Fitch	Moody's	Standard & Poor's	Proposed Counterparty Limit	Proposed Time Limit
A*	F1+/AA-	P-1/Aa3	A-1+/AA-	£15m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£10m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks and Banks covered by UK Government Guarantee			£15m	1 Year
E	Other Local Authorities Individual Limits per Authority: - £8m County, Metropolitan or Unitary Councils - £3m District Councils, Police or Fire Authorities			£40m	1 Year
F	Three Money Market Funds (AAA) with maximum investment of £3m per fund			£9m	Liquid (instant access)

*including Svenska Handelsbanken

- 8.8 **Specified and Non-Specified Investments**
- 8.9 MHCLG regulations classify investments as either Specified or Non-Specified. Specified Investment is any investment not meeting the Specified definition.
- 8.10 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.
- 8.11 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 (AAA) by a credit rating agency.
- 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.

8.12 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).

9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2020/21

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 Capital Financing Requirement (CFR) each year through a revenue charge called the Minimum Revenue Provision (MRP).

9.2 MHCLG 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.

9.3 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 based on a 50 year annuity repayment.
 - i. Where MRP has been overcharged in previous years, the recovery of the overcharge will be implemented by reducing the MRP in relation to this capital expenditure by reducing future MRP charges that would otherwise have been made. It should be noted that this will ensure the debt will be paid off by 2056/57

whereas the previous 4% reducing balance MRP charge would have left debt of £9.4m at this date.

- ii. The total MRP after applying the adjustment will not be less than zero in relation to this capital expenditure.
 - iii. The cumulative amount adjusted for will never exceed the amount overpayment.
- 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.
 - The MHCLG revised its MRP guidance in 2017, which would impact on any future changes to the Council's MRP policy, however the guidance is not retrospective. The approved MRP policy implemented prior to the MHCLG changes is therefore compliant with the recent MHCLG revisions and will be carried forward in the future years, until such time as a prudent approach is considered to be appropriate.
 - MRP in relation to the Hartlepool Western Growth Corridor (HWGC) will be applied using a 40 year straight line basis, with additional annual VRP applied to reflect S106 income to achieve repayment over a 7 to 10 year period. Where additional VRP is made any 'overpayment' may be used to reduce future MRP charges if S106 receipts are delayed.

9.4 **CIPFA Treasury Management Code of Practice**

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

9.6 **Treasury Management Advisors**

9.7 The Council uses Link Asset Services – Treasury as its external treasury management advisors.

9.8 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.

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

9.10 **Markets in Financial Instruments Directive (MIFID II)**

9.11 On 3rd January 2018 an updated version of the European Union's Markets in Financial Instruments Directive (known as MIFID II) comes into effect. It is designed to offer greater protection for investors and inject more

transparency into financial markets. Under MIFID II all local authorities will be classified as “retail” counterparties and will have to consider whether to opt up to “professional” status and for which type of investments

- 9.12 Local authorities that choose not to opt up or do not meet the minimum criteria for opting up (i.e. minimum investment balances of £10m) may face a reduction in the financial products available to them, a reduction in number of brokers and asset managers that will be able to engage with and may face increased fees.
- 9.13 Local authorities that choose to opt up must be able to satisfy some quantitative tests, and each Financial Institution will independently determine whether the Authority meet the qualitative test of being appropriately knowledgeable, expert and experienced. Financial Institutions also need to satisfy themselves that the Authority can make its own investment decisions and understands the risks involved.
- 9.14 The Council choose to opt up in order to maintain the Council’s ability to operate effectively under the new regime.

10. FINANCIAL CONSIDERATIONS

- 10.1 As detailed in preceding paragraphs.

11. RISK IMPLICATIONS

- 11.1 There is a risk in relation to the level of interest rates the Council is able to secure for long term borrowing and the proposals detailed in this report are designed to manage these risks.
- 11.2 There are also risk implication in relation to the investment of surplus cash and these are addressed in the strategy recommended in section 8.

12. LEGAL CONSIDERATIONS

- 12.1 The report details how the Council will comply with the relevant legal and regulatory requirements in relation to Treasury Management activities.

13. CHILD AND FAMILY POVERTY

- 13.1 None.

14. EQUALITY AND DIVERSITY CONSIDERATIONS

- 14.1 None.

15. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

- 15.1 None.

16. STAFF CONSIDERATIONS

16.1 None.

17. ASSET MANAGEMENT CONSIDERATIONS

17.1 None.

18. CONCLUSION

18.1 The report sets out how the Council will comply with the regulatory framework to ensure the Council achieves the lowest borrowing costs and security for any temporary cash investments made by the Council.

18.2 The report sets out the borrowing strategy for the core CFR of netting down the remaining under borrowing against investments but highlights the continued economic uncertainty and the possibility that if circumstances change further borrowing may be required. The report also outlines a strategy of temporarily internally funding business cases in order to mitigate counterparty risk. The timing of long term borrowing decisions will then be managed carefully to ensure that interest rates are fixed at an affordable level.

18.3 In relation to the investment strategy the Council has adopted an extremely prudent approach over the last few years and continues to do so. It is recommended that the Council approves the existing counterparty criteria as set out in paragraphs 8.7.

19. RECOMMENDATIONS

19.1 It is recommended that Members approve that the following proposals are referred to full Council:

19.2 **Treasury Management Outturn Position 2019/20**

- i) Note the 2019/20 Treasury Management Outturn detailed in section 4 and Appendix A.

19.3 **Treasury Management Strategy 2020/21 Mid-Year Review**

- ii) Note the 2020/21 Treasury Management Mid-year Position detailed in section 5.

19.4 **Treasury Management Strategy 2021/22 (Prudential Indicators)**

- iii) Approve the prudential indicators outlined in Appendix B.

19.5 Borrowing Strategy 2021/22

- iv) **Core borrowing requirement** – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.
- v) To note that in the event of a change in economic circumstances that the Director of Resources and Development may take out additional borrowing if this secures the lowest long term interest cost.
- vi) To authorise the Director of Resources and Development to implement Treasury Management arrangements which minimise the short and long term cost to the Council.

19.6 Investment Strategy 2021/22

- vii) Approve the Counterparty limits as set out in paragraph 8.7.

19.7 Minimum Revenue Provision (MRP) Statement

- viii) Approve the MRP statement outlined in paragraph 9.3 above.

20. REASON FOR RECOMMENDATIONS

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

21. CONTACT OFFICER

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Appendix A

Prudential Indicators 2019/20 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.

2019/20 Estimate		2019/20 Outturn
4.07%	Ratio of Financing costs to net revenue stream	3.30%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2019/20 Estimate £'000		2019/20 Outturn £'000
39,443	Capital Expenditure	23,451

The actual is lower than estimated owing to the phasing of capital 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.

2019/20 Estimate £'000		2019/20 Outturn £'000
245	Core Capital Expenditure Financed by Borrowing	5,828
5,139	Business Case Capital Expenditure Financed by Borrowing	2,784
1,000	HRA Capital Expenditure Financed by Borrowing	-
6,384	Total Capital Expenditure Financed by Borrowing	8,612

The actual is higher than estimated owing to the phasing of borrowing between 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.

2019/20 Estimate £'000		2019/20 Outturn £'000
71,954	Core Capital Financing Requirement	74,772
35,425	Business Case Capital Financing Requirement	23,441
12,629	HRA Capital Financing Requirement	9,813
120,008	Total Capital Financing Requirement	108,026

The capital financing requirement is lower than estimated owing to the phasing of capital expenditure.

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.

2019/20 Limit £'000		2019/20 Peak £'000
141,000	Authorised limit for external debt	87,386

The above Authorised Limit was not exceeded during the year. The level of debt as at 31st March 2020, excluding accrued interest was £78.524m. The peak level during the year was £87.386m.

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.

2019/20 Limit £'000		2019/20 Peak £'000
131,000	Operational boundary for external debt	87,386

The operational limit was not exceeded in the year. The peak level of debt was £87.386m.

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.

2019/20 Limit %	Upper limits on fixed and variable interest rate exposure	2019/20 Peak %
100% 75%	Fixed Rates Variable Rates	77% 23%

The figures represent the peak values during the period.

8. Maturity Structure of Borrowing

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

	Upper Limit £000	Lower Limit £000	Actual by Maturity Date £000	Actual by soonest call date £000
Less than one year	131,000	0	3,191	8,191
Between one and five years	141,000	0	5,250	20,250
Between five and ten years	141,000	0	4,122	4,122
Between ten and fifteen years	141,000	0	3,956	3,956
Between fifteen and twenty years	141,000	0	2,451	2,451
Between twenty and twenty-five years	141,000	0	2,251	2,251
Between twenty-five and thirty years	141,000	0	2,648	2,648
Between thirty and thirty-five years	141,000	0	6,525	6,525
Between thirty-five and forty years	141,000	0	2,725	2,725
Between forty and forty-five years	141,000	0	654	654
More than forty-five years	141,000	0	45,151	25,151

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	20,000	0	0
Actual	0	0	0

TREASURY MANAGEMENT STRATEGY 2021/22 REGULATORY INFORMATION AND PRUDENTIAL INDICATORS

1. INTRODUCTION

- 1.1 The regulatory information and prudential indicators for the 2021/22 Treasury Management Strategy are set out below.

2. PRUDENTIAL INDICATORS

- 2.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and set prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity.
- 2.2 The first prudential indicator is confirmation that the Council has adopted the CIPFA Treasury Management Code of Practice, which the Treasury Management Strategy report confirms.
- 2.3 Details of the proposed prudential limits are set out in the following sections.

3. CAPITAL EXPENDITURE AND FINANCING REQUIREMENT

- 3.1 The Council's Borrowing Strategy is driven by the Capital Financing Requirement (CFR) and the Council's view of interest rates. The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is funded from borrowing. Historically the majority of the Council's CFR related to capital expenditure supported by Government borrowing approvals.
- 3.2 Government borrowing approvals are authority to fund capital expenditure from loans. Prior to the introduction of the prudential borrowing system in the Local Government Act 2003 Councils could only borrow for capital expenditure authorised by a Government borrowing approval.
- 3.3 Following the introduction of the prudential borrowing systems Councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed the new flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self-funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.

- 3.4 Councils ultimately need to fund the CFR by borrowing money from the Public Works Loan Board (PWLb) or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Council's outstanding mortgage, although the legislation and accounting requirements are significantly more complex.
- 3.5 The estimated Capital Finance & Borrowing Requirement is shown in the following table:

Capital Financing & Borrowing Requirement	2020/21 Revised £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
CFR at 1st April	108,026	113,962	121,252	138,282
Capital Expenditure Financed by New Borrowing	6,127	8,533	9,105	7,076
Approved Borrowing Rephased from 2019/20 and Borrowing Profiled for Future Years	13,692	0	0	0
Less Borrowing to be Rephased to Future Years	(11,289)	1,144	10,145	0
Less Repayment of CFR	(2,594)	(2,387)	(2,220)	(2,218)
CFR at 31st March	113,962	121,252	138,282	143,140
Less assets held under Finance Lease	(191)	(183)	(175)	(167)
Borrowing Requirement	113,771	121,069	138,107	142,973
Corporate Borrowing Requirement	76,425	75,398	74,267	73,147
Business Case Borrowing Requirement	27,532	33,509	48,420	51,266
Housing Revenue Account Borrowing Requirement	9,814	12,163	15,421	18,560
Borrowing Requirement	113,771	121,069	138,107	142,973

- 3.6 As part of the Medium Term Financial Strategy the Council is required to approve the 2021/22 capital programme summarised as follows:

Capital Expenditure	2020/21 Revised £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
New Approved Capital Expenditure	17,477	19,716	20,288	18,259
Rephased Capital Expenditure from 2019/20 and Expenditure Profiled for Future Years	24,832	0	0	0
2020/21 Capital Expenditure to be Rephased	(21,711)	11,566	10,145	0
Capital Expenditure for the Year	20,598	31,282	30,433	18,259
Financed by:				
Capital grants and contributions	11,200	11,033	11,033	11,033
Other Capital Funding	150	150	150	150
Capital Expenditure to be funded from New Prudential Borrowing	6,127	8,533	9,105	7,076
Capital Resources Rephased from 2018/19 and Capital Resources Profiled for Future Years	24,832	0	0	0
Rephased Expenditure between years.	(21,711)	11,566	10,145	0
Total Funding	20,598	31,282	30,433	18,259
Non-HRA Capital Expenditure	20,598	28,933	27,175	15,120
HRA Capital Expenditure	0	2,349	3,258	3,139
Total Capital Expenditure	20,598	31,282	30,433	18,259

4. AFFORDABILITY PRUDENTIAL INDICATORS

4.1 The affordability of the approved Capital Investment Programme was assessed when the capital programme was approved and revenue costs are built into the Medium Term Financial Strategy or individual business cases. The 'Affordability Prudential Indicators' are detailed below and are intended to give an indication of the affordability of the planned capital expenditure financed by borrowing in terms of the impact on Council Tax and the Net Revenue Stream.

4.2 Incremental Impact of Capital Expenditure on Housing Rent Levels

4.3 This indicator shows the revenue impact on any newly proposed changes to HRA capital expenditure. At present there will be no impact on housing rent levels as these have been set taking into account the existing HRA capital programme.

	Forward Projection	Forward Projection	Forward Projection	Forward Projection
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Weekly Housing Rent Levels	£0.00	£0.00	£0.00	£0.00

4.4 Ratio of Financing Costs to Net Revenue Stream

- 4.5 This shows the net cost of capital borrowing as a percentage of the net budget. The decrease reflects significant savings from locking into historically low interest rates and re-profiling of MRP as outlined in the report.

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Non-HRA financing cost to General Fund Net Revenue Stream	4.89%	4.77%	4.65%	4.54%

4.6 Ratio of Finance Costs to HRA Net Revenue Stream

- 4.7 This shows the net cost of capital borrowing as a percentage of the net HRA budget arising from the phased implementation of the business case.

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA financing cost to HRA Net Revenue Stream	25.47%	29.03%	30.58%	30.61%

- 4.8 This reflects the profile of funding used to finance the HRA, including delaying the use of borrowing.

5. **BORROWING PRUDENTIAL INDICATORS**

5.1 Debt Projections 2020/21 – 2023/24

- 5.2 The following table sets out the Council's projected Capital Financing Requirement (CFR) and level of debt:

Debt and Investment Projections	2020/21 Revised £'000	2021/22 Estimated £'000	2022/23 Estimated £'000	2023/24 Estimated £'000
Long Term Borrowing 1 April	78,524	78,524	95,524	106,524
Expected change in Long Term Debt	0	17,000	11,000	5,000
Debt at 31 March	78,524	95,524	106,524	111,524
Borrowing Requirement	113,771	121,069	138,167	143,033
Under Borrowing	(35,247)	(25,545)	(31,643)	(31,509)
Non-HRA Debt	68,710	83,361	91,103	92,964
HRA Debt	9,814	12,163	15,421	18,560
Total Debt	78,524	95,524	106,524	111,524

- 5.3 Although the Council has reduced the level of under borrowing in recent years the table shows that an element of core borrowing can continue to be temporarily deferred by netting down investments and borrowing.

5.4 Limits to Borrowing Activity

5.5 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

5.6 The Council needs to ensure that total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/2021 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table demonstrates that borrowing will not exceed the CFR.

External Debt	2020/21 Revised £'000	2021/22 Estimated £'000	2022/23 Estimated £'000	2023/24 Estimated £'000
Gross Borrowing	78,524	95,524	106,524	111,524
Other Long Term Liabilities	191	183	175	167
Total Gross Borrowing	78,715	95,707	106,699	111,691
Borrowing Requirement	113,771	121,069	138,107	142,973

5.7 The following table shows two key limits for the monitoring of debt. The Operational Limit is the likely limit the Council will require and is aligned closely with the actual CFR on the assumption that cash flow is broadly neutral. The Authorised Limit for External Debt is a further key prudential indicator to control the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Council. In practice it needs to take account of the range of cash flows that might occur for the Council in addition to the CFR. This also includes the flexibility to enable advance refinancing of existing loans.

Borrowing Limits	2020/21 £'000	2021/22 Estimated £'000	2022/23 Estimated £'000	2023/24 Estimated £'000
Operational Limit	124,000	132,000	148,000	153,000
Authorised limit	134,000	142,000	158,000	163,000

*These Limits include provision for potential temporary borrowing related to the phasing of capital receipts over the period of the MTFS.

6. **INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY**

6.1 Investment Projections 2020/21 – 2023/24

6.2 The following table sets out the estimates for the expected level of resource for investment or use to defer long term borrowing.

2019/20 Outturn £'000	Year End Resources	2020/21 Revised £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
35,672	Balances and Reserves	35,000	30,000	25,000	20,000
322	Collection Fund Adjustment Account*	0	0	0	0
3,993	Provisions	3,993	3,993	3,993	3,993
39,987	Total Core Funds	38,993	33,993	28,993	23,993
11,306	Working Capital**	8,300	8,300	8,300	8,300
51,293	Resources Available for Investment	47,293	42,293	37,293	32,293
(29,502)	(Under)/over borrowing	(35,247)	(25,545)	(31,583)	(31,449)
21,791	Expected Investments	12,046	16,748	5,710	844

6.3 Sensitivity to Interest Rate Movements

6.4 Sensitivity to Interest Rate Movements is a prudential indicator that the Authority is required to disclose. The following table highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. These forecasts are based on a prudent view of a +/- 1% change in interest rates for the borrowing requirement that has not yet been fixed (i.e. under borrowing). Equally for investments they are based on a prudent view of the total amount invested. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by short interest rate changes. The "Treasury Management Risk Reserve" was established to manage this risk.

Impact on Revenue Budgets	2020/21 Estimated 1% £'000	2020/21 Estimated -1% £'000
Interest on Borrowing	255	(255)
Investment income	(167)	167
Net General Fund Borrowing Cost	88	(88)

6.5 There are four further treasury activity limits and the purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

6.6 The limits are:

- i) Upper limits on variable interest rate exposure – This identifies a maximum limit for the percentage of the Council's borrowing and investments that are held with variable interest rates. The proposed limits are detailed in the following table.

Limits on Variable Interest Rates	2020/21 Upper £'000	2021/22 Upper £'000	2022/23 Upper £'000
Borrowing	75%	75%	75%
Investments	100%	100%	100%

- ii) Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit for the percentage of the Council's borrowing and investments that are held with fixed interest rates.

Limits on Fixed Interest Rates	2020/21 Upper £'000	2021/22 Upper £'000	2022/23 Upper £'000
Borrowing	100%	100%	100%
Investments	100%	100%	100%

- iii) Maturity structure of borrowing – Limits for the 'Maturity Structure of Borrowing' are intended to reduce exposure to large fixed rate sums falling due for refinancing. In the opinion of the Chief Finance Officer limits on fixed and variable rates for **borrowing** are unhelpful and could lead to higher costs of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. In the Chief Finance Officer's professional opinion this proactive management of investments and borrowing continues to provide the most cost effective strategy for the Council, whilst not exposing the Council to unnecessary risk. The Council should ensure maximum flexibility to minimise costs to the revenue budget in the medium term. These limits are detailed in the following table:

Maturity Structure of fixed interest rate borrowing 2021/22				
	2020/21 £000 Lower Limit	2020/21 £000 Upper Limit	2021/22 £000 Lower Limit	2021/22 £000 Upper Limit
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

- iv) Maximum principal sums invested – Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's liquidity requirements and reflect the current recommended advice that investments are limited to short term investments i.e. up to one year.

Limit for Maximum Principal Sums Invested > 364 days			
	1 year £000	2 years £000	3 years £000
Maximum	20,000	0	0

6.7 Performance Indicators

- 6.8 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The Council will produce the following performance indicators for information and explanation of previous treasury activity:

- Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year

AUDIT AND GOVERNANCE COMMITTEE

7th January 2021



Report of: Assistant Director (Regulatory Services)

Subject: BUSINESS CONTINUITY

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide members with an update on the Councils Business Continuity arrangements, following a report presented to the Committee in December 2019 by the then Assistant Director (Environment and Neighbourhood Services).

2. BACKGROUND

- 2.1 The Civil Contingencies Act (2004) places a statutory duty on Hartlepool Borough Council as a 'Category 1 Responder':
- To maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform its functions
- 2.2 A review was undertaken by the Council's Internal Audit identified a number of weaknesses within the existing arrangements whereby up to date information is not currently held, agreed or tested.
- 2.3 Consequently a significant amount of work needed to be undertaken to address the concerns highlighted by internal audit.
- 2.4 A report was present to the December 2019 meeting of the Audit & Governance Committee by the Assistant Director (Environment and Neighbourhood Services) setting out the work which had been undertaken in relation to Business Continuity.
- 2.5 This report stated that tests were to be undertaken to ensure that the Business Continuity plans in place are fit for purpose and any lessons learnt from these exercises would be incorporated into future plans.

- 2.6 As a result of the Covid-19 pandemic, it has not been possible to proceed with the exercises as planned during 2020.
- 2.7 The Covid-19 pandemic, did however result in the Council having to respond rapidly to the circumstance and to ensure that it could continue to operate throughout. The work that had been carried out in business continuity did prove invaluable in responding to the unprecedented situation, allowing the Council to quickly adopt new ways of operating and providing the facilities for officers to continue to work from their own homes.
- 2.8 The Council's business continuity group has looked at the initial response and identified a number of areas which need to be updated in the business continuity plans, particular in relation to having the majority of staff currently based out of the office.
- 2.9 Work is currently ongoing to consider the areas we need to adapt within the plans and revise them accordingly, which will reflecting any learning points identified as a result of Covid-19.
- 2.10 We are also discussing with our partners in the Local Resilience Forum their experience of dealing with the challenges faced as a result of Covid-19, to learn from them and adapt our plans as necessary.

3. PROPOSALS/ISSUES FOR CONSIDERATION

- 3.1 The Council will continue to review and refine its business continuity arrangements in line with current best practice, ensuring that we continue to meet out statutory responsibilities under the Civil Contingencies Act and undertake training exercises as appropriate.

4. OTHER CONSIDERATIONS

Risk Implications	No relevant issues
Financial Considerations	No relevant issues
Legal Considerations	No relevant issues
Consultation	No relevant issues
Child/Family Poverty Considerations	No relevant issues
Equality and Diversity Considerations	No relevant issues
Section 17 of The Crime And Disorder Act 1998 Considerations	No relevant issues
Staff Considerations	No relevant issues
Asset Management Considerations	No relevant issues

5. RECOMMENDATIONS

- 5.1 It is recommended that members note the work done to ensure that robust Business Continuity arrangements are in place.

6. REASONS FOR RECOMMENDATIONS

- 6.1 To ensure that robust arrangements for business continuity within a structured framework and address the concerns raised by the recent audit.

7. BACKGROUND PAPERS

- 7.1 Audit and Governance Committee agenda, 25th July 2018, Item 4.1 Internal Audit Plan 2018/19 Update
- 7.2 Audit and Governance Committee agenda 5th December 2019, Item 4.1 Business Continuity

8. CONTACT OFFICER

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AUDIT AND GOVERNANCE COMMITTEE

7 January 2021



Report of: Chief Solicitor and Monitoring Officer

Subject: REVISED CODE OF CONDUCT FOR ELECTED
MEMBERS AND CO-OPTED MEMBERS AND BEST
PRACTICE RECOMMENDATIONS

1. PURPOSE OF REPORT

- 1.1 That the Audit and Governance Committee considers and recommends to the Constitution Committee and Full Council that the attached revised model Code of Conduct for Elected Members and Co-opted Members is adopted.
- 1.2 That the Audit and Governance Committee notes the progress made on the best practice recommendations.

2. BACKGROUND

- 2.1 In January 2019, the Committee on Standards in Public Life published a report on ethical standards in local government. Essentially, the report considered all aspects of the current regime relating to the conduct of Elected Members and set out 26 recommendations for change. As well as making these recommendations, the report also included a list of best practice, with regard to which the Committee said "...we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020".
- 2.2 The vast majority of the recommendations in the report were for the Government to action, but the first recommendation was that the Local Government Association ('the LGA') should create an updated Model Member Code of Conduct. Given that the list of best practice largely related to the Code of Conduct ('the Code'), the intention was to await the outcome of the LGA's review, with a view to then bringing forward recommendations for the Audit and Governance Committee to consider in terms of adopting a new Code, together with any actions necessary to ensure compliance with the list of best practice.

- 2.3 Although the recommendations were published in January 2019, the LGA only produced a draft Code and concluded its consultation on the draft Code in summer 2020. The Final Model Code has now been published by the LGA and is attached. Notwithstanding this, the Cabinet Office are checking on the progress of local authorities implementing the list of best practice in the autumn of 2020.

3. PROPOSALS/ISSUES FOR CONSIDERATION

- 3.1 Accordingly, it seems appropriate that the Council should adopt the Final Model Code of Conduct (attached as **Appendix A**) produced by the LGA in order to demonstrate compliance with the relevant best practice recommendations.
- 3.2 In relation to the best practice recommendations, an update on progress against each of the recommendations is outlined below, for the Committee's information:

Best Practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

The revised Code of Conduct attached as Appendix A to this report includes the above prohibitions and examples in the bullying and harassment section.

In addition to the above, the following Motion was referred by Council, on 31 October 2019, to the Constitution Committee and agreed that it was appropriate for the Motion to be considered in conjunction with the Standards Public Life Review:

“This Council believes that it is wrong for staff in any workplace to be subjected to bullying and harassment.

We acknowledge that whilst it is difficult for those experiencing such behaviour to ‘speak out’ we encourage them to do so.

Following the recent revelations in the national press about the Sexual Harassment of Parliamentary staff, we believe that bullying and harassment in all its forms is abhorrent and has no place in civilised society.

Whilst legally this may not be enforceable there is a moral responsibility on elected representatives who, if an accusation is found proven, should resign from their position with immediate effect.

This is in keeping with the Nolan Principles.

We urge this Council to agree with the sentiment of the motion and refer it to the Constitution Committee to consider whether any changes can be incorporated into the Constitution.”

Best Practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

The revised Code of Conduct attached as Appendix A to this report includes the above provisions in the breaches of the Code of Conduct section.

Best Practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

The revised Code of Conduct will be reviewed each year by the Council’s Audit and Governance Committee, which is a public meeting and the views of the public, community organisations and neighbouring authorities can submit views to the Committee for consideration.

Best Practice 4: An authority’s code should be readily accessible to both councillors and the public, in a prominent position on a council’s website and available in council premises.

The Code of Conduct is available on the Council’s website via the Constitution and the updated Code will be uploaded as and when approved. The Monitoring Officer will discuss arrangements with the Communications Team to ensure this example of best practice is followed and the Code is placed in a prominent position on the website. The Code is available to view at the Civic Centre, on request.

Best Practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

The Members’ Services Team update the Register when notification of a gift/hospitality is received from a Councillor. Councillors are reminded to inform Members’ Services when they receive a gift/hospitality. The Register is published on the Council’s website.

Best Practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

The current procedure for dealing with Code of Conduct Complaints, previously agreed by the Committee, appears to comply with this requirement.

Best Practice 7: Local authorities should have access to at least two Independent Persons.

The Council currently has one longstanding Independent Person in relation to Code of Conduct Complaints. The Council are advertising in January 2021 to appoint a second Independent Person.

The Council also has arrangements in place with neighbouring Local Authorities, to use their Independent Person in the event of unavailability or a conflict of interest arising.

Best Practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

The Monitoring Officer reviews every complaint received and, after consultation with the Independent Person, takes a decision as to whether it merits formal investigation or whether other action is more appropriate.

It is suggested that no changes are necessary at this point in time.

Best Practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

The Monitoring Officer, following an allegation of misconduct will prepare a formal decision notice in consultation with the Chair of the Hearings Sub-Committee, and send a copy to the complainant, to the member, make the decision notice available for public inspection and report the decision to the next convenient meeting of the Authority.

It is suggested that no changes are necessary at this point in time.

Best Practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

The above information can be found at:
https://www.hartlepool.gov.uk/downloads/download/244/complaining_about_a_councillor_or_parish_councillor

Best Practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

It is recommended that the current document setting out the arrangements for dealing with standards complaints be updated to include:

Complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best Practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

This is already the case. The Monitoring Officer is involved with various networking groups and identifies/attends training.

Best Practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Informal arrangements exist between authorities which would allow assistance to be requested on an ad hoc basis. However, it is recommended that the arrangements for dealing with standards complaints be amended to include, the below:

Where such an interest arises, arrangements shall be made to avoid this, including, for example, making a request for the Deputy Monitoring Officer, or a Monitoring Officer from another Council to deal with particular aspects of a case.

Best Practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

The Annual Governance Statement is reported to the Council's Audit and Governance Committee. All public meeting agenda's and minutes are published on the Council's website.

Best Practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The Managing Director and Monitoring Officer have regular meetings with Group Leaders and standards issues are discussed when appropriate.

4. RECOMMENDATIONS

4.1 That the Audit and Governance Committee:-

- a) Considers and comments on the revised Code of Conduct;
- b) Recommends to the Constitution Committee any changes to the revised Code of Conduct based on the Council Motion;
- c) Recommends to the Constitution Committee and Full Council, that it approves the revised Code of Conduct; and
- d) Notes the progress on the 15 best practice recommendations

5. REASONS FOR RECOMMENDATIONS

- 5.1 There is an expectation that the Best Practice recommendations will be implemented and the Cabinet Office has indicated an intention to review progress in the autumn 2020. The intention of the recommendations is to ensure compliance.

6. BACKGROUND PAPERS

- 6.1 Local Government Association Model Member Code of Conduct Consultation - <https://www.local.gov.uk/local-government-association-model-member-code-conduct-consultation#example-lga-guidance-and-recommendations->

7. CONTACT OFFICER

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Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering

interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable pecuniary interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it

is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under Disclosable Pecuniary Interests as set out in **Table 1**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - (i) exercising functions of a public nature
 - (ii) any body directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

AUDIT AND GOVERNANCE COMMITTEE

7 January 2021



Report of: Statutory Scrutiny Manager

Subject: INDEPENDENT COMPLAINTS ADVOCACY SERVICE -
UPDATE

1. PURPOSE OF REPORT

- 1.1 To inform Members that the Contracts Manager from the North East NHS Independent Complaints Advocacy Service (ICA) will be in attendance at today's meeting to provide the Committee with an update in relation to the level and type of complaints from Hartlepool residents being dealt with by the service.

2. BACKGROUND INFORMATION

- 2.1 The Audit and Governance Committee, at its meeting on the 14 March 2018, was introduced to the work of the ICA, as a provider of free, confidential and independent advocacy support to people wishing to raise a complaint about their NHS funded treatment or care.
- 2.2 The Committee noted with interest the level and types of complaints dealt with by the ICA and welcomed the benefits of a support service of this type and requested that an update be provided on a quarterly basis.
- 2.3 The Committee received updates from the ICA in October 2018, February 2019 and January 2020. Attached at **Appendix A** is the January 2021 update report which will be presented by the ICS Contracts Manager.

3. RECOMMENDATIONS

- 3.1 The Audit and Governance Committee note the update and seek clarification on any issues, where required.

BACKGROUND PAPERS

No background papers were used in the preparation of this report.

Contact Officer:- Joan Stevens – Statutory Scrutiny Manager
Chief Executive's Department – Legal Services
Hartlepool Borough Council
Tel: 01429 284142
Email: joan.stevens@hartlepool.gov.uk

Report for Hartlepool Council Audit and Governance Committee 7th January 2021

Prepared by Philip Kerr Contracts Manager

- **The effect of Covid 19 on NHS Complaints Advocacy Service**

In March 2020 both the Parliamentary Health Services Ombudsman and NHS England requested an amendment to the NHS Complaints regulations to pause any NHS complaints work from 25 March until 30 June. Local NHS Organisations were encouraged to try and resolve any outstanding complaints if they were able though acknowledged if resources needed to be redirected to front line operations a halt in proceedings had support. Given these national based instructions; overnight complaint referrals dried up and a decision to furlough several advocates agreed due to projected lack of work. The overall service was fully maintained by reduced core staff and no Hartlepool client was ever left without support.

The pause on complaints work was lifted on 30 June. The service gradually phased back to full resource though remained working remotely by 31st October. The lack of community face to face work remains the challenge though all virtual digital opportunities are being taken.

The following table demonstrates the fall in demand year on year for a comparable period. The active caseload at the end of November in Hartlepool being 26.

Feb - November	2019	2020
Enquiries	48	26
New advocacy cases	37	22

- **Who is complaining in Hartlepool?**

Most people complaining about health services are 56 and above with the highest density by postcode being in TS 25.

Age	No
26-35	1
36-45	4
46-55	3
56-59	3
60-65	6
66-75+	5

Postcode	No
TS24	3
TS25	10
TS26	8
TS27	1

Nearly twice as many complainants are female as opposed to male 15/7 split for 2020.

In addition, 13 complainants indicated they had a pre-existing health-based condition within this total a were 3 Clients with mental health issues: 3 with Learning disabilities and 3 with long term conditions. The remaining were sensory impairment, physical disability, multiple disability and other(non-disclosed)

- **Who are they complaining about and why; and who is referring clients to service?**

Hartlepool residents made 26 enquiries about how to register a complaint with 22 accessing full support.

The complaints breakdown: -

NHS body	No	Themes
North Tees/ Hartlepool	10	*See below
Tees Esk and Wear	3	Mental Health
GP practices (4)	6	*See below
Newcastle Dental Hosp	1	Dental issues
North Durham Hosp	1	Failure to Diagnose
CNTW Trust	1	Mental Health
Chemist	1	Medication
Dentist	1	Appointment delays
Podiatry service	1	Delay in Service
Ambulance Trust	1	Delay in attendance

North Tees and Hartlepool NHS Trust
Urgent Care Centre – failure to follow guidelines x2 Hartlepool Hospital
Interpreting Service – Hartlepool Hospital
Failure to diagnose – North Tees Hospital
Cancer issues- North Tees Hospital
Aids and Appliances – North Tees Hospital
Level of nursing care x 2 – North Tees Hospital
Failure to follow agreed guidelines – North Tees Hospital
Multiple aspects of treatment- North Tees hospital

GP Practices
Medication related issues
Personal Records
Failure to follow agreed guidelines
Unable to treat
Patients privacy and dignity
Multiple aspects of clinical treatment

Referral Breakdown	
Previous Client	3
Healthwatch	4
Website	6
NHS INC GP	3
PALS	7
Voluntary Org	3

Please note this only represents Hartlepool residents who request information or support directly from NE NHS ICA. All local NHS Organisations should have protocols in place to acknowledge complaints and advise individuals of free Advocacy support.

- **Outcomes for Clients**

During the report period there were 22 cases in total which closed. Due to the pause in the complaints process and the inability to get complaints resolved quickly there were a higher number of cases where Clients withdrew without reaching a satisfactory outcome.

Ombudsman case – measures in place against Hospital Trust - complaint upheld
Ombudsman case – viewed out of time against Mental Health Trust complaint
Ombudsman case – viewed out of time despite long term illness Hospital case
Satisfactory resolution after Local Resolution meeting – Hospital x2
Satisfactory written response and apology x 2
Written responses received Clients withdrew though not totally satisfied x 8
Client did not progress complaint withdrew Covid stated as reason x7

- **Partnership work**

Due to the fact the NHS was under severe pressure locally dealing with Covid 19 and in addition most of the Local Organisations the Service work with being severely affected any work had to be curtailed.

Outreach could not be offered at Healthwatch Hartlepool and this remains the case: though have engaged separately with Healthwatch Hartlepool since return to work and virtually attended their Volunteers meeting.

Virtual meetings continued a monthly basis with the Hospital Trust and this Service represented Hartlepool Clients views at the Patient and Carers Experience Committee at North Tees Hospital.

Continued involvement with North East Deaf Network which includes Hartlepool Deaf Centre on a monthly basis.

Engaged with NHS Tees Valley CCG to send out Service details to all Primary Care Contractors by e-bulletin in November.

- **Summary**

The Service has adapted and developed new ways of working particularly embracing virtual solutions and is well place to use them in the future. The experience in Hartlepool for NHS complaints has been mirrored to some extent across the Region – the appetite for registering complaints fell as there were more pressing challenges to support all Communities. Whilst a small number of “Covid 19 “related complaints were registered recently across the Service Hartlepool does not yet feature in any of them. There was a recovery in complaint enquiries from September onwards though the impact of instructions for people to work from home – Tier introductions and a second lockdown have had a similar impact to March.

The service has been working with the Parliamentary and Health Service Ombudsman on a proposed Complaints Standards Framework which will make it easier for the public to voice concerns. Pilots in 2021 will be based across England and details for the North East not yet confirmed.

Contact details

Post: Room 312, Aidan House, Sunderland Road, Gateshead, NE8 3HU
 Telephone: 0191 478 8350
 Freephone: 0808 802 3000
 Email: ica@carersfederation.co.uk
 Text: 07889 088 284 office
 What's app: 07738 994 040 (can send us a BSL video) and Deaf Advocate contact number (available Tuesday, Thursday and Friday)
 Facebook: <https://en-gb.facebook.com/Northeastnhsica/>
 Website: www.nenhscomplaintsadvocacy.co.uk

AUDIT AND GOVERNANCE COMMITTEE

7 JANUARY 2021



Report of: Chief Solicitor

Subject: REGULATION OF INVESTIGATORY POWERS ACT
2000 (RIPA) - QUARTERLY UPDATE

1. PURPOSE OF REPORT

- 1.1 To provide members with a quarterly update on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011.

2. BACKGROUND

- 2.1 Hartlepool Borough Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance.
- 2.2 This report is submitted to members as a result of the requirement to report to members under paragraph 4.47 of the Covert Surveillance and Property Interference Revised Code of Practice (August 2018) which states that:

Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 1997 Act and the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose.

- 2.3 As from 1 November 2012 Local Authorities may only use their powers under the Regulation of Investigatory Powers Act 2000 to prevent or detect criminal offences punishable by a minimum term of 6 months in prison (or if related to underage sale of alcohol and tobacco – not relevant to this Council). The amendment to the 2000 Act came into force on 1 November 2012.
- 2.4 Examples of where authorisations could be sought are serious criminal damage, dangerous waste dumping and serious or serial benefit fraud. The surveillance must also be necessary and proportionate. The 2012 changes mean that authorisations cannot be granted for directed surveillance for e.g. littering, dog control, fly posting.

- 2.5 As from 1 November 2012 any RIPA surveillance which the Council wishes to authorise must be approved by an authorising officer at the council and also be approved by a Magistrate; where a Local Authority wishes to seek to carry out a directed surveillance or make use of a human intelligence source the Council must apply to a single Justice of the Peace.

3. RIPA AUTHORISATIONS

- 3.1 In the quarter to the date of this meeting:

Communications Data	Nil
CHIS	Nil
Directed Surveillance	Nil

4. RECOMMENDATION

- 4.1 That the quarterly report be noted.

5. REASONS FOR RECOMMENDATIONS

- 5.1 To enable the Council to monitor the RIPA system effectively and as required by law and guidance.

6. CONTACT OFFICERS

- 6.1 Hayley Martin
Chief Solicitor and Senior Responsible Officer for RIPA
Hayley.Martin@hartlepool.gov.uk
01429 523003

Amanda Whitaker
Legal and Democratic Services Team Manager
Amanda.whitaker@hartlepool.gov.uk
01429 523013

HEALTH AND WELLBEING BOARD

MINUTES AND DECISION RECORD

7 September 2020

The meeting commenced at 10 a.m. and was an online remote meeting in compliance with the Council Procedure Rules Relating to the holding of Remote Meetings and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020

Present:

Councillor Moore, Leader of Council (In the Chair)

Prescribed Members:

Elected Members, Hartlepool Borough Council – Councillors Buchan and Harrison (as substitute for Councillor Thomas)

Representatives of NHS Tees Valley Clinical Commissioning Group – Dr Nick Timlin and Martin Short (as substitute for David Gallagher)

Acting Director of Public Health, Hartlepool Borough Council – Craig Blundred
Director of Children's and Joint Commissioning Services, Hartlepool Borough Council – Sally Robinson

Director of Adult and Community Based Services, Hartlepool Borough Council, Jill Harrison

Representative of Healthwatch – Christopher Akers-Belcher (as substitute for Margaret Wrenn)

Other Members:

Managing Director, Hartlepool Borough Council – Denise McGuckin
Director of Neighbourhoods and Regulatory Services, Hartlepool Borough Council – Tony Hanson

Assistant Director of Joint Commissioning, Hartlepool Borough Council – Danielle Swainston

Representative of Tees, Esk and Wear Valley NHS Trust – Dominic Gardner

Representative of North Tees and Hartlepool NHS Trust – Hilton Heslop (as substitute for Deepak Dwarakanath)

Representative of Hartlepool Voluntary and Community Sector – Nicola Haggan (as substitute for Tracy Woodall)

Representative of GP Federation – Fiona Adamson

Also in attendance: - Ann Baxter, Independent Chair, Teesside Safeguarding Adults Board.

Edwin Jeffries, Branch Secretary, UNISON Hartlepool.

Officers: Julia Bates, Deputy Director of Public Health
Ian Holtby, Public Health Consultant
Dean Langstaff, Public Health Intelligence Analyst
Joan Stevens, Statutory Scrutiny Manager
Amanda Whitaker, Democratic Services Team

7. Apologies for Absence

Elected Members, Hartlepool Borough Council - Councillors Thomas and Ward

Representative of NHS Tees Valley Clinical Commissioning Group – David Gallagher

Representative of Healthwatch – Margaret Wrenn

Representative of North Tees and Hartlepool NHS Trust –Deepak Dwarakanath)

Representative of Hartlepool Voluntary and Community Sector – Tracy Woodall

8. Minutes

The minutes of the meeting held on 26 June 2020 were confirmed.

The minutes of the meeting of the Outbreak Control Engagement Working Group held on 27 July 2020 were approved and adopted.

9. Teeswide Safeguarding Adults Board Annual Report 2018/19 and Strategic Business Plan 2020/21 *(Director of Adult and Community Based Services and Independent Chair of Teeswide Safeguarding Adults Board)*

The Chair of the Teeswide Safeguarding Adults Board presented the Safeguarding Board's annual report for 2018/19 and the strategic business plan for 2020/21; both documents were appended to the report. The statutory requirements to produce the documentation was highlighted. It was noted that work is currently underway to finalise the Annual Report for 2019/20. The Chair advised that it had been a positive year and that colleagues had worked well collaboratively to meet the objectives of the business plan. The Director of Adult and Community Based Services joined the chair in updating the Board from a Borough perspective and stressed the importance and benefits of joint working with other partners.

Members welcomed the contents and structure of the annual report. Members discussed issues arising from the report including the Safe Place Scheme and safeguarding arrangements during the Covid pandemic. In response to concerns expressed regarding potential overlap in data categorisation,

assurances were provided that data was coded by specialist safeguarding professionals.

Decision

The Board endorsed the Teeswide Safeguarding Adults Board Annual Report 2018/19 and the Strategic Business Plan 2020/21.

11. Better Care Fund Update *(Director of Adult and Community Based Services)*

The report provided the background to the Better Care Fund reporting arrangements and summarised the national conditions and performance measures. Performance reports were submitted to NHS England on a quarterly basis. The Quarter 4 return covering the period January-March 2020 had been submitted in July 2020 and had confirmed that all national conditions continued to be achieved. An analysis of performance data had also been provided which was summarised in the report. It was noted that performance was extremely positive with all indicators achieved at the year-end based on available data.

Decision

The Board retrospectively approved the Hartlepool Better Care Fund Quarterly 4 return.

12. Health and Wellbeing Board Terms of Reference - Refresh *(Acting Director of Public Health and Director of Children and Joint Commissioning Services)*

Further to minute 43 of the Board meeting held on 26 June 2020, a refreshed Terms of Reference for the Board was appended to the report. The document included an addendum relating to the Local Outbreak Control Engagement Working Group and a refresh to update factual inaccuracies.

The Acting Director of Public Health responded to clarification sought regarding Engagement with Stakeholders to reflect the NHS Reset Campaign emphasising importance of real engagement in moving forward. Assurances were sought in relation to ensuring that the Tees Esk and Wear Valley Trust (TEWV) was represented on the Engagement Working Group. Board Members recognised the importance of mental health and, whilst TEWV was already included as a potential co-optee on to the Working Group, it was agreed that they would be included as part of the core membership of the Working Group going forward. The Terms of Reference for the Working Group (as appended to the Health and Wellbeing Board Terms of Reference) to be amended accordingly.

The Tees Esk and Wear Valley Trust representative at the meeting reiterated the importance of mental health as a key issue and advised the Board that the Trust had recently made a presentation to the South Tees Health and Wellbeing Board which set out a forecast of the potential impacts of Covid on mental health. The Chair of the Board agreed a suggestion that it would be helpful for this Board to receive that presentation at the next meeting of the Board.

Decision

That the refreshed Terms of Reference be approved, with the addition of TEWV as a core member of the Engagement Working Group.

13. **Coronavirus in Hartlepool - Update Presentation** (*Acting Director of Public Health*)

Further to minute 44 of the meeting held on 26th June 2020, the Board received an updated presentation by the Acting Director of Public Health on the ongoing coronavirus situation in Hartlepool at 6 September 2020. The following issues were addressed in the presentation:-

- Hartlepool and UK Covid 19 cases rate per 100,000 population
- Weekly Covid cases comparison between rate in England and Hartlepool
- Covid cases rolling averages
- Hartlepool and England Covid 19 related death rates per 100,000 population
- Geographical locations of Covid cases in Hartlepool

The Board expressed concerns at the Covid 19 rates which were higher than the England average and discussed issues arising from the presentation including the wearing of masks and enforcement issues. The Acting Director highlighted the challenges associated with enforcement. The Community Cohesion approach was discussed and it was highlighted that it was intended to work with communities through the Engagement Board.

The representative of the GP Federation updated Board Members on the support that was available in the Borough in terms of the following:-

- A specialist 'Hot Clinic' had been commissioned to the end of March 2021 to support coronavirus patients and reduce the pressure on GP surgeries.
- Part of a NHS pilot known as a 'Virtual Ward' which allows the monitoring of patients remotely. The importance of data sharing was highlighted to ensure that as many people as possible had the offer for remote support.
- From 14th September 2020, part of NHS England pilot so anyone booked into a 'Hot Clinic' will be able to be tested on site. It was,

however, highlighted that this would not replace the testing referred to earlier in the meeting by the Acting Director.

The Chair of the Board expressed appreciation to the Acting Director for the presentation and thanked the Federation representative for the additional information conveyed to the Board.

Decision

The Board noted the contents of the presentation.

14. Former Hartlepool and Stockton on Tees Clinical Commissioning Group Annual Report 2019/20 *(Director of Commissioning, Strategy and Delivery)*

The report set out an overview of the 2019/20 Annual Report of former Hartlepool and Stockton-on-Tees Clinical Commissioning Group (CCG). Report highlights were detailed in the report and the salient issues were presented to the Board by the CCG representative.

Decision

The Board noted the content of the Annual Report.

15. Annual Report of the Director of Public Health - 2019 *(Acting Director of Public Health)*

In accordance with the Health and Social Care Act 2012, an Annual Report had been written for 2019 which was presented to the Board by the Acting Director of Public Health. The theme of the 2019 Annual Report was 'Obesity Prevention and Physical Activity in Hartlepool'. The Annual Report was presented in an electronic format which could be accessed via a link included in the report to the Board.

Board Members commended the report and the innovative approach in which the report had been presented.

Decision

The Board noted the report and its conclusions.

Meeting concluded at 11.20 a.m.

CHAIR