

Agenda



AGENDA for a meeting of the AUDIT COMMITTEE in COMMITTEE ROOM B at County Hall, Hertford on FRIDAY, 1 DECEMBER 2017 at 10.00 AM

MEMBERS OF THE COMMITTEE (10) (Quorum 3)

P Bibby, S N Bloxham, F Button (*Chairman*), S Gordon (Substituting *for* J M Graham), C K Hogg, A K Khan, A J S Mitchell, T J Williams, W J Wyatt-Lowe (*Vice-Chairman*), P M Zukowskyj,

Meetings of the Committee are open to the public (this includes the press) and attendance is welcomed. However, there may be occasions when the public are excluded from the meeting for particular items of business. Any such items are taken at the end of the public part of the meeting and are listed under "Part II ('closed') agenda".

Committee Room B fitted with an audio system to assist those with hearing impairment. Anyone who wishes to use this should contact main (front) reception.

PART I (PUBLIC) AGENDA

1. MINUTES

To confirm the minutes of the meeting held on 11 September 2017.

2. HERTFORDSHIRE FIRE AND RESCUE AUTHORITY STATEMENT OF ASSURANCE 2016/17

Report of the Director Community Protection

3. HERTFORDSHIRE COUNTY COUNCIL AND PENSION FUND ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017

Report of Ernst and Young

4. UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS FOR 2017/18 AUDIT

Report of the Director of Resources

5. MID-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2017/18

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Report of the Chief Finance Officer

6. RISK MANAGEMENT UPDATE REPORT

Report of the Director of Resources

7. HOMECARE WORKFORCE IN HERTFORDSHIRE

Report of the Director of Adult Care Services (ACS)

8. INTERNAL AUDIT PROGRESS REPORT

Report of the Head of Assurance Services

9. SHARED ANTI FRAUD SERVICE REPORT

Report of the Head of Assurance Services

10. FUTURE WORK PROGRAMME

The Committee is invited to agree its future rolling work programme, suggested as follows:-

Monday, 26 March 2018: 10.00am	<ul style="list-style-type: none">• Audit Plan 2018/19 – County Council• Audit Plan 2018/19 – Pension Fund• Preparation for 2017/18 Accounts• Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters’ Pension Fund) And Hertfordshire Pension Fund Accounts 2016/17• Risk Management Annual Report 2016/17• Risk Focus Report• Internal Audit Progress Report• Internal Audit Plan 2018/19• SAFS HCC Anti-Fraud Action Plan 2018/19• SAFS Annual Report• PREVENT update report
May 2018, date tbc	<ul style="list-style-type: none">• Annual Governance Statement 2017/18 and Code of Corporate Governance- moved forward from July meeting• Annual Assurance Statement and Internal Audit Annual Report 2017/18- moved forward from July meeting
Wednesday, 25 July 2018: 10.00am	<ul style="list-style-type: none">• Internal Audit Progress Report• Risk Management Update Report• Risk Focus Report• HCC Audit Results Report 2017/18• Response To The Audit Results Report – HCC (Including Fire Fighters’ Pension Fund) Financial Statements

	<ul style="list-style-type: none"> • Annual Statement Of Accounts 2017/18– HCC (Including Fire Fighters’ Pension Fund) Financial Statements • Audit Results Report 2017/18 – HCC Pension Fund • Response To The Audit Results Report 2017/18 – HCC Pension Fund • Annual Report 2017/18 • End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18 • Whistle Blowing Annual Report 2017/18
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EXCLUSION OF PRESS AND PUBLIC

The Chairman will move:-

“That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”

PART II (‘CLOSED’) AGENDA

1. MINUTES PART II

To confirm the PART II minutes of the meeting held on 11 September 2017.

2. RISK FOCUS REPORT – PREVENT – Radicalisation

Report of the Director of Community Protection and Chief Fire Officer

If you require further information about this agenda please contact Theresa Baker, Democratic Services Officer, on telephone no (01992) 556545 or by e-mail to theresa.baker@hertfordshire.gov.uk

Agenda documents are also available on the internet at:
<https://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings.aspx>

Minutes



To: All Members of the Audit Committee, Chief Executive, Chief Officers, All officers named for 'actions'

From: Legal, Democratic & Statutory Services
Ask for: Theresa Baker
Ext: 26545

AUDIT COMMITTEE 11 SEPTEMBER 2017

ATTENDANCE

MEMBERS OF THE PANEL

P Bibby, S N Bloxham, F Button (Chairman), J M Graham, C K Hogg, A K Khan, A J S Mitchell, T J Williams, W J Wyatt-Lowe (Vice-Chairman), P M Zukowskyj

OTHER MEMBERS

T W Hone

Upon consideration of the agenda for the Audit Committee meeting 11 September 2017, as circulated, copy annexed, conclusions were reached and are recorded below:

Note: No declarations of interest were made by any member of the Committee in relation to the matters considered at this meeting.

Chairman's Announcements

- (i) As the Director of Resources could not attend the meeting the Letters of Representation for the financial statements (items 3 & 6) would be signed following the meeting.
- (ii) In relation to point 8.7 (ii) of the minutes of 7 July 2017, hard and email copies of Appendix 2: 'Shared Anti-Fraud Service Action Plan 2017/18' had been circulated to the Committee and approval received by email.

PART I ('OPEN') BUSINESS

	ACTION
1. MINUTES	
1.1 The minutes of the Committee meeting held on 7 July 2017 were confirmed as a correct record and signed by the Chairman.	
2. HERTFORDSHIRE COUNTY COUNCIL AUDIT RESULTS REPORT 2016/17	
[Contact: Neil Harris, Executive Director Ernst & Young LLP]	
2.1 The Committee considered the Hertfordshire County Council Annual Governance Report 2016/2017 of the external auditors.	
2.2 Neil Harris of Ernst & Young (EY) praised the quality of the draft accounts and working papers and thanked officers for their	

cooperation throughout the audit. Members expressed their thanks to officers for the quality of their work throughout the year. EY expressed confidence that the Council would meet the timetable for early closure in July 2018 for the 2017/18 accounts, to which officers were already working.

- 2.3 The Committee's attention was drawn to the key matters and that, subject to the Committee's decision on the accounts, EY intended to issue an unqualified opinion on the financial statements as at 31 March 2017 alongside the audit certificate; an unqualified value for money conclusion and that there were no other matters to report.
- 2.4 One projected unadjusted audit difference of £1.4m was noted, i.e. expenditure treated as REFCUS which should have been capital additions in property, plant and equipment. On investigation this was identified as an extrapolated error based on a test relating to 3 items totalling £4,801.61; it had not been corrected by management as it was a projected rather than actual error which could not be reasonably amended within the financial statements. EY requested that the Committee approve the rationale for non-correction and that it was included in the Letter of Representation.
- 2.5 Subsequent to discussion N Harris agreed to look into any updates from the national audit centre on the consideration that auditors should give to the implications of social value in relation to economy, efficiency & effectiveness.

N Harris

Conclusions:

- 2.6 The Committee RESOLVED to note the Audit Results Report 2016/17 for the County Council.

**3. RESPONSE TO THE AUDIT RESULTS REPORT –
HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIRE
FIGHTERS' PENSION FUND) FINANCIAL STATEMENTS 2016/17**

[Contact: Owen Mapley, Director of Resources (Tel: 01992 55601)]

- 3.1 The Committee considered a report which provided a recommended response to the Audit Results Report 2016/17, including the draft Letter of Representation (LOR).
- 3.2 In relation to the unadjusted error, officers highlighted that the errors in testing had now been reviewed and the Section 151 officer had given assurance that no other errors had arisen from it. The process would also be reviewed to ensure that this type of error was isolated earlier in the audit process.
- 3.3 Members attention was drawn to point 5.3 of the report and the erroneous inclusion of the sentence *'We also note the auditor's conclusions on payment processes, accruals and reconciliations for*

Highways spend (p7) and the early conclusion of the agreement of 2015/16 spend with the main contractor' which applied to the previous financial year.

3.4 The Assistant Director (Finance) commented that this was the briefest and cleanest audit report he'd ever seen and that he would ensure any comments from the Committee would be reported to the Director of Resources and that the LOR was signed.

S Pilsworth
O Mapley
F Button

3.5 There were no comments from the Committee.

Conclusions:

3.6 The Committee:

1. Noted the report;
2. RESOLVED to approve the Letter of Representation.

**4. ANNUAL STATEMENT OF ACCOUNTS 2016/17 –
HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIRE
FIGHTERS' PENSION FUND) FINANCIAL STATEMENTS**

[Contact: Owen Mapley, Director of Resources (Tel: 01992 55601)]

4.1 The Committee considered a report which outlined any significant changes made through the course of the audit to the draft Statement of Accounts as detailed in Appendix A to the report.

4.2 All Member questions on the accounts were answered during the accounts training session which immediately preceded the Committee meeting; the chairman observed that the training had been very helpful.

Conclusions:

4.3 The Committee RESOLVED to approve the Annual Statement of Accounts.

**5. HERTFORDSHIRE PENSION FUND AUDIT RESULTS REPORT
2016/17**

[Contact: Richard Page, Executive Director Ernst & Young LLP]

5.1 N Clarke of EY summarised the Audit Results Report for the Hertfordshire Pension Fund 2016/17 and highlighted that as in previous years materiality had been set at 1% of net assets i.e. £42.2 m; there had been minimal disclosure changes; EY expected to issue an unqualified opinion on the Pension Fund's financial statements and that there were no other matters to report. The pensions team were congratulated on the quality of their work which had enabled the audit to proceed so smoothly. Officers confirmed that there had been no further changes.

5.2 During discussion of the Fund's improved funding level of 91% officers clarified that as the pension fund approached 100% funding, the Pensions Committee were applying a strategy of de-risking the fund in favour of defensive assets that matched the Fund's liabilities. Members heard that the fund was valued every three years and the funding position monitored every three months using market data. Additionally the funding positions of the 290+ employers in the scheme were risk assessed and rated using the Fund's risk register.

Conclusions:

5.3 The Committee RESOLVED that the Audit Results Report 2016/17 for the Pension Fund be noted.

6. RESPONSE TO THE AUDIT RESULTS REPORT 2016/17 – PENSION FUND

[Contact: Jolyon Adam, Finance Manager (Tel: 01992 555078)]

6.1 The Committee received a report providing a response to the Audit Results Report 2014/15 – Pensions Fund.

6.2 Officers were pleased to note that there were no recommendations, any errors identified during the audit had been minor and that this had been a strong audit result for the Pension Fund.

6.3 During discussion of the impact of Brexit on Forex and hence the future performance of the Pension Fund, officers clarified that the Pensions Committee strategy of diversification of the fund's investments into different asset classes ensured it was well cushioned against such movements in the market. In addition to this some of the fund managers used forward hedges to protect the Fund's overseas income against foreign exchange movements. Further assurance was gained from the fact that the performance of individual fund managers was reviewed on a quarterly basis.

6.4 The chairman highlighted that the presentation prior to the meeting had been very helpful.

Conclusions:

6.5 The Committee RESOLVED that:

- the Audit Results report for the Pension Fund be approved,
- the Letter of Representation be signed by the Director of Resources and the Chairman of the Audit Committee

7. RISK MANAGEMENT UPDATE

[Officer Contact: Fiona Timms, Risk and Insurance Manager
(Tel: 01438 843565)]

- 7.1 The Committee received the quarterly Risk Management Update report including a summary of Corporate risk movement, summary of new risks, a heat map of the 32 Corporate Risks with amendments since the July meeting and the full Corporate Risk Register.
- 7.2 Members' attention was drawn to the section 5 and activity resulting from the actions requested in relation to the risk management update report provided to the meeting of the Committee on 7 July, also the movements and risk score changes.
- 7.3 Officers advised the Committee that a copy of the Corporate Risk register had been circulated to Members who had been unable to view it on their electronic devices could be circulated to any others who requested it.
- 7.4 During discussion of reduction in the number of Corporate risks from 33 to 32, the Committee noted that following review by ACS Board of all Corporate Risks AC09 'Failure of care providers (adults), insufficient care workers' had been withdrawn and this risk was now covered by the reworded and refocussed risk AC03; the amendment of the wording of AC01 to focus on the Homecare workforce and, in view of the current inability to attract the required workforce, raising of the probability to 'almost certain' and the risk score overall to 40.
- 7.5 In view of the more extensive scope and application of the General Data Protection Regulations (GDPR) scheduled for 25 May 2018, as part of the controls officers agreed to make Members aware of their obligations for compliance under the new regulations through training/guidance.
- 7.6 During discussion of the continuing high level of certain risks above their target score, Members heard that in the majority of cases external factors influenced this rather than a failure of the controls.
- 7.7 During further debate on the high level of risk associated with CP01 and associated potential underfunding of Hertfordshire Fire and Rescue Services and hence overreliance on national support for fire cover during unplanned incidents of terrorist activity etc., members expressed satisfaction that resilience was provided by support from neighbouring authorities. Officers agreed to check the target score and whether the risk required rewording to encompass resilience.

M Aust

F Timms
G Pratt

Conclusion:

- 7.8 The Committee RESOLVED:
 - (i) to note the Risk Management Update report;
 - (ii) that Risk AC01: 'If there is a continuing inability to attract the

required number of Homecare work force in line with the Adult Care Services Workforce strategy, there is an increasing risk of non-compliance and a reduction in the ability to provide safe and appropriate care in users own homes which may lead to impacts on their health and wellbeing' be the subject of the risk focus report for the December 2017 meeting.

8. HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT

[Officer Contact: Darren Williams, Client Audit Manager
(Tel: 01438 844341)]

- 8.1 The Committee received an internal audit progress report (as at 14 August 2017) on Shared Internal Audit Service (SIAS) delivery of the Hertfordshire County Council Internal Audit Plan for 2017/18; proposed amendments to the approved 2017/18 Audit Plan; 'Limited Assurance' audits issued since the last meeting of the Committee; the implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions, also medium priority recommendations; an update on performance management information.
- 8.2 Members noted the following updates since the writing of the report:
- a. Finalised reviews –rise to 7 audits and 2 grant certifications completed;
 - b. No limited assurance reviews;
 - c. Draft audits issued - rise to 5 including Prevent, GDPR and Blue Badge reviews;
 - d. Reviews remaining for completion from 2016/17 – decrease to 2;
 - e. Schools Audit Activity (Theme 1) – rise to 17 final reports issued with the remaining 8 being at draft report stage;
 - f. Schools Audit Activity (Themes 2 & 3) – completion of both expected in autumn term;
 - g. Proposed Audit Plan Amendments – as noted in d. audit of GDPR on electronic transfer of sensitive data within Children's Services now issued in draft stage;
 - h. Contingency balance of days not allocated to planned audits was now 36 days; it was preferable not to increase this to avoid the Council paying for days on which no work was delivered;
 - i. No limited assurance audits issued;
 - j. No new high priority recommendations;
 - k. Performance Management – Planned days - rise to in excess of 32%; Planned projects – rise to 32%;
- 8.3 Officers clarified that they anticipated issuing shortly the draft report of the 2016/17 audit of the Ringway contract which was specific to discrete areas of contract. Members were assured that there were no specific concerns and a positive opinion was anticipated.
- 8.4 In relation to the implementation of high status priority

recommendations and audit of 'HCC Service User Manager Monies', Members were advised that a substantial amount of work had been carried out by ACS and officers were agreeing with ACS Board the remaining evidence required to allow closure of the recommendation.

- 8.5 During discussion officers clarified that issues were identified for internal audit by review of the risk register, external horizon scanning, consultation with boards (for most on a quarterly basis) and heads of service. The contingency balance also enabled SIAS to audit issues as they arose.

Conclusions:

- 8.6 The Committee RESOLVED to:
- note the Internal Audit Progress report
 - agree the changes to the audit plan

9. SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2016/17

[Officer contact: Terry Barnett, Head of Assurance Services
(Tel: 01438 845508)]

- 9.1 The Committee received a report on the activity of the Shared Internal Audit Service for 2016/17.
- 9.2 Members noted the challenges to SIAS as a consequence of sickness absence and vacancies held over in lieu of a planned service restructure. In respect of the latter, officers highlighted that as a consequence of ongoing financial pressures Local Government clients had been obliged to consider their investment in assurance work.. This had required SIAS to provide its services in the most cost effective manner whilst maintaining its high quality, as evidenced by its client satisfaction of levels 96% (erroneously shown as 95% on page 9 of the report).
- 9.3 In response to questions officers clarified that, as part of improving efficiency in SIAS, a new time recording system (dashboard) was already active in providing weekly updates on individual performance towards achieving the annual performance target of billable days. It also enabled performance issues to be identified at an earlier stage than monthly meetings and gave staff ownership of their workload.
- 9.4 A member observed that the lack of a cover sheet made it unclear whether the report was for information only. Officers confirmed that future reports would be submitted in the regular format. T Barnett
- 9.5 Members requested that pie charts and graphs be printed in colour. T Baker

Conclusions:

9.6 The Committee RESOLVED to note the Shared Internal Audit Service Annual Report 2016/17 :

10 RISK FOCUS REPORT- PREVENT - Radicalisation

[Officer contact: Guy Pratt, Deputy Director Community Protection
(Tel: 01992 507501)]

10.1 The Committee received a report on the risk and associated controls recorded on the Hertfordshire County Council Corporate Risk Register relating to 'PREVENT' (CP02 / CP0004):

"As a result of disruptive factors influencing the lives of people in Hertfordshire, there is a risk that residents or staff become radicalised or drawn into terrorism, which could cause harm to themselves or the wider public and reduce community / social cohesion."

10.2 Members noted the County Council's statutory responsibility to prevent radicalisation of its staff and residents and the methods used to achieve this. Further to this the Hertfordshire County Council PREVENT Board, the Multi-Agency PREVENT Board and the Channel Panel ensured a consistent approach to PREVENT across both county and County Council.

10.3 The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 10.4.

10.4 That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10.5 Following discussion on the Part II report on the item referred to at 10 above and Recommendations, the Chairman moved the meeting back into Part I (Open Session) and considered the Part I Recommendations and made the decision at 10.6 below.

Conclusions:

10.6 The Committee RESOLVED to note and commented as in PART II on the information provided within the report.

11. FUTURE WORK PROGRAMME

The Committee noted the future work programme below:
(new items added at this meeting in **bold**)

1 December 2017:

- **HFRS Statement of Assurance 2016/17**
- Annual Audit Letter – HCC 2016/17
- Response to HCC Audit Results Report and preparation for 17/18 accounts
- Mid-Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Risk Management Update
- Risk Focus Report
- Internal Audit Progress Report
- SAFS Progress Report on 2017/18 Plan
- **Interim PREVENT update report**

26 March 2018:

- **Audit Plan 2018/19 – County Council**
- **Audit Plan 2018/19 – Pension Fund**
- Preparation for 2017/18 Accounts
- Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters' Pension Fund) And Hertfordshire Pension Fund Accounts 2016/17
- Risk Management Annual Report 2016/17
- Risk Focus Report
- Internal Audit Progress Report
- Internal Audit Plan 2018/19
- SAFS HCC Anti-Fraud Action Plan 2018/19
- SAFS Annual Report
- **PREVENT update report**

25 July 2018:

- Internal Audit Progress Report
- Risk Management Update Report
- Risk Focus Report
- HCC Audit Results Report 2017/18
- Response To The Audit Results Report – HCC (Including Fire Fighters' Pension Fund) Financial Statements
- Annual Statement Of Accounts 2017/18– HCC (Including Fire Fighters' Pension Fund) Financial Statements
- Audit Results Report 2017/18 – HCC Pension Fund
- Response To The Audit Results Report 2017/18 – HCC Pension Fund
- Annual Governance Statement 2017/18 and Code of Corporate Governance
- Annual Assurance Statement and Internal Audit Annual Report 2017/18
- End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Whistle Blowing Annual Report 2017/18

12. ANY OTHER BUSINESS

12.1 There was no other business

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**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

**CHAIRMAN'S
INITIALS**

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HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE
FRIDAY, 1 DECEMBER 2017 AT 10.00 AM**

**HERTFORDSHIRE FIRE AND RESCUE AUTHORITY STATEMENT
OF ASSURANCE 2016/17**

Agenda Item

No:

2

Report of the Director Community Protection

Authors: Darryl Keen, Chief Fire Officer
(Tel: 01992 507500)
John Johnstone, Senior Business Support Manager
(Tel: 01992 507537)

Executive Member: Terry Hone, Executive Member for Community Safety and Waste Management

1. Purpose of Report

1.1 To comply with the Government requirement for fire and rescue authorities to provide assurances on financial, governance and operational matters and to demonstrate due regard to the published Integrated Risk Management Plan (IRMP).

2. Summary

2.1 The revised Fire and Rescue National Framework Document, published in July 2012, requires all English fire and rescue authorities to provide an annual assurance statement. The Hertfordshire Fire and Rescue Authority draft Statement of Assurance 2016/17 (Appendix A to the report) has been prepared in accordance with the guidance issued by central Government. The document seeks to provide an accessible way in which communities, Government, local authorities and other partners may make a valid assessment of the authority's performance. The Audit Committee are asked to consider the content of the Statement and to provide approval of same.

2.2 The attached draft Statement of Assurance sets out the position in relation to the authority's performance and provides a true and fair view of the financial, governance and operational arrangements that were in place for the period 1 April 2016 to 31 March 2017.

3. Recommendation

3.1 That the draft Statement of Assurance 2016/17 is approved.

4. Financial Implications

None arising from the proposal in this report

Background Information

[Fire and rescue national framework for England](#)

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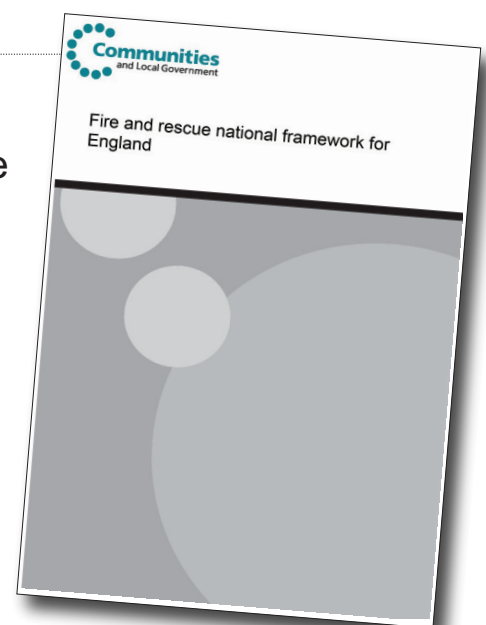


Hertfordshire Fire and Rescue Authority

Statement of Assurance 2016 -2017

Foreword

The revised *Fire and Rescue National Framework Document* (known hereafter as the *Framework*) was published in July 2012. The *Framework* sets out the requirement for all English fire and rescue authorities (FRA's) to provide an annual assurance statement on financial, governance and operational matters and to demonstrate how they have had due regard to the expectations set out in their Integrated Risk Management Plan (IRMP).





Terry Hone



Darryl Keen

I certify that this Statement of Assurance gives a true and fair view of the financial, governance and operational arrangements that Hertfordshire Fire and Rescue Authority had in place for the period 1 April 2016 to 31 March 2017. I am satisfied that, in all significant respects, Hertfordshire Fire and Rescue Authority ensured that its business was conducted in accordance with the law and proper standards, and that public money was properly accounted for and used economically, efficiently and effectively.

On behalf of the Fire and Rescue Authority I propose over the coming year to take steps to address the matters identified under “Future Improvements”.

This statement was approved by the Audit Committee on

Signed:

A handwritten signature in black ink, appearing to be 'T. Hone', written over a light blue rectangular background.

Executive Member for Community Protection
On behalf of Hertfordshire Fire and Rescue Authority

A handwritten signature in black ink, appearing to be 'D. Keen', written over a light blue rectangular background.

Chief Fire Officer and
Director of Community Protection

Scope of responsibility

Hertfordshire Fire and Rescue Service (HFRS), is the statutory fire and rescue service for the county of Hertfordshire, and is part of Hertfordshire County Council (HCC) which is also the Fire and Rescue Authority (FRA).

The purpose of this Statement of Assurance is to provide information in an accessible way so as to enable individuals, communities, government, local authorities and other partners to make a valid, informed assessment of Hertfordshire Fire and Rescue Authority's (HFRA) performance for the year 2016/17. The Statement also demonstrates how HFRA has had due regard to the expectations set out in its IRMP and the requirements placed upon FRA's by Government in the *Framework*.



Background

The *Fire and Rescue Services Act 2004* ("the *Act*") is the core legislation for fire and rescue services in England and Wales and details the statutory responsibilities of FRA's. Under the *Act* FRA's have a statutory duty to provide a fire and rescue service (FRS) that is equipped to extinguish fires, protect life and property from fires, rescue people from road traffic collisions and respond to other emergencies. Adequate provision must be made to receive and respond to calls for assistance,

to ensure staff are properly trained and equipped and to gather information to facilitate delivery of an effective service. The *Act* also includes a statutory duty for FRA's to provide communities with fire safety education and advice with the aim of reducing deaths and injuries from fire.

Under the *Act* the Secretary of State produced a *Framework* that set out the Government's priorities and objectives for FRA's.

Introduction

HFRS provides a 24 hour emergency response service for fires, road traffic collisions and other emergency incidents. It also delivers a range of prevention and protection activities aimed at reducing fires and other incidents, including



enforcement of Fire Safety legislation in order to help keep the people and businesses of Hertfordshire safe. A detailed community profile of the county is provided in the *Hertfordshire Community Protection Directorate's Corporate Plan 2013 – 2018* entitled, "*Who we are and what we do for you*".

Financial

HFRS carries out its duties, as part of HCC, under *section 3 of the Local Government Act 1999*, in respect of ensuring that public money is properly accounted for and used economically, efficiently and effectively. HFRS adheres to HCC financial procedures including; budget setting, budget monitoring, and the production of final accounts, which form part of the Council's 'Integrated Planning Process' (IPP).

The Chief Finance Officer is responsible for the preparation of the Council's annual Statement of Accounts, which is used to present the Council's financial performance in accordance with proper practices as set out in the Chartered Institute for Public Finance and Accountancy (CIPFA) *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*, which in turn is underpinned by International Financial Reporting Standards. The final accounts are then submitted for approval to the Audit Committee.

The annual Statement of Accounts is also subject to robust examination by external auditors who provide an independent assessment and report as to whether or not HCC's Statement of Accounts present a true and fair view and that they have appropriate accounting systems in place. This report also includes a review of and comment on arrangements for securing economy, efficiency and effectiveness in the use of resources.

The financial statements of HCC for the year ended 31st March 2017 have been audited externally in line with the *Local Audit and Accountability Act 2014*. The external audit process concluded that the accounts presented provide a true and fair view of the

financial position of HCC as at 31st March 2017 and provide a true record of expenditure and income for the financial year 2016/17. In accordance with *Regulation 11 of the Accounts and Audit (England) Regulations 2011* the Statement of Accounts for 2016/17 together with the external auditor's report have been published and can be found on HCC's internet site hertfordshire.gov.uk.

A review of the internal control environment in accordance with CIPFA guidance is carried out by an annual internal HCC audit and informs the Annual HCC Governance Statement.

The Head of HCC's Internal Audit Department publishes an annual report and opinion on the internal control environment. This report is prepared in accordance with the *Public Sector Internal Audit Standards (PSIAS)* as adopted by CIPFA who are the Relevant Internal Audit Standard Setters (RIASS) in respect of Local Government across the UK. It provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control to inform the Annual Governance Statement. The opinion of the Head of Internal Audit in respect of 2016/17 is one of substantial assurance in respect of both financial and non-financial systems, giving significant confidence in the effectiveness of internal control arrangements of the Council. This report also consolidates assurance opinions and actions taken by management to address issues raised during internal audit reviews undertaken throughout 2016/17, and is informed by the comments of external auditors and inspectors.

A review of internal audit compliance with the PSIAS has been undertaken and no significant areas of non-compliance have been noted.

CIPFA publishes a Value for Money (VfM) Toolkit which is available to all councils across England as a way of getting up-to-date information on their council's performance, and how it compares to other authorities. The latest available CIPFA fire and rescue statistics for 2015/16 show HFRS to be one of the lowest cost English FRs in the country with a budgeted expenditure of £31.93 per head of the population. This places HFRS 12th lowest in terms of cost per head of population nationally out of the 45 English FRAs, fourth lowest in its defined Family Group¹ and sixth lowest out of the 14 County Council FRA's.

Governance

HCC (the Fire Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. As a component part of HCC, the HFRA has a duty under the *Local Government Act 1999* to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

HCC's Statement of Corporate Governance sets out its commitment to good governance and describes the Council's governance framework and processes. Governance principles adopted by HCC are consistent with those set out in the CIPFA/Society of Local Authority Chief Executives document: "*Delivering Good Governance in Local Government*". Hertfordshire's Statement of

Corporate Governance is available on, hertfordshire.gov.uk.

The governance statement provides details as to the measures taken by HCC to ensure appropriate business practice, high standards of conduct and sound governance and sets out the actions HCC has undertaken to review the effectiveness of its governance framework, including the system of internal control.

Operational

HFRA has carried out its functions in accordance with the defined statutory and policy framework in which it is required to operate. The key documents setting this out are:

- *the Fire and Rescue Services Act 2004*
- *the Health and Safety Act at Work etc Act 1974*
- *the Civil Contingencies Act 2004*
- *the Regulatory Reform (Fire Safety) Order 2005*
- *the Fire and Rescue Services (Emergencies) (England) Order 2007*
- *the Localism Act 2011*
- *the Fire and Rescue National Framework for England*

HFRS has an IRMP in place which details locally agreed attendance standards to property fires, road traffic collisions (RTCs) and incidents involving hazardous materials. These attendance standards are agreed and set by HFRA, following due consultation with relevant stakeholders. The IRMP can be viewed on hertfordshire.gov.uk.

The *Hertfordshire Community Protection Directorate's Corporate Plan 2013 – 2018* entitled, “*Who we are and what we do for you*” sets out HFRS’s strategic aims and objectives which enable the Service to achieve it’s vision “*Through service delivery and working in partnership, we aim to save life, reduce risk, improve community safety, reduce crime, protect the environment, and support Hertfordshire's economy*” and contribute to the priorities identified by HCC. HFRS uses various data sources including Mosaic and Exeter data, combined with local intelligence and fire activity data to

produce a detailed risk profile of Hertfordshire’s community, which enables it to target resources and activities including prevention work. This is in accordance with the duty under the *Fire and Rescue Services Act 2004* to make arrangements to obtain necessary information for the purposes of: extinguishing fire, protecting lives and property from fires; rescuing and protecting people from harm from road traffic accidents; or for dealing with any other emergency function other than fires and road traffic accidents.

Aims	Objectives	
<p style="text-align: center;">Plan and Respond to Emergencies</p>	<p>OUR AIM is to plan for Local, Regional and National emergencies and to respond quickly and effectively when they happen.</p>	To respond quickly and effectively to emergencies
		To reduce unwanted calls.
		Ensure that the best possible resources are allocated on a risk basis
		Ensure arrangements are in place for major incidents
<p style="text-align: center;">Prevent and Protect</p>	<p>OUR AIM is to minimise risk to those who live, work and travel in Hertfordshire. We aim to prevent emergencies from happening in the first place, and protect citizens and businesses from harm through our enforcement activities.</p>	To reduce fires, road traffic collisions and other emergencies, deaths and injuries
		To work in partnership to make Hertfordshire safer and support health and wellbeing
		To achieve a safe and just trading environment, support the Hertfordshire economy and helping reduce crime
		To target our prevention, education, enforcement and protection work
<p style="text-align: center;">Be an Excellent Organisation</p>	<p>OUR AIM is to provide the best possible service to Hertfordshire by maintaining professional standards, continuously improving our services and keeping costs down.</p>	To deliver excellent performance and value for money
		To put communities at the heart of what we do, understand their needs and deliver an accessible service.
		To maintain a competent, professional workforce who learn from experiences, adapt to change and are representative of the communities we serve
		Reduce our impact on the environment

The HFRS Chief Fire Officer (CFO) is also the Director of the Community Protection Directorate (CPD) which brings together HFRS, Resilience, Trading Standards (TS) and, in partnership with Herts. Police, also co-hosts the County Community Safety Unit (CCSU).

Within this structure HFRS Fire Protection, Fire Prevention, and Trading Standards work together as part of the Joint Protective Services (JPS) team, working alongside CCSU professionals to pool and maximise knowledge, expertise, intelligence and resources.

The JPS team has continued to work closely with colleagues in HCC, partners, the voluntary sector, and other agencies to deliver a cohesive and comprehensive approach to community safety, protection and regulation. This approach delivers cost effective joined up services that continually strive to achieve better outcomes for Hertfordshire residents and businesses.

Planning

The annual Service Plans which can be viewed on www.hertfordshire.gov.uk/fire articulate how HFRS is delivering its strategies, aims and objectives.

Following enactment of The Policing and Crime Act 2017 (the 2017 Act), which amended the Fire and Rescue Services Act 2004 (the 2004 Act), the Hertfordshire Police and Crime Commissioner (PCC) submitted a business case to the Home Office in support of the PCCs application to take over governance of HFRS from HCC.

As a consequence, the development of a revised IRMP has been delayed (though the existing document remains valid). HFRS will however complete a comprehensive review of

its IRMP once a final decision is made with regards to its governance arrangements. This review will ensure that attendance standards, crewing arrangements, the location of fire stations and allocations of resources reflect changes to risk profiles and the built environment. The review will also confirm that HFRSs structure and associated service delivery and support arrangements meet existing and future operational needs to enable it to continue to provide an effective, efficient, and economic service.

The outcomes of the IRMP review, including stakeholder feedback, will be used to develop a revised corporate plan which will detail the activities and services that HFRS is committed to deliver in order to address the needs and priorities of Hertfordshire's communities.

Performance

HFRS uses Key Performance Indicators (KPIs) and targets which enable the HFRA and members of the public to measure the quality and effectiveness of the services it provides and to measure progress against delivery of the Corporate Plan and IRMP.

HFRS undertakes benchmarking activity against other FRs and it uses this information to help drive improvement activity and the continued targeting of resources towards those at highest risk across Hertfordshire's communities. Benchmark results continue to demonstrate that HFRS performs well across a range of performance indicators in relation to Family Group and other county council FRAs. HFRS publishes detailed quarterly progress reports along with an annual performance report to both drive improvement and to ensure transparency of its performance. Detailed information in respect of HFRSs performance can be found in the *Community Protection Annual Performance Report 2016-17*.

OPALS (older persons activities, learning and Safety)

The biggest OPALS event to be held in Hertfordshire to date took place at Stevenage Arts and Leisure Centre in April 2016.

HFRS and Trading Standards colleagues were supported by, Herts Police, Age (UK), Carers in Herts, Alzheimer's Society, Cross Roads Care and SBC Sheltered Housing to deliver this older persons safety event.



A total of 350 people attended the event which started with a fitness session followed by a range of other activities.

Prevention and Protection

HFRS has well developed and clearly defined Prevention and Protection strategies which it uses to identify and prioritise activities that make a real difference to the people and businesses of Hertfordshire. The Service works with communities to safeguard and improve the quality of residents lives, and works with businesses to improve compliance with regulatory legislation without imposing an unnecessary burden.

HFRS continues to utilise risk mapping and data analysis to target resources towards those statistically at greater risk. From education and home visits through to multi-agency solutions.

HFRS continues to run and participate in a broad range of targeted initiatives designed to prevent fires, reduce anti-social behaviour and improve life chances. The Service produces an annual community safety calendar that links to the Chief Fire Officers Association (CFOA) Fire Kills calendar which

contains many of the initiatives, themes, and activities for the coming year. In addition the calendar contains wider community safety initiatives such as Trading Standards Scams Awareness month.

Targeted initiatives included the continued development and expansion of CHiPS - the volunteer community horse patrol, Safer Streets, the Prince's Trust programme and OPALS (older persons activities, learning and Safety). In addition the Service delivered a number of road safety initiatives including Driving Home for Christmas and Learn2Live which is specifically targeted at young drivers who are statistically one of the most at risk groups when it comes to road traffic collisions (RTCs). In October HFRS hosted the first ever national Biker Down conference designed to share best practice from Biker Down teams from across the UK.

HFRS worked in conjunction with the University of Hertfordshire's Community Sports development arm - the Herts Sports and Physical Activity Partnership (HSP) to

implement the 'Big Hit' project. The 'Big Hit' boxing initiative is a three year project aimed at improving the lives of young people aged 7-15 who are considered vulnerable or at risk of developing negative behaviours. It aims to reduce anti-social behaviour, improve physical and mental wellbeing of young offenders and increase the self confidence of attendees.

The Resilience team continued to be fully involved and active in the groups supporting the Hertfordshire Local Resilience Forum (LRF). This support encompassed the development of civil resilience capacity and capability through the formation of emergency response plans, procedures and policies for both geographical and prevailing risks within the county.

In April the HCC Resilience Team delivered Exercise Roebuck the county council's major incident table-top exercise which was designed to raise awareness of the county's planning arrangements and of each department's roles and responsibilities. The theme of the exercise was a major transport accident occurring in the Stevenage/ Knebworth area, requiring a whole county

council response to reduce the effects of the incident on the local community and services.

The Service continued to devote considerable effort to working with vulnerable adults, providing them with information that will help to keep them safe by enabling them to recognise areas of risk and how to report concerns when necessary. The 'Get Set for Winter' initiative and the Caring Together scheme are two examples of this commitment.

HFRS was also proactive in working and engaging with communities through a wide range of activities and initiatives including Local Intervention Fire Education (LiFE), Think Safe, Thriving Families, Candle Safety Week, and Drowning Prevention and Water Safety Week.

In July, as part of the national Scams Awareness Month, HFRS and the wider Directorate worked with residents to highlight the need to be more vigilant to scams arriving by any means including the internet, the phone and doorstep calling.

Children Practising Resuscitation (CPR)



By November 2016 over 500 children in the Watford and Three Rivers District had been trained in the life saving technique of cardiopulmonary resuscitation (CPR).

This training coincided with the British Heart Foundation's 'Heartstart' campaign which aims to teach CPR skills to as many children as possible across the country.

The British Heart Foundation supplied certificates and wristbands to children attending the HFRS CPR training sessions in support of the Heartstart

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Hertfordshire Road Safety Partnership Day

The free and fun event was organised to raise awareness of road safety in a fun and engaging way.

The Hertfordshire Road Safety Partnership brings together groups that provide road safety schemes, initiatives and campaigns.

Partners include the fire and rescue service, police, transport, access and road safety unit, community protection and highways.



Partnership working

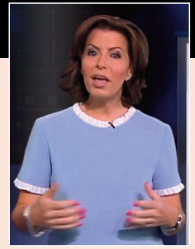
HFRS continued to make a real difference to people's lives not only through delivery of its core organisational objectives, but also by the important contribution it makes, together with CPD colleagues, to the delivery of much wider community priorities, such as Health and Wellbeing, Protecting Vulnerable Adults (HFRS co-chairs the Safeguarding Adults Board), Safeguarding Children and Economic Wellbeing.

As a "responsible authority" within the context of the *Crime and Disorder Act 1998*, HFRS and the wider CPD worked with other responsible authorities i.e. local authorities; the police; primary care trusts and the probation service to reduce reoffending, tackle crime and disorder including anti-social behaviour and other behaviour damaging to the local environment as well as the misuse of substances. These statutory partnerships, known as Community Safety Partnerships (CSP), are set up in each of the 10 districts and boroughs within Hertfordshire. This approach enabled HFRS and the CPD to deliver coordinated, effective outcomes for the most vulnerable and disadvantaged members of the community.

On 1st June 2016 HFRS launched its pilot Safe and Well programme which partners the Service with Public Health (who sit as a part of the county council) focussing attention on vulnerable people within their homes in line with the HCC corporate priority of residents being healthy and safe. The Service is working with Public Health, The Community Information Intelligence Unit, Health and Community Services and Trading Standards to profile residents deemed to be at most risk from a fire by using the Exeter Health Data and overlaying information provided by partners. This new risk profiling approach is being used to proactively target and deliver Safe and Well visits to at risk residents.

HFRS also formed a trial partnership with Herts Careline Telecare, which links with the Safe and Well programme, and is aimed at supporting vulnerable adults to live safe and independent lives in their own homes. The Telecare team provide firefighters with the necessary training to enable them to provide assistance in instances of equipment activations by individuals who cannot be attended to by other responders within 60 minutes.

Safe and Well work featured in ITN film



The joint Safe and Well Visits project between HFRS and Public Health teams was featured in a new ITN film called Beyond Blue Lights. The film, recorded at Longfield, focussed on how firefighters are going

beyond their traditional role to keep people safe and well in their homes.

The Safe and Well visits are designed to focus on the following areas;

*Making sure homes are safe,
Making sure residents are well,
Preventing feeling alone,
Ensuring good nutrition and preventing dehydration,
Preventing Falls and
Promoting physical activity.*

with staff taking appropriate actions to address any issues identified.

Both the Telecare and the Safe and Well pilots will be evaluated during 2017/18 in order to ensure their effectiveness and consider the approach to delivery in the future.

Community Protection (CP) Volunteers supported the Safe and Well Projects and also continued to deliver a wide range of duties including regular arson and reassurance patrols, on horseback and on bicycles, firework and bonfire safety patrols, and initiatives including Job Club and the Volunteer Incident Support scheme which provides a post incident clear up service to those in the community who are most in need.

HFRS continued to collaborate with Police, Highways England, Public Health and HCC Road Safety Unit as part of the Hertfordshire Road Safety Partnership to deliver targeted activities and hard hitting education programmes designed to reduce the number of deaths and injuries on Hertfordshires roads. In addition the Service entered into an agreement with the

Driver and Vehicle Standards Agency (DVSA) to allow Hemel Hempstead Fire Station to be used as a car driver test centre. This arrangement provides HFRS with direct access to the most vulnerable driver age group (17-24 year olds) which enables the Service to relay Information and safety advice directly to all those undertaking a driving test.

JPS continued to play a leading role in Hertfordshire's Better Business for All (BBfA) partnership which seeks to reduce the regulatory burdens on business and aims to support growth by building stronger relationships between businesses, local regulators and other interested parties.



HFRS, together with other FRSs across the Eastern Region entered into a pilot scheme with the East of England Ambulance Service Trust to attend 999 calls involving cardiac arrests. Firefighters were

mobilised to attend alongside paramedics where they were nearest to provide emergency care as quickly as possible. This trial will be evaluated to determine its effectiveness and whether it should continue.

National Resilience and Interoperability

HFRS continued to work with the Government, other FRAs and fire and rescue professionals in order to ensure continued national resilience. HFRS have signed up to the National Mutual Aid Protocol, this agreement establishes the terms under which an authority may expect to request assistance from, or provide assistance to, another authority in the event of a serious national incident. Additionally, in *sections 13 and 16* of the *Fire Services Act 2004* there is a legal requirement for neighbouring FRAs to enter into formal reinforcement arrangements. HFRS has formal mutual aid arrangements in place with its neighbouring FRAs to provide mutual cross border support and assistance in the event of a fire or other emergency incident.

To ensure operational preparedness and to satisfy local and national assurance processes HFRS takes a leading role in the design, delivery and participation of local,

regional and national exercises to test all stages of command within FRS operations. HFRS is a key member within the county's LRF, Hertfordshire Resilience, a multi-agency partnership consisting of the emergency services and all other organisations and agencies involved with emergency response in communities. A member of HFRS Senior Leadership Group chairs the executive group and the Resilience team provides a secretariat function. The LRF partnership develops civil resilience capacity and capability by preparing multi-agency, major incident response plans and organising training and exercises.

Assets available for national deployment include High Volume Pump (HVP), Enhanced Logistic Support (ELS), and trained officers to deal with other specialist incidents.

The Service is working in collaboration with 20 other FRSs on a personal protective equipment (PPE) procurement project. The project aims to provide the latest PPE for operational staff to carry out a range of firefighting activities.

The HFRS CFO is the National lead on Operational Communications for the Chief Fire Officers Association (CFOA).

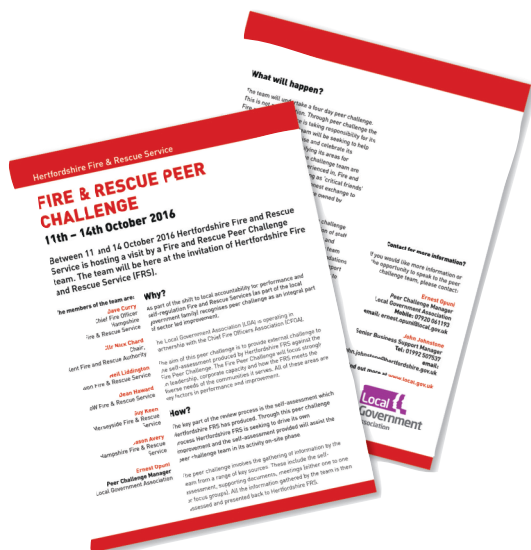


Exercise: Triton II

Hertfordshire's HVP Tactical Adviser attended Manchester FRS for the National Resilience Exercise: Triton II.

The exercise was designed to test the UK's capability to respond to several large scale, simultaneous, events requiring the use of large numbers of High Volume Pumps. Multiple scenarios were presented, in Manchester and Norfolk, to test half of the HVP Fleet (25 HVP sets), from a large scale forest fire with no water supplies deep within Thetford Forest, to a weakened dam at Dove Stones Reservoir, all capped off with a large scale incident and broken main at Manchester Airport.

Review of effectiveness and commitment to continuous improvement



In October 2016 HFRS hosted a Fire Peer Challenge in accordance with its commitment to continuous improvement. The Peer Challenge Team's report was extremely positive with Dave Curry, CFO of Hampshire FRS remarking that the Peer Challenge in Hertfordshire had yielded more examples of notable practice than any other that he had been involved in.

HFRS's internal Inspection and Audit process continued to be used to audit and inspect operational stations and Fire Control in 2016/17. The process is designed to provide assurance that the required high standards of operational competency, technical knowledge, risk critical recording and administration processes are being achieved/maintained. All stations that were visited, including Fire Control, were assessed as having passed the Inspection and Audit process.

The highly successful Box Cleva programme won two local awards in recognition of the benefits it has delivered to the hundreds of children who have participated since its inception in 2011. It also received the Queens Award for Voluntary Service; this is the highest award given to local volunteer groups across the UK to recognise outstanding work done in their own communities.

The former Deputy Chief Fire Officer was awarded the Queens Fire Service Medal and

Government Primary Authority of the Year Award for JPS regulators



The Joint Protective Services (JPS) team, made up of fire and rescue and trading standards officers, won a government award for its work to help Hertfordshire - based businesses grow whilst staying on the right side of regulatory requirements.

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a long standing member of the HFRS volunteers team was awarded the MBE for Services to Fire Safety in the Birthday Honours.

The excellent joint work of the JPS Team (which is made up of Trading Standards and Fire Safety staff) was recognised by the Department for Business Innovation and Skills - Primary Authority Awards 2016 when they won 'Authority of the Year'. Primary Authority is a scheme where a single authority provides advice that applies nationwide to a company. This removes the potential for differences in advice that might occur when dealing with different Fire and Rescue or Trading Standards departments.

HFRS received an excellent NVQ Audit report from the awarding body Edexcel for its approach to vocational training and assessment.

HFRS nominated two young people in the regional Princes Trust Celebrate Success Awards who were both shortlisted for the HSBC Breakthrough Award. One of the nominees was successful and won the award and was entered for the National Awards.

Framework Requirements

HFRA is satisfied that systems and measures it has in place with respect to financial, governance and operational matters are robust, fit for purpose and effective. In order to enable HFRA to incorporate all of the requirements contained within the revised Framework a new IRMP will be developed over the course of the next two years.

Future Improvements

HFRS will;

Review the existing Retained Duty System (RDS) provision and consider alternative systems, rotas and working practices to improve reliability and performance.

Seek to ensure that its workforce is representative of the communities it serves and that services it delivers take account of diversity and are accessible to all.

Manage the local implementation of the Emergency Services Mobile Communications Project (ESMCP), in conjunction with national and regional partners. ESMCP is a major replacement project of the existing communications network, Airwave, used by all emergency services across the UK.

Extend the Safe and Well project across the county.

Continue to plan, develop and implement a programme of 'Live Fire' training in order to further improve the safety and competencies of operational firefighters.

Commence a comprehensive review of its IRMP to ensure that attendance standards, crewing arrangements, the location of fire stations and allocation of resources reflect changes to risk profiles and the built environment. The review will aim to ensure that HFRSs structure and associated service delivery and support arrangements meet existing and future operational needs whilst also ensuring the provision of an effective, efficient, and economic service.

Commission, develop and implement electronic document management and recording systems to support improved and more effective performance.

Comply with the statutory duty for the emergency services to collaborate.

Take actions to address the areas of improvement identified in the Peer Challenge Report.

Develop the Longfield site in to a Joint Emergency Services Interoperability Programme (JESIP) Academy to accommodate collaborative training with other blue light partners.

Links to documents

Fire and Rescue National Framework Document (the Framework)

Integrated Risk Management Plan (IRMP)

The Fire and Rescue Services Act 2004

Hertfordshire Community Protection Directorate's Corporate Plan 2013 – 2018, "Who we are and what we do for you".

Section 3 of the Local Government Act 1999

Code of Practice on Local Authority Accounting in the United Kingdom

Local Audit and Accountability Act 2014

Regulation 11 of the Accounts and Audit (England) Regulations 2011

Public Sector Internal Audit Standards

Local Government Act 1999

Delivering Good Governance in Local Government

The Civil Contingencies Act 2004

The Regulatory Reform (Fire Safety) Order 2005

The Fire and Rescue Services (Emergencies) (England) Order 2007

The Localism Act 2011

The Health and Safety Act at Work etc Act 1974

Community Protection Annual Performance Report 2013-14

Crime and Disorder Act 1998

Glossary of terms

Abbreviation	Definition	Abbreviation	Definition
ACS	Adult Care Service	KPI	Key Performance Indicator
BBfA	Better Business for All	LRF	Local Resilience Forum
CCSU	County Community Safety Unit	OPALS	Older Persons Activity Learning and Safety
CFO	Chief Fire Officer	PAP	Primary Authority Partnership
CFOA	Chief Fire Officers Association	PCC	Police and Crime Commissioner
CIPFA	Chartered Institute of Public Finance and Accountancy	PSIAS	Public Sector Internal Audit Standards
CP	Community Protection	RDS	Retained Duty System
CPD	Community Protection Directorate	RIASS	Relevant Internal Audit Standard Setters
CSP	Community Safety Partnership	RSU	Rescue Support Unit
ELS	Enhanced Logistic Support	RTC	Road Traffic Collision
ESMCP	Emergency Services Mobile Communications Programme	SWCAP	Sky Watch Civil Air Patrol
FRA	Fire and Rescue Authority	TS	Trading Standards
FRS	Fire and Rescue Service	TYST	Targeted Youth Support Team
HAFLS	Hertfordshire Adult and Family Learning Service	VfM	Value for Money
HCC	Hertfordshire County Council		
HFRA	Hertfordshire Fire and Rescue Authority		
HFRS	Hertfordshire Fire and Rescue Service		
HVP	High Volume Pump		
IPP	Integrated Planning Process		
IRMP	Integrated Risk Management Plan		
JESIP	Joint Emergency Services Interoperability Programme		
JPS	Joint Protective Services		

HERTFORDSHIRE COUNTY COUNCIL
AUDIT COMMITTEE
MONDAY 1 DECEMBER 2017 AT 10.00 AM

Agenda Item No:

3

**HERTFORDSHIRE COUNTY COUNCIL AND PENSION FUND ANNUAL AUDIT LETTER
FOR THE YEAR ENDED 31 MARCH 2017**

Report of Ernst and Young

Author: Neil Harris, Associate Partner, For and on Behalf of Ernst & Young LLP

Hertfordshire County Council and Pension Fund Annual Audit Letter for the year ended 31 March 2017 attached as Appendix 1.

Recommendations:

Audit Committee is invited to note the Hertfordshire County Council and Pension Fund Annual Audit Letter for the year ended 31 March 2017.

Hertfordshire County Council and Pension Fund

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand holding a pen writing on a document, with a calculator and a laptop in the background. The scene is set on a desk with a white mug on the left. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Hertfordshire County Council following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts (WGA) purposes. We reported a mapping difference between the Council's financial statements and the WGA return of £18.9 million in relation to New Homes Bonus and the Education Services Grant. This is not an error, just a difference in the reporting on the template. We agree with the Council's approach. No further issues were identified.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 11 th September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 11 th September 2017.

We would like to take this opportunity to thank the Council and Pension Fund's staff for their assistance during the course of our work.

Neil Harris

Associate Partner
For and on behalf of Ernst & Young LLP

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Purpose

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Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 11th September Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 1st March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 11 September 2017.

Our detailed findings were reported to the 11 September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested have an appropriate business rationale.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the assumptions in these areas and found no indication of management bias in these estimates.</p> <p>During the course of our audit we did not identify any significant unusual transactions. This includes our detailed review of the adjustments through the Movement in Reserves Statement.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Revenue and expenditure recognition

Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested have an appropriate business rationale.

We reviewed and tested material revenue and expenditure streams including:

- accounting estimates to identify any issues or evidence of management bias;
- cut-off testing around period end to assess whether the recognition or deferral of this income and expenditure was appropriate;
- capital expenditure on property, plant and equipment to confirm it met the relevant requirements to be capitalised.

Overall our audit work did not identify any material misstatements with respect to revenue and expenditure recognition. No issues or unusual transactions were identified which would indicate that there had been any misreporting of the Council's financial position.

Our testing of capital expenditure did not identify any expenditure which had been inappropriately capitalised.

Other Risks

Property Asset Valuation

Valuation of property assets is a significant accounting estimate that has a material impact on the financial statements.

Conclusion

Our testing assessed and placed reliance on property valuation specialists commissioned by the Council. We assessed and used an independent valuer's market report to review and challenge the assumptions and judgements used by the Council's external valuer.

We tested the accounting entries made for revaluations, including assessing assumptions, asset use and valuation methods. There were no significant amendments in this area.

Pension Scheme Liability

The Council is required to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and a sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Our audit procedures assessed the conclusions drawn on the work of the actuary by the Consulting Actuary to the PSAA, PwC; and also assessed the reasonableness assumptions made by the Actuary (including estimations and judgements).

We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.

There were no significant matters to report.

Group Accounts

The Council set up two companies in September 2013:

- Hertfordshire Catering Ltd (wholly-owned subsidiary).
- Herts for Learning (20% is owned by the Council).

The Council continues to assess these interests as quantitatively and qualitatively material to the group and therefore the Council will continue to consolidate the companies into the Council's group accounts as required by the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

There is a risk that the group financial statements do not meet the requirements as defined by the Code.

We reviewed the Council's assessment of all potential group entities against accounting standards IFRS10 and 11.

We reviewed and tested that the Council adopted and correctly applied accounting policies that comply with the requirements of the Code.

We reviewed the correctness of the consolidations entries from the companies' accounts to the Council's group accounts. We also tested that all disclosures in relation to group accounts were appropriate.

There were no significant matters to report.

Children's Services PFI Schemes

The Council entered into a PFI scheme in June 2007 through a private sector operator for the design, finance and maintenance of several children's services.

Our audit procedures included the construction of a parallel accounting model to assess whether the County's accounting model for the Children's Services PFI scheme was materially accurate. The parallel model confirmed no material differences in accounting for this project.

The outstanding liabilities to be paid to the contractors for capital expenditure as at 31 March 2016 were £16,185million.

Our procedures did identify a difference in the output of the two models of £1.885m. This difference is likely to have arisen from the more detailed County accounting model, which correctly recognised the liability for each individual asset at the point it was completed, compared with the parallel model which assumes a single completion date.

It is a number of years since this PFI scheme was reviewed in detail by audit and therefore we believe additional work needs to be carried out to ensure the values and accounting disclosures associated with this PFI scheme remain accurate and in line with the original contract arrangements.

There were no further matters to report.

CIPFA Code Changes

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.

We reviewed the expenditure and funding analysis, CIES and new notes to ensure disclosures were in line with the code.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

We reviewed the analysis of how these figures are derived, how the ledger system has been remapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.

We agreed the restated 2015/16 comparative figures back to the Council's segmental analysis and supporting working papers.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

A technical review was conducted which identified amendments in disclosure and positioning of the Expenditure and Funding Analysis note within the financial statements. All of these amendments were agreed with management.

This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p><u>Hertfordshire County Council's Statements</u></p> <p>We determined planning materiality to be £19.9 million (2015/16: £17.1 million), which is 1% of gross expenditure reported in the accounts of £1,990 million.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p><u>Pension Fund's Statements</u></p> <p>We determined planning materiality to be £42.2 million (2015/16: £35.8 million), which is 1% of net assets reported in the accounts of £4,220 million.</p> <p>We consider net assets to be one of the principal considerations for stakeholders in assessing the financial performance of the Pension Fund.</p>
Reporting threshold	<p><u>Hertfordshire County Council's Statements</u></p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.99 million (2015/16: £0.85 million)</p> <p><u>Pension Fund's Statements</u></p> <p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.10 million (2015/16: £1.80 million)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the top few in sharp focus. The lighting is warm, highlighting the metallic texture and the ridges on the edges of the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

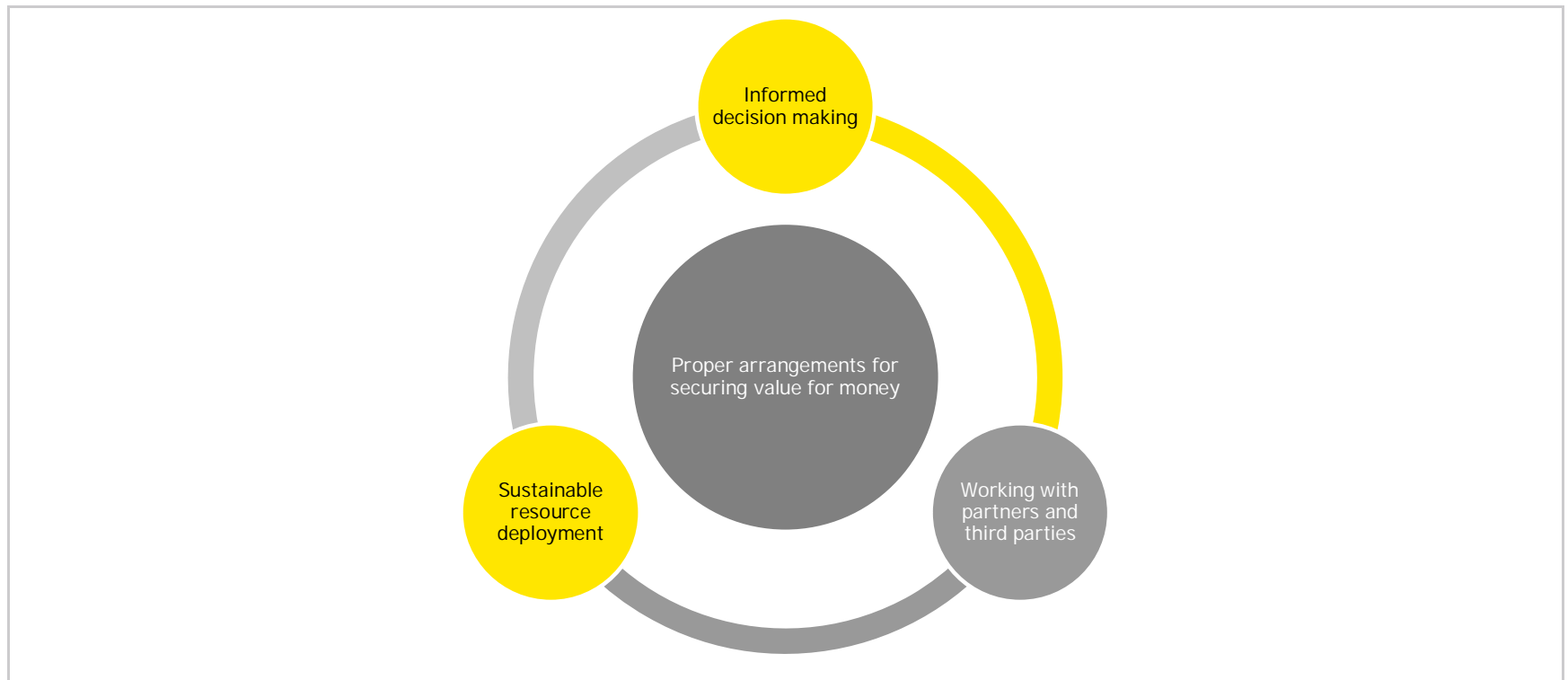
Value for Money

Value for Money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified two significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 11 September 2017.

Significant Risk	Conclusion
<p>Continued Reduction in Funding</p> <p>The impact of continuing reductions in funding from central government is particularly challenging for the Council. With restrictions on annual Council Tax increases, the Council's medium-term financial strategy (MTFS) identifies the need to identify and deliver significant savings from 2017/18 and future years.</p>	<p>There is a robust budget setting process in place with challenge built into the process from officers and members. The 2016/17 budget was met with an underspend.</p> <p>Assumptions built into the budget are based on best information available and the Council has articulated within its budget the risks associated with upcoming changes to government policy and the economic climate. There is evidence throughout the MTFS that the Council has considered the impact of various scenarios and the impact these will have on budget planning.</p> <p>The Council has worked with partners to deliver efficiencies and savings and continues to do so with some significant arrangements in place. Overall we recognise there continues to be challenges faced by the Council as they seek to identify and implement savings.</p>
<p>Sustainability and Transformation Plans (STPs)</p> <p>STPs give local NHS organisations and councils the opportunity to work together to improve the way health and social care is designed and delivered.</p> <p>The Hertfordshire and west Essex publication 'A Healthier Future' brings together the challenges and opportunities that face NHS and care services in Hertfordshire and west Essex as they work together to improve health and wellbeing within the funds available.</p>	<p>The Council has engaged proactively in the STP process and is working closely with partners from high level planning to a more detailed delivery model. Working groups are in place to ensure the delivery of the plan. The Council acknowledges that this is a complex challenging area that is requiring a lot of resource to contribute to the financial sustainability of the Council in the context of the health economy.</p> <p>Overall, the Council has been proactive in its engagement with the STP, working with partners, in considering and reflecting the service pressure and spending risks from health and social care in the MTFS. We recognise there remain a number of challenges, particularly how the Council's assumptions align in with those of the STP, now and in the future.</p>

In Hertfordshire and west Essex £3.1bn a year is spent on health and social care. The position is increasingly stretched with a potential funding gap of £550 million a year by 2021 unless services can act together.

While the Council has a history of being well managed and aware of issues impacting the County area as a whole, we consider there is a significant risk in relation to the Council's ability to deal with the challenging health and social care environment and deliver the savings required.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts (WGA) purposes.

We reported a mapping difference between the Council's financial statements and the WGA return of £18.9 million in relation to New Homes Bonus and the Education Services Grant. This is not an error, just a difference in the reporting on the template. We agree with the Council's approach. No further issues were identified.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 11 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

A close-up photograph of a person's hands holding binoculars to their eyes. The person's face is partially visible in the background, looking through the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 • Invited clients to a Faster Close workshop <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> • Streamlining the Statement of Accounts removing all non-material disclosure notes • Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations • Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure • Establishing and agreeing working materiality amounts with the auditors

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 11 September 2017 Annual Results Report.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Hertfordshire County Council Total Audit Fee - Code work	142,067	142,067	142,067	142,067
Hertfordshire Pension Fund Total Audit Fee - Code Work	33,491	33,491*	27,991	27,991
Non-audit work Teacher's Pension**	TBC	13,000	N/A	13,000

*£5,500 in relation to IAS 19 procedures. In previous years this work has been something of an anomaly in that we have not charged for it; however PSAA has agreed scale fee variations to cover the necessary work. This is consistent with the approach taken by other firms which act as external auditors for the Local Government Pension Schemes. The scale fee variation is subject to PSAA approval.

**2016/17 fee relates to the work completed on the 2015/16 Teachers Pension return as the work is completed in the financial year following preparation of the return (2015/16 relates to 2014/15 completed return).

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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HERTFORDSHIRE COUNTY COUNCIL**AUDIT COMMITTEE
FRIDAY 1 DECEMBER 2017 AT 10.00 AM****UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS
FOR 2017/18 AUDIT***Report of the Director of Resources*

Author: Owen Mapley, Director of Resources (Tel: 01992 555601)

1. Purpose of the Report

- 1.1 To provide the Committee with an update on actions taken in response to the 2016/17 Audit Results Report (ARR) and in preparation for the audit of the 2017/18 accounting statements.

2. Summary

- 2.1 Ernst & Young LLP (EY) issued an unqualified opinion on the 2016/17 accounts, and made no specific recommendations. A small number of issues were raised, and this report details action being taken to address these in the 2017/18 accounts. EY have issued their Audit Letter (item 3 on this agenda), which includes the points raised in the ARR, and looks ahead to future issues and risks.

3. Recommendations

- 3.1 The Committee is invited to note and comment upon this report.

4. Actions to prepare for 2017/18 and subsequent audits

- 4.1 Finance has undertaken a review of the accounts closure and audit process, identifying further opportunities for more efficient coordination of information and use of reporting, and ensuring that key processes are maintained effectively throughout the year, to minimise additional work at year end. A 'lessons learned' and training session has been run for the whole team, and processes have been reviewed and where necessary strengthened in the small number of areas where audit differences were identified.
- 4.2 Particular focus has been placed on reviewing critical path activities, to see where efficiencies can be achieved. From 2017/18, there is a statutory requirement to produce the draft accounts by 31 May and final audited accounts by 31 July; Hertfordshire County Council is well placed to deliver the draft accounts by 31 May having undertaken a "dry-run" during 2016/17 and successfully delivering a set of draft accounts for senior management review by 23 May.
- 4.3 Given the revised timescales to complete the audit of the accounts in 2017/18, EY nationally are planning on moving from completing 25% of their audit work prior to end of the financial year to 60% (interim audit), to reduce the pressures during the main

audit. As all local authority audits will need to be completed by 31 July, audit providers are having to schedule resources carefully and reprofile work where possible.

- 4.4 Officers are working with EY in developing the timetable for the 2017/18 audit plan. This includes agreeing both the overall timetable for audit work and the specific areas of early review to accommodate the earlier audit completions. EY are targeting specific slots with their clients, and for Hertfordshire County Council are proposing to undertake a significant amount of audit work during February, with the balance taking place in June and July. The February work plan will include early sampling of transactions by EY, as well as the County Council providing documentation of some activities, such as review of accounting policies and judgements, before year end. A draft timetable of Hertfordshire County Council activities to meet these timescales has been prepared and is being agreed with services and partner organisations.
- 4.5 In their Value for Money review EY reported one risk regarding the impact of continuing reductions in central government funding, and the need to identify significant savings from 2017/18 and in future years. EY did not identify any significant weaknesses in the Council's arrangements for sustainable resource deployment, and concluded that the Council has a robust budget setting process in place. The achievement of 2017/18 savings is being monitored and risk assessed within the Finance monitor; and for future years the 2018/19 – 2021/22 Integrated Plan process is formalising savings plans required to meet the budget gap.

MID-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2017/18

Report of the Chief Finance Officer

Author: Rob Thurlow, Senior Accountant (01992 555061)

Executive Member: David Williams, Deputy Leader of the Council

1. Purpose of Report

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and CIPFA Code of Practice for Treasury Management in the Public Sector require the Council to set an annual Treasury Management Strategy (TMS) and assess performance indicators and the treasury function throughout the year.
- 1.2. This report fulfils the requirement to provide a mid-year report on performance against the prudential indicators which were specified in the Integrated Plan, Part D approved by the County Council on 21 February 2017.
- 1.3. The report provides a summary of treasury management performance and activity for the period to 30 September 2017.

2. Summary

- 2.1. The Council has been compliant with the prudential and treasury management indicators set out in the Integrated Plan.
- 2.2. A breach of the TMS occurred on Thursday 4 May 2017 as a result of the methodology used to record overnight changes in balance on a Barclays Call Account. This did not result in any loss to the authority and actions to mitigate any future occurrence have already been taken. Section 5 provides further details of the breach and procedural changes implemented as a result.
- 2.3. UK economic growth has remained positive but subdued during the period, with significant uncertainty remaining as to the impact of the nation's withdrawal from the European Union which is currently being negotiated. Further economic analysis is provided in section 6.
- 2.4. The Council has continued to operate a diverse investment portfolio. Pooled fund investments are held for the long-term due to capital volatility. Daily liquidity

needs are met using a variety of instant-access bank and Money Market instruments, along with short term lending to and from other local authorities.

- 2.5. A distribution of £37k was received in respect of the Icelandic Investment with Kaupthing Singer & Friedlander Limited [KSF]. No further funds have been received for the investment with Heritable. The recovery to date from these two investments stands at 84.25% and 98.00% and respectively.
- 2.6. No new long-term borrowing has been taken and no long-term borrowing has been repaid in the year.
- 2.7. Short-term borrowing of £30m was in place at the start of the year, and an additional £10m of short-term borrowing was made during the first quarter to cover cash flow requirements. All short-term borrowing was repaid by 30 September.
- 2.8. Treasury management activities will be impacted by a number of changes to the regulatory environment between January 2018 and January 2019. These changes are set out in section 11, with further details provided in Appendix B to this report.

3. Recommendations

- 3.1. Members are invited to note the Treasury Management mid-year report.

4. Background

- 4.1. The Council operates its treasury management function in accordance with the CIPFA Prudential Code and the CIPFA Code of Practice for Treasury Management in the Public Sector. The Codes require the Council to set prudential indicators for its capital expenditure and treasury management activities prior to the start of each financial year.
- 4.2. The Codes also require that regular reports are provided reviewing performance and compliance at the end of each financial year and on a half-yearly basis. In addition to these reports, performance against the prudential indicators and treasury management activities are reported to Cabinet as part of the quarterly budget monitoring report.

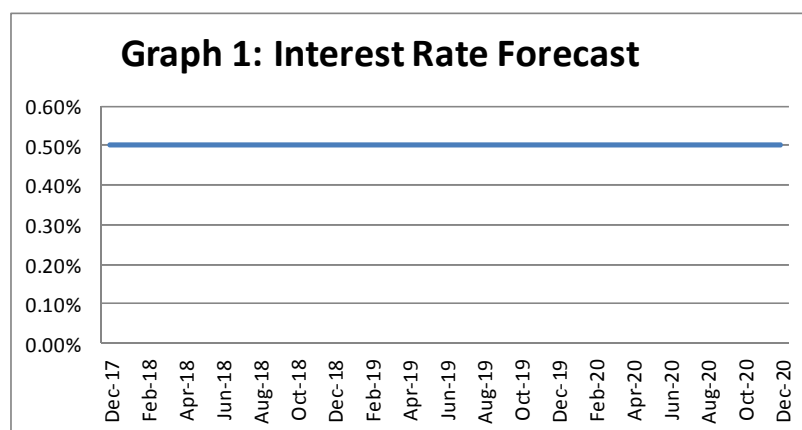
5. Breach of Strategy (4 May 2017)

- 5.1. The breach arose as the methodology being used to record overnight changes in balance on the Barclays account on the Treasury Management System did not trigger a control warning when the exposure limit was breached. As a result a balance of £10.275m was held in the account overnight, breaching the limit of £10m in place for this counterparty. The balance was correctly reduced the following day.

- 5.2. Procedures for recording overnight balance changes have been revised so that an alert is correctly triggered if balances are recorded in excess of the limits set in the system. All treasury officers have been instructed in the revised data entry method to avoid breaching counterparty limits. No financial loss was incurred as a result of this breach.

6. Economic Review

- 6.1. The Council's Treasury management activities in this period were undertaken in an environment of continued uncertainty and negative market sentiment which has prevailed since the EU membership referendum in June 2016 and subsequent triggering of Article 50 by the UK Government on 29 March 2017.
- 6.2. The Bank of England base rate has remained stable at 0.25% during the period, and economic data showed subdued growth in Gross Domestic Product [GDP], at 0.2% and 0.3% in the first and second quarters respectively. During the same period Consumer Price Index [CPI] inflation rose to 3.0%, above the 2% Bank of England target, while wage growth was 2.1% in August 2017.
- 6.3. The Bank of England had looked to business investment and exports to sustain GDP, while consumer spending remains vital for growth. Negative real-terms wage growth coupled with falling household savings may constrain economic activity during the remaining months of the calendar year.
- 6.4. The inflationary pressures noted above are an expected consequence of the approximately 20% decline in the value of Sterling during 2016/17. Despite an expectation that the Bank of England would look through short-term peaks in inflation resulting from currency fluctuation and maintain support for the economy through continued low interest rates and asset purchases, the rhetoric of Monetary Policy Committee (MPC) members changed during the autumn to imply a forthcoming increase in bank rates.
- 6.5. The expectation of a rate rise fuelled slight increases in gilt yields and short-term investment rates towards the end of the second quarter, although returns remain subdued overall.
- 6.6. On 2 November 2017, the MPC met and voted 7-2 in favour of increasing the bank rate from 0.25% to 0.50%, in line with market expectations.
- 6.7. Graph 1 (overleaf) provides the Arlingclose (the Council's treasury adviser) interest rate forecast for the period December 2017 to December 2020.



- 6.8. There is an expectation that in the context of a struggling economy and Brexit-related uncertainty, the Bank of England is likely to take a measured approach to monetary tightening, with any increase to interest rates being gradual and limited in order that substantial economic support is provided during the Brexit transition.
- 6.9. Whilst the Bank has indicated the possibility of two further rate increases in the next two to three years, the Council's advisers believe that this is predicated on optimistic assumptions about the Brexit settlement and ongoing economic growth and currently see little prospect of further rate increases.

7. Prudential and Treasury Management Indicators

- 7.1. The Prudential Code requires the Council to set and monitor a range of prudential indicators relating to borrowing. The objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans for local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.
- 7.2. The Council measures and manages its exposure to treasury management risks using a range of indicators related to interest rate exposure, refinancing risk and liquidity risk. In addition, treasury activity is measured against a range of performance indicators related to security, liquidity and yield.
- 7.3. Appendix A provides evidence of compliance with the prudential and treasury management indicators and reports on treasury activity performance indicators.

8. Treasury Management Strategy

- 8.1. In setting the 2017/18 TMS, the Council approved a Lending Policy that continued to enable flexibility in use of investment instruments whilst maintaining security and liquidity of investments.
- 8.2. The Lending Policy continued to reflect the on-going risks in the wider economy and banking institutions. The primary considerations when placing investments continues to be the security and liquidity of the Council's funds and only once

both of these factors have been taken into account will the yield on investment be considered. Long term borrowing is only considered when it becomes necessary to avoid a prolonged short term overdraft position.

- 8.3. During the six months to 30 September 2017, investments have been held in a range of instruments detailed in Table 1

**Table 1: Counterparties and investment instruments used
To 30 September 2017**

Counterparty	Investment Instruments
Local Authorities	Fixed Term
UK Banks / Building Society	Call / Notice Accounts
Overseas Banks with AA+ Sovereign Rating	Call Accounts, Fixed Bonds
AAA rated Money Market Funds	Call / Notice
Pooled Fund – Property	Notice
Pooled Fund – Bond	Notice
Pooled Fund – Equity	Notice
Pooled Fund – Multi-asset	Notice

- 8.4. Table 2 provides a summary of the value of investment instruments outstanding as at 31 March 2017 and 30 September 2017 and the percentage of investment instruments compared to the overall investment portfolio.
- 8.5. Table 2 (Overleaf) reflects the diversified investment portfolio being operated by the council within the bounds of the TMS.

Table 2: Investment Activity as at 31 March 2017 and 30 September 2017

Counterparties	Investment Instrument	As at 31/3/2017		As at 30/9/2017	
		£m	%	£m	%
Local Authorities	Fixed Term	5.00	4.9	20.00	16.5
UK Banks / Building Society	Call / Notice	15.68	15.4	19.81	16.4
Overseas Banks	Call	0.00	0.0	0.00	0.0
	Fixed Bond	3.02	3.0	0.00	0.0
Money Market Funds	Call / Notice	47.88	47.1	51.08	42.3
Pooled Fund – Property	Notice	10.00	9.9	10.00	8.3
Pooled Fund – Bond	Notice	10.00	9.9	10.00	8.3
Pooled Fund – Equity	Notice	6.00	5.9	6.00	4.9
Pooled Fund – Multi-asset	Notice	4.00	3.9	4.00	3.31
TOTAL		101.52	100.0	120.89	100.0

- 8.6. Cash balances increased by a net £16.74m during the period, and £30m of temporary borrowing held at 31 March 2017 was repaid. The overall £46.74m increase in cash balances between 31 March and 30 September was due to timing differences between receipts and payments, including £33m of Single Local Growth Fund funding awarded to the LEP and held within the Council's balances, but not yet spent. Interest earned on LEP balances is apportioned to the LEP at year end.
- 8.7. Table 3 shows the value and type of maturities and new investments made during the first half of the year:

**Table 3: Value of Maturities and New Investments
1 April – 30 September 2017**

Period	Instrument Type	Maturities	Investments
		£m	£m
Quarter 1	Fixed Deposit – Other Authority	(5.00)	0.00
	95 Day Notice Account	(10.00)	0.00
	Fixed Bond	(3.02)	0.00
	31 Day Notice Account	0.00	10.00
	Fixed Deposits (Other Authority	0.00	15.00
Quarter 1 Total		(18.02)	25.00
Quarter 2	Fixed Deposit – Other Authority	0.00	5.00
Quarter 2 Total		0.00	5.00
2017-18 Total		(18.02)	30.00

- 8.8. A total of £30m continues to be invested over the long term in a number of diversified pooled funds. The pooled funds have experienced some variations in capital value during the year. This variability is expected as the nature of these types of investments in bond, equity and multi-asset funds means that income yield and fund values are influenced by market movements. It is important to recognise the long-term nature of these investments in mitigating this expected volatility. The changes in market value are fluid depending on market conditions and are therefore not recognised as gains or losses in the financial statements.
- 8.9. At 30 September 2017, the net market value of the Pooled Fund investments was approximately £30.74m. This represents an increase of approximately £188k on the valuation at 31 March 2017. Appendix A, Section 3 provides more details of how the Council intends to utilise and balance these instruments alongside its existing investments with regards to management of security, liquidity and yield.
- 8.10. Interest rates for investments have ranged between 0.27% and 0.55% for fixed durations of up to 364 days. Interest rates on variable investments have ranged between 0.15% for Call Account investments and 0.22% for Money Market Fund Investments. These rates reflect the historically low 0.25% Bank of England base rate introduced to provide economic support following the EU referendum result in 2016.
- 8.11. Table 4 provides a summary of the treasury activity in the period April 2017 to September 2017.

Table 4: Treasury Activity - 1 April 2017 to 30 September 2017

Measure	April 2017 to September 2017
Average size of portfolio (excluding Iceland investments)	£131.23m
Weighted average term (fixed term only)	45 days
Annual Equivalent Average rate earned	1.40%
Interest earned	£0.918m

- 8.12. The annualised total rate of return for the first six months was 1.40%, which represents a reduction on the average return of 1.58% achieved in 2016/17. Whilst the pooled funds have performed well, returning an annual equivalent of 4.86%, short term balances were exposed to poor prevailing market rates resulting in the reduction in overall return.
- 8.13. The annualised rate of return for the first half of the year (1.40%) includes underlying returns of 0.32% for the investment portfolio excluding the pooled fund investments. The 0.32% rate compares to 0.46% achieved in the 2016/17 financial year and exceeds the 7-day LIBID benchmark of 0.11% by 0.21%.
- 8.14. The total interest forecast on treasury investments for the year is £1.713m, which exceeds the budget of £1.434m, contributing an underspend of £279k.

- 8.15. Investments returns have exceeded budgeted expectations due to a number of factors. Cash balances across the first six months have been higher than originally forecast. Officers were able to lend some of this surplus cash to other local authorities for fixed terms of between one and six months, which yielded better returns than those paid by very short-term liquid investments. The Pooled Funds have performed strongly and are delivering returns exceeding the 4% target level.
- 8.16. All treasury management activity undertaken during the period complied with the approved treasury management strategy, the CIPFA Code of Practice for Treasury Management and the relevant legislative provisions.

9. Icelandic deposits

- 9.1. Of the original four Icelandic banks in which the County Council had deposits, the outstanding Landsbanki claim was sold in 2013/14 resulting in a total recovery of 92%. The outstanding Glitnir claim was resolved in February 2015 resulting in a total recovery of 101% of the amounts originally deposited.
- 9.2. As of 30 September 2017 repayments for the investments in Heritable total 98.0p in the £. The Administrators, Ernst and Young (EY), are not forecasting any additional distribution to creditors. The claim cannot be closed as a reserve has been retained to cover administrator costs and expenses until outstanding legal matters are resolved.
- 9.3. During February 2017 EY announced an additional repayment of 0.50p in the £ for the investments in Kaupthing, Singer & Friedlander [KSF]. This was paid in May 2017. Recovery as at 30 September stood at 84.25p in the £. EY estimate that the total return will be between 85.5 to 86.5p in the £.
- 9.4. Table 5 provides details of dividends received to 30 September 2017 together with current information about the anticipated value and percentage recovery for Icelandic investments.

**Table 5: Icelandic bank deposits at 30 September 2017
ALL Claims**

Bank	Original Deposit	Recovered at 30/9/2017	Total expected distribution		Claim Status
	£m	£m	£m	%	
Glitnir	7.00	7.05	7.05	100.71	Closed
Landsbanki	10.00	9.23	9.23	92.30	Closed
Heritable Bank	7.00	6.88	6.88	98.29	Open
KSF	4.00	3.49	3.53	88.25	Open
TOTAL	28.00	26.65	26.69	95.32	

10. Borrowing

Long Term Borrowing

10.1. Table 6 shows total long term borrowing outstanding at 30 September 2017, the future maturity profile of borrowing and an analysis of sources of borrowing shown as a percentage of the total.

Table 6: Borrowing maturity profile at 30 September 2017

	Total	Sources of Borrowing ¹					
		PWLB		LOBO		Commercial	
	£m	£m	%	£m	%	£m	%
Borrowing at 30 September 2016	258.78	103.28	39.9	49.40	19.1	106.10	41.0
Maturing in 2016/17	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maturing in 2017/18	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maturing later	258.78	103.28	39.9	49.40	19.1	106.10	41.0
Average interest rate	4.61%		5.36%		4.37%		4.43%

10.2. At 30 September there was a total of £258.78m long term borrowing outstanding. £103.28m (40%) was sourced from the government's Public Works Loan Board (PWLB)¹ and £155.50 (60%) was sourced from commercial banks.

10.3. The average rate of interest for total borrowing was 4.61%, the average rate for PWLB borrowing was 5.36% and the average rate for borrowing from commercial banks was 4.41%.

10.4. The long term borrowing portfolio is kept under review in consultation with the Council's treasury advisor Arlingclose to identify opportunities to reduce borrowing costs by restructuring existing loans. The current low interest rates mean that there would be a significant premium² payable to restructure the existing borrowing.

10.5. The difference between planned capital expenditure and capital funding (from revenue or capital receipts and specific capital grants) is known as the Capital Financing Requirement (CFR), and is met via borrowing. Borrowing can be

¹ PWLB = Borrowing sourced from the government's Public Works Loans Board

LOBO = Borrowing sourced from commercial banks

Commercial = Fixed rate loans from commercial banks

² Redemption Premium: The early repayment of loans is subject to a premium or discount calculation. This reflects the difference between current market rates and the loan rate. If the market rate is lower than the loan rate, the lender would earn less interest on a new loan than it does on the redeemed loan. A premium on repayment is charged which reflects the difference between the current value of the interest on the original loan and that on a new loan. Thus the lender is compensated for the loss of interest.

funded from externally sourced loans, for example from the Public Works Loans Board, or internally from the council's own resources.

- 10.6. Because the cost of long term borrowing remains significantly higher than the return on short-term investments, the Council has made prudent use of its resources to fund an element of its borrowing requirement from surplus cash balances held in respect of its reserves. This has allowed the Council to maintain a lower level of external borrowing, which has in turn minimised the pressure on the revenue budget from interest payments.

Short Term Borrowing

- 10.7. Short term borrowing was required on multiple occasions during the first half of the year, due to differences in timing between receipts and associated payments. Maximum short term borrowing during the period was £40m.
- 10.8. Borrowing was sourced either through direct deals with counterparties such as banks and other local authorities, or through external brokers who act as an intermediary between borrowers and lenders. Borrowing rates varied from 0.44% to 0.15% (including brokerage fees of between 0.03% - 0.10%) for durations of 7 to 122 days.
- 10.9. All temporary loans had been repaid by 30 September 2017.

11. Forthcoming Regulatory Changes

- 11.1. A number of changes in the regulatory environment will occur in the next six to 18 months, as per table opposite:

Title	Timing	Impact / Status
Markets in Financial Instruments Regulations (MiFID II)	Effective date: 3 January 2018	Significant compliance administration to mitigate potential portfolio and cost impacts. Work In Progress.
Bank Ring-Fencing	Deadline April 2019	Work in Progress
Prudential and Treasury Code Review	Effective date: 1 April 2018	Amended reporting and disclosure requirements. May require adoption of transitional arrangements. Awaiting final code publication (expected by End December 2017)
Money Market Fund Regulation	Implementation Deadline: 21 January 2019	Awaiting confirmation of Funds' plans. Expected to be minimal operational impact but subject to review when fund intentions are known.
Minimum Revenue Provision [MRP] & Investment Guidance (DCLG)	Consultation expected: November 2017	DCLG intends to consult on amendments to its MRP and investment guidance to ensure it is fit for purpose and to provides for appropriate governance around commercial investments

11.2. For a full description of the impacts and work being carried out by treasury officers to prepare for these changes please see Appendix B.

12. Hertfordshire Police and Crime Commissioner – Treasury Management

12.1. The Police and Crime Commissioner (PCC) contracts with Hertfordshire County Council to deliver its Treasury Management services.

12.2. A separate treasury management strategy is maintained for the PCC. Data concerning the Police's cash flow is provided to the Council's treasury officers and any surplus cash flow is invested in accordance with the investment criteria outlined in the PCC's Treasury Management Strategy. The Police's cash flow and investment portfolio is maintained separately from the Council's funds.

12.3. The reporting arrangements for the PCC are similar to the Council's. An annual treasury management strategy is prepared before the start of each financial year, with mid-year and end-year reports subsequently delivered on treasury management activities and delivery of the strategy. Quarterly reports are also provided according to the schedule of meeting dates provided by the PCC.

APPENDIX A: PRUDENTIAL INDICATORS 2017/18 – 30 September 2017

1. Capital financing Indicators

	Indicator	Description	Integrated Plan Ref.	2017/18 IP	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4
	<p>Indicators 1 to 3 demonstrate the affordability and sustainability of the capital programme. The projections for financial years 2017/18 to 2018/19 are set out in the Integrated Plan at the reference shown in the table below.</p>							
1	Capital Expenditure							
	Monitors capital expenditure for 2017/18 against the projections set out in the Integrated Plan		2.4 Table 1	£219.29m	£192.40m	£174.7m		
2	Capital Financing Requirement (CFR)							
	Monitors the Council's underlying need to borrow for capital purposes for 2017/18 against the projections set out in the Integrated Plan		2.10 Table 3	£580.44m	£577.80m	£564.81m		
3	Ratio of financing costs to net revenue stream							
	Monitors the percentage of revenue budget set aside to service capital financing costs (borrowing costs net of lending income) for 2017/18 against projections set out in the Integrated Plan.		2.11 Table 4	1.47%	1.37%	1.35%		

	Indicator	Description	Integrated Plan Ref.	2017/18 IP	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4
	Treasury Position: The Treasury Management Prudential Indicators are set to contain lending and borrowing activities within approved limits. The indicators are set at a level that will provide enough flexibility for effective treasury management whilst managing the risk of a negative impact on the Council's overall financial position in the event of adverse movements in interest rates or borrowing decisions. The indicators are also used to demonstrate that Net Borrowing does not exceed the Capital Financing Requirement. The projections for financial years 2014/15 to 2017/18 are set out in the Integrated Plan.							
4A	Net Borrowing		NA	NA	£151.08m	£137.89m		
	Monitors actual borrowing less actual lending							
4B	Net Borrowing Less than CFR		NA	NA	✓	✓		
	Comparison of net borrowing to CFR							
	Borrowing: Indicators 5 and 6 control the overall level of borrowing. The limits for 2017/18 to 2017/18 are set out in the Integrated Plan.							
5	Authorised Limit (against maximum position)		6.5 Table 11	£495m (LIMIT)	£495m	£495m		
	Monitors the borrowing limit for 2017/18 beyond which borrowing is prohibited without Member approval.							
6	Operational Boundary		6.5 Table 11	£465m (LIMIT)	£465m	£465m		
	Monitors the estimated external debt for the financial year 2017/18. This is not a limit and actual borrowing can vary. This estimate acts as an indicator to ensure the authorised limit is not breached.							

2. Treasury Management Indicators

	Indicator	Description	Integrated Plan Ref.	2017/18 Budget	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4
	Interest Rate Exposure: Indicators 7 and 8 limit the Council's exposure to both fixed and variable interest rate movements. The limits for 2017/18 to 2017/18 are set out in the Integrated Plan.							
7	Upper limit on fixed interest rates (against maximum position) Monitors the limits set for 2017/18 for the volume and value of the (lending) /borrowing portfolios that may be committed for fixed interest rate investments or borrowing	6.7 Table 12	£325.00m (LIMIT)	£258.78m	£258.78m			
8	Upper limits on variable interest rates (against maximum position) Monitors the net limits set for 2017/18 for the volume and value of the (lending) /borrowing portfolios that may be committed for variable interest rate investments or borrowing	6.7 Table 12	£97.50m (LIMIT)	(£107.70m)	(£120.89m)			
	Maturity structure of fixed rate borrowing (against maximum position): Indicator 9 limits the Council's exposure to large fixed rate sums falling due for refinancing in the same period. The indicators are set relatively high to give the council enough flexibility to respond to opportunities to repay or reschedule debt during the financial year, while remaining within the parameters set by the indicators.							
9A	Under 12 months	6.8 Table 13	50%	0.00%	0.00%			
9B	12 months to 2 years	6.8 Table 13	50%	0.00%	0.10%			
9C	2 years to 5 years	6.8 Table 13	60%	1.22%	1.12%			
9D	5 years to 10 years	6.8 Table 13	80%	3.28%	3.28%			

	Indicator	Description	Integrated Plan Ref.	2017/18 Budget	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4
9E	10 years to 20 years		6.8 Table 13	85%	7.92%	7.92%		
9F	20 years to 30 years		6.8 Table 13	90%	12.34%	12.34%		
9G	30 years and above		6.8 Table 13	100%	75.24%	75.24%		
	Investments greater than 364 days (against maximum limit): Indicator 10 measures the Council's exposure to investing for periods greater than one year. This indicator is required to ensure that the Council is aware of the cashflow implications for long term investments. This includes deposits at risk in Icelandic Banks.							
10	Investments greater than 364 days (Maximum Limit)*		6.9 Table 14	£50m	£30.63m	£30.63m		

*Includes Pooled Fund investments, which can be withdrawn in less than one year but the intention is to hold for the long-term to minimise the risk of capital value volatility, as agreed at Full Council on the 25th November 2014.

3. Treasury Management Performance and Activity Measures

Indicator	Description	Integrated Plan Ref.	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4
<p>The CIPFA Treasury Management Code of Practice requires the Council to set performance indicators to assess the treasury function. Group A measures performance for “Security, Liquidity and Yield” and Group B measures the performance of “Operational Activities”</p>						
<p>GROUP A: Security, Liquidity and Yield</p>						
Average Investment Portfolio	Monitors the average amount HCC has had invested in third parties.	7.3 Table 16	£133.47m	£129.02m		
Average borrowing portfolio	Monitors the average amount HCC has as long term borrowing during the quarter	6.3 Table 10	£258.78m	£258.78m		
Security Indicator: Average Credit Rating of Investments held	Measured on a 1 to 10 scale, where 1 is a very good Credit Rating, i.e., government guaranteed and 10 is BBB-, or unrated but Investment Grade.	Section 6.10	4.46	4.72		
Liquidity Indicator: Weighted Average Maturity of investments held	Measures the liquidity/accessibility of investments in average days	Section 6.10	23 days	14 days		
Yield Indicator: Interest Earned*	Monitors the interest earned on HCC investments. Shown as both an actual amount and a percentage of amount invested	7.3 Table 16	1.35%	1.45%		
			£0.451m	£0.467m		
Yield Indicator: Interest Paid	Monitors the interest paid on HCC borrowing. Shown as both an actual amount and a percentage of amount borrowed	7.2 Table 15	4.35%	4.74%		
			£3.13m	£3.10m		

*includes Pooled Fund investments, see Yield section below for further information for rate excluding Pooled Funds

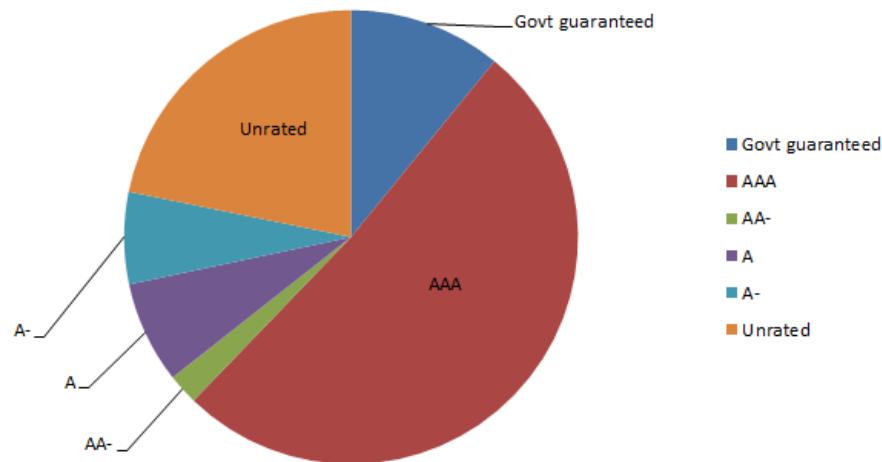
Security, Liquidity and Yield

Security - Exposure to Risk

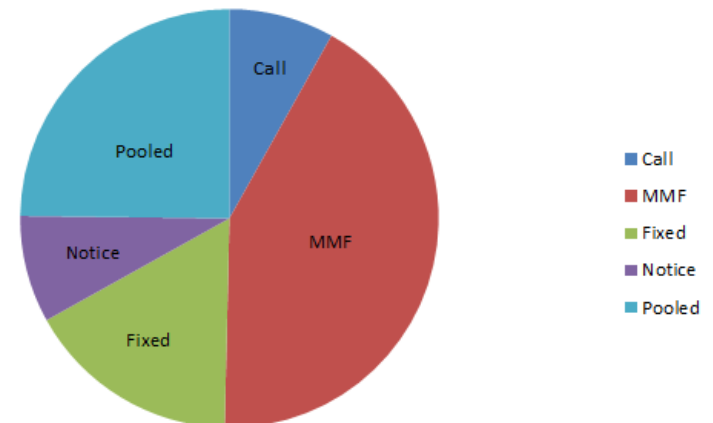
The Treasury Management Strategy was approved on 21st February 2017 as Part D of the Integrated Plan. This maintained the range of investment types approved for use in 2016/17. The approved instruments were last changed in 2014/15 to enable greater diversification of the investment portfolio; these changes introduced greater flexibility in use of investment instruments whilst continuing to maintain security and liquidity of investments.

The following diagrams illustrate the credit rating breakdown of all investment instruments by credit rating grade and investment type for the Council's investment portfolio as at 30th September 2017

**Diagram 1: Investment Credit Risk
As at 30th Sept 2017**



**Diagram 2: Investment by Type
As at 30th Sept 2017**



Investment Portfolio and Activity

The greater proportion of the investment portfolio is held in highly liquid money market funds and call accounts. This reflects the need to ensure adequate liquidity in the management of cash balances to meet daily cashflow requirements.

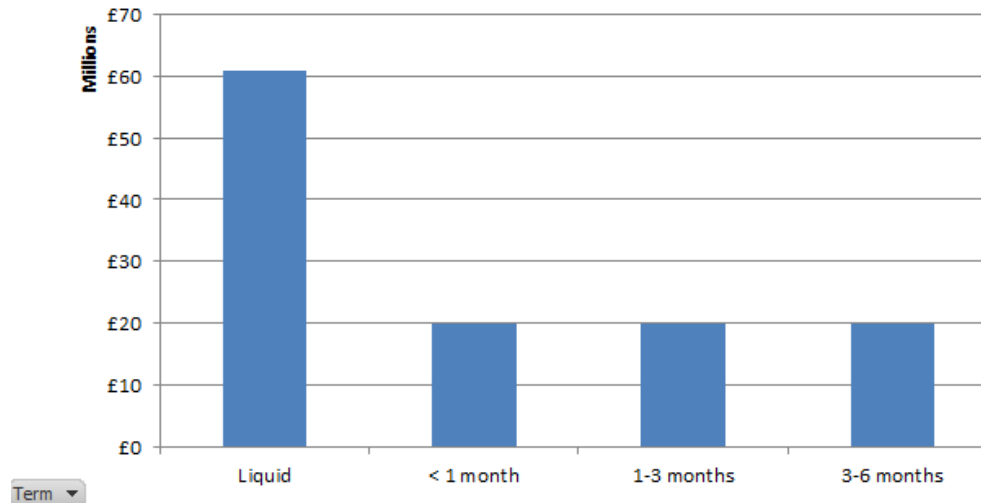
Investments in pooled funds consist of the CCLA Property Fund, two bond funds, two multi-asset funds and one equity fund. One new fixed term deposit was made during the period. This is with Salford City Council for four months. A fixed term loan to Worthing Borough Council, and a Svenska Handelsbanken bond matured during the period

Liquidity

Investment balances are forecast to reduce during the second half of 2017/18, which has restricted opportunities to make new fixed-term investments. Diagram 3 (overleaf) provides a graph showing the liquidity of the Council's investments portfolio as at 30th September 2017.

The potential capital volatility of the pooled fund investments means that they are intended to be held for 3-5 years, but in the graph below these investments are shown on the basis of their accessibility. These funds are all classified as "liquid", except the Property Fund which is accessible on 30 day notice.

**Diagram 3: Investment Portfolio Liquidity Profile
As at 30th Sept 2017**

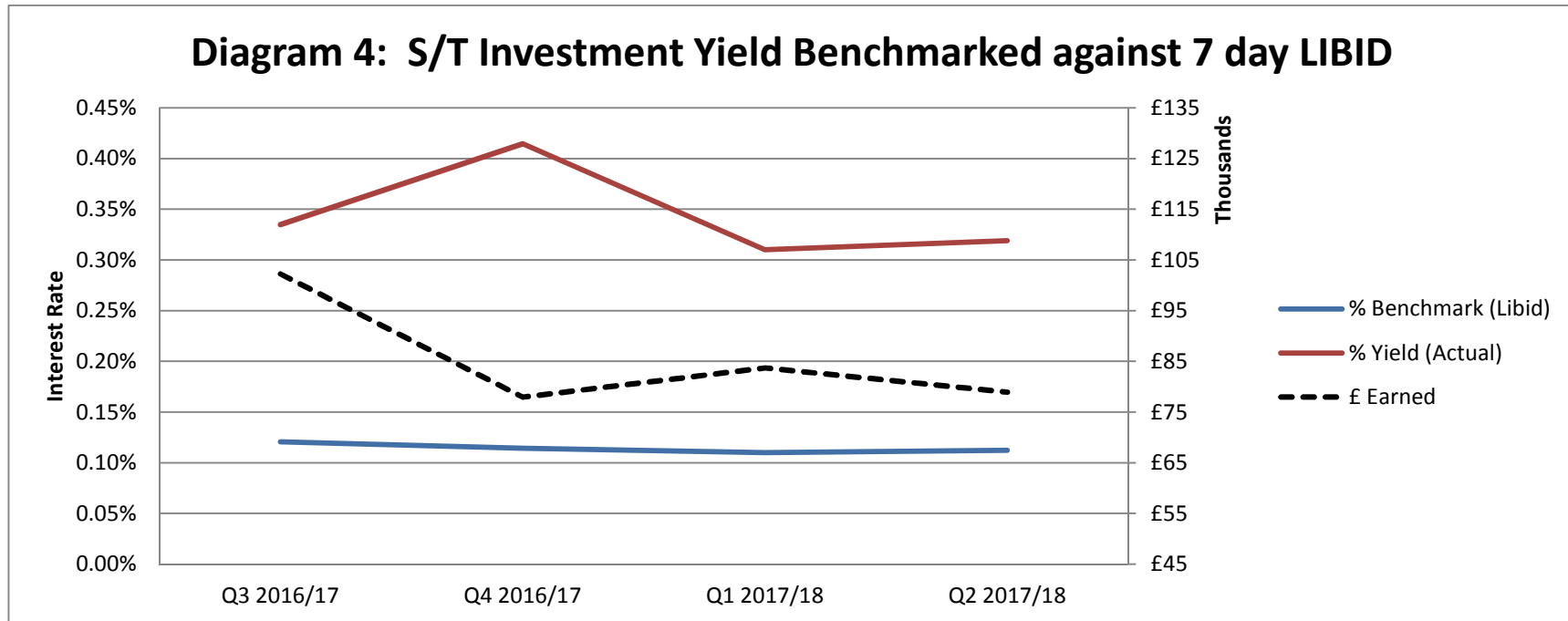


Yield

Yield: Short-Term Investments

The benchmark used for assessing the performance of return on short-term lending is the 7-Day London Interbank Bid Rate (LIBID). Diagram 4 shows yield against the benchmark for the last four quarters (solid lines, right-hand axis) and the actual cash earned (dashed line, right-hand axis).

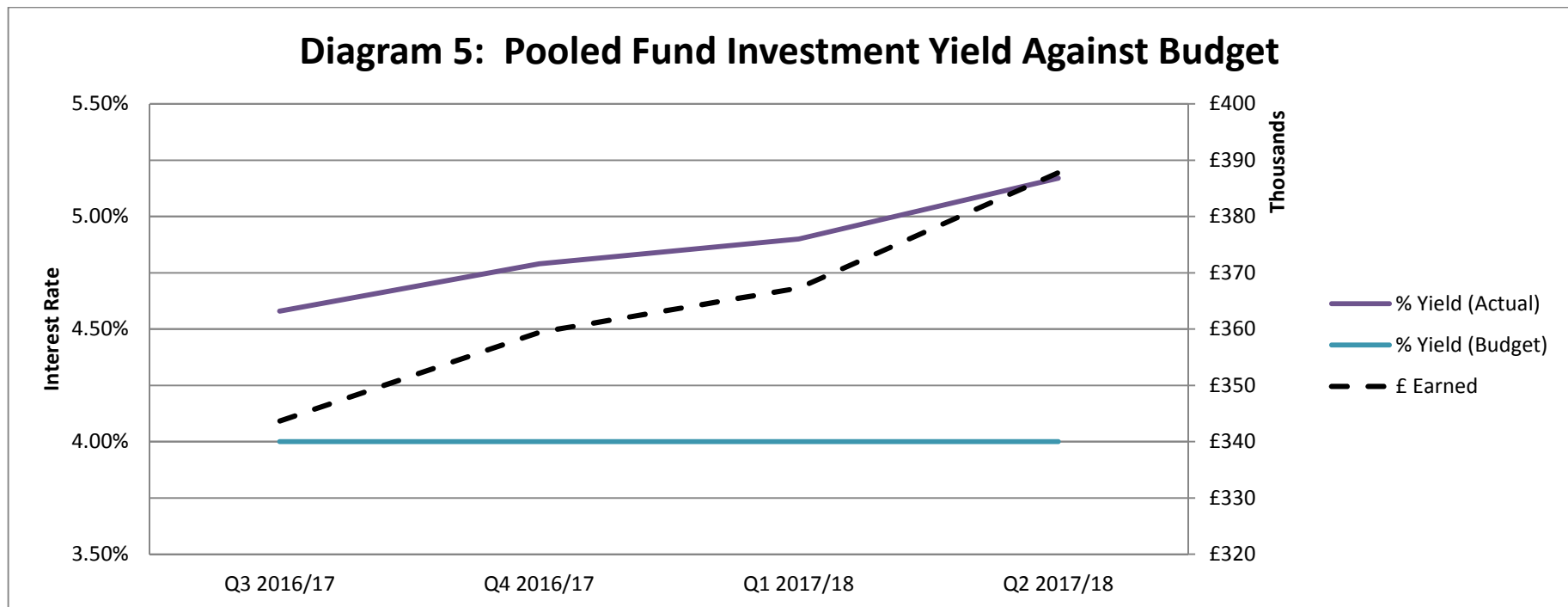
LIBID remained constant at 0.11% during the first half of the year, remaining stable despite significant uncertainty in financial markets. The return excluding pooled fund interest increased from 0.31% to 0.32%. This additional fixed-term lending during the second quarter which improved % yield despite lower average balances.



Yield: Pooled Funds

The performance of the Council's strategic investments is benchmarked against the target yield level of 4.00%, which forms the basis of the income budget. Diagram 5 shows yield against budget for the last four quarters (solid lines, left-hand axis) and the actual cash earned (dashed line, right-hand axis).

The Pooled funds have consistently achieved returns exceeding expectations, and the average % yield during 2017/18 is equivalent to 4.86% per annum.



APPENDIX B: Forthcoming Regulatory Changes

There are a number of changes to the regulatory environment which are planned for implementation in the coming months. The following provides an overview of the changes, the timescales for implementation, and the expected impacts on HCC treasury activity.

1. Markets in Financial Instruments Directive (MiFID II) Regulation Effective Date: 3 January 2018

- 1.1. MiFID II is a package of EU regulation which is being applied locally by the UK's Financial Conduct Authority (FCA). It is part of a rolling programme of reforms which have been developed following the 2007/8 financial crisis, and is principally concerned with the classification and protection of investors, and the investment products which are considered appropriate for these bodies/persons.
- 1.2. Currently (under MiFID I) the Council is considered by default to be a 'professional' client, and it has the option to 'opt-down' to 'retail' status. The MiFID II Regulation changes the default status to retail with an option to 'opt-up' to professional status, subject to meeting certain criteria.
- 1.3. The criteria to opt up to professional status under MiFID II include having an investment balance of at least £10m, having regular exposure/activity within a particular investment market, and an evaluation of the knowledge and experience of the officers who make investment decisions to ensure they understand the risks involved in making investment decisions and dealing.
- 1.4. The regulation is intended to ensure organisations have expertise, experience and knowledge to make certain investment decisions and understand the risks involved with various financial products. The main additional protection afforded to retail clients is a duty on the firm to ensure that the investment is 'suitable' for the client.
- 1.5. The impact on HCC of a retail designation would likely be an increase in costs, and restrictions on access to products that the authority currently uses to deliver its treasury strategy and maintain a diversified portfolio. These include Treasury Advice, Pooled Funds including Money Market Funds and brokers who arrange lending on the inter-authority market.
- 1.6. MiFID II Retail investor status does not equate to the status of a retail bank depositor. As such retail status does not afford the Council any additional substantive protection, such as those given to individuals under the Financial Services Compensation Scheme.
- 1.7. We believe the Council meets the conditions to opt up to professional status and we will provide evidence to our market counterparties in order to maintain the current MiFID status. This process is underway and officers are engaging with counterparties through a number of channels.

- 1.8. Treasury officers are considering if there is a requirement to opt up to professional status for retail-eligible products if doing so will avoid paying additional product fees.

2. Bank Ring-Fencing

- 2.1. Banking regulations have been changed to require banks which have interests in both retail and investment banking activities to ring-fence retail activities in a separate entity.
- 2.2. The intent behind this regulation is to protect retail investors from the impact of losses made by a bank's riskier investment banking activities.
- 2.3. The Council's bank, Barclays, has confirmed that it will ring-fence its activities into two new entities under the same parent company. These will be known as Barclays Plc and Barclays UK (the ringfenced retail bank).
- 2.4. The Council's accounts will in future sit within Barclays Plc. The main impact of the change is that whilst the council's account numbers will not change, the sort code attached to those accounts will.
- 2.5. This is a potentially significant change, and Barclays have appointed a dedicated Migration Manager to work through the issues related to the change, required actions to manage the change, and officers are working to finalise a plan to manage the change process.
- 2.6. As all major UK banks are affected by the ring-fencing requirements there is a risk that there will be a significant increase in the number of changes to counterparty bank details, which will impact both Treasury and AP/AR³ operations. Officers have therefore engaged with assurance colleagues from SIAS and SAFS in order to ensure adequate controls are in place to manage any risk of fraud arising from an expected increase in the number of bank account changes impacting suppliers and customers

3. Money Market Fund Regulations Effective Date: 21 January 2019

- 3.1. The authority uses a number of Constant Net Asset Value funds to manage liquidity. These are same-day accessible pooled funds which seek to maintain the value of a single share at £1 by managing the underlying fund assets. These were already subject to strict regulation, but the regulation of such funds has been further tightened in new EU regulations published in July. CNAV funds will be replaced by a new Low Volatility Net Asset Value (LVNAV) class, which will be permitted to maintain a constant dealing NAV of £1 provided that strict new rules and minimum liquidity criteria are met.

³ AP = Accounts Payable – making payments to suppliers
AP = Accounts Receivable – raising invoices for payment for services provided.

- 3.2. It is expected that most if not all of the Council's existing CNAV MMF portfolio will convert to the LVNAV structure with minimal operational impact. It is expected that there will be no material change arising from the new standard in normal market conditions, but the changes will be reviewed in more detail by Treasury Officers and advisers as the fund managers confirm their plans to ensure that any impacts on security and liquidity of these investments are fully evaluated.

4. Prudential and Treasury Management Codes Effective from: 2018/19 Financial Year

- 4.1. The Authority has responded to a consultation launched by CIPFA on changes to the codes.
- 4.2. Proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to full council, which will cover the basics of both the capital programme and treasury management. Some Prudential Indicators currently covered within the Treasury Management Strategy Statement [TMSS] would be included in this report, but other indicators may now be delegated to another committee. There may also be changes to some of the existing prudential indicators, and an ability to define local indicators which are more relevant to local conditions.
- 4.3. Proposed changes to the Treasury Management Code include extending the scope of the code to cover non-treasury investments, such as commercial property investments, as well as loans, guarantees and shares entered into for service purposes. It is proposed that financial guarantees be included as instruments requiring risk management and to be addressed within the TMSS.
- 4.4. Some of the existing treasury management indicators may be dropped or altered, and approval of the TMSS may be delegated to a committee rather than requiring full council approval.
- 4.5. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet.
- 4.6. CIPFA have stated their intention to publish the two revised codes before the end December 2017, for adoption in 2018/19. This may have impacts on reports requiring approval before the start of 2018/19 and we are advised that CIPFA plans to outline transitional arrangements to manage this impact.

**5. Minimum Revenue Provision and Investment Guidance
Consultation Due November 2017 for Implementation 2018/19**

- 5.1. The Department for Communities and Local Government have signalled their intention to consult on changes to the guidance it publishes on Minimum Revenue Provision [MRP] and investments.
- 5.2. At the time of writing the consultation was pending publication, so at this stage the nature and scale of any impacts are uncertain.
- 5.3. We are advised that changes to MRP guidance may include defined limits on assumptions about the useful life assumptions relating to debt-funded assets, and respond to concerns that some interpretations of the existing guidance may result in less prudent MRP allowances being made by some authorities.
- 5.4. It is possible that MRP guidance may also change with respect to Property Investments
- 5.5. It is understood that Central Government has concerns about increasing levels of commercial investment by Local Authorities, particularly as Local Authorities can access capital financing at lower than commercial rates. This spending power has the potential to distort markets and cause asset price bubbles.
- 5.6. It is considered likely that DCLG will act to tighten up regulation around commercial and property investment to ensure robust governance and sound risk assessment practices.
- 5.7. Treasury and Capital Accounting will work together to respond to the consultation once published and further updates will be provided as required.

HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE
FRIDAY 1 DECEMBER 2017 10.00 AM**

RISK MANAGEMENT UPDATE REPORT

Agenda item
no:

6

Report of the Director of Resources

Author: Fiona Timms, Risk and Insurance Manager (Tel: 01438 843565)

1. Purpose of Report

1.1. This report is a regular item on Risk Management activity since the last meeting. The Audit Committee's Terms of Reference state it is to "advise the Executive on relevant audit matters, including: (a) the risk management system and risk related issues".

2. Summary

2.1. The following items are included in this report:

- A summary of corporate risk movements/new risks
- A 'Heat Map' and summary table of the 33 Corporate Risks. This displays amendments since the September 2017 Audit Committee meeting.
- A linked icon to the full version of the Corporate Risk Register.

2.2. Appendices accompanying this report:

- A risk movement report at Appendix A details risks escalated to the Corporate Risk Register since the last meeting.
- A risk status report at Appendix B summarises the latest risk scores and those reported at each of the previous 3 Audit Committee meetings.

3. Recommendations

- i. That the Risk Management Update report be noted.
- ii. That the Committee identify a risk (or risks) to be the subject of a risk focus report to be presented at the next meeting of the Committee in March 2018.

4. Corporate Risk Register

- 4.1. The latest review of the Corporate Risk Register took place during October 2017. Please see Section 7 for an icon that links to a copy of the full Corporate Risk Register.

The table below shows the risk movements broken down by risk classification. The movements detailed are those that have occurred since the previous report that was presented to the Committee in September 2017.

	Change in assessment from previous quarter
Red	13 (+2)
Amber	19 (-1)
Yellow	1
Green	0
Total	33
Difference +/-	+1

- 4.2. There are now 33 Risks on the Corporate Risk Register, one more than previously reported. The variations and changes to risk categories are indications of the continued active management and scrutiny of risks and controls. These movements also include newly identified risks which is a further indication of the continued activity around identifying future areas of risk and uncertainty.

5. Actions from Audit Committee meeting of 11 September 2017

- 5.1. In view of the more extensive scope and application of the General Data Protection Regulations (GDPR) scheduled for 25 May 2018, as part of the controls officers agreed to make Members aware of their obligations for compliance under the new regulations through training/guidance. In response, officers are developing appropriate information.
- 5.2. During further debate on the high level of risk associated with CP01/HFRS0007 and associated potential underfunding of Hertfordshire Fire and Rescue Services and hence overreliance on national support for fire cover during unplanned incidents of terrorist activity etc., members expressed satisfaction that resilience was provided by support from neighbouring authorities. Officers agreed to check the target score and whether the risk required rewording to encompass resilience. In response, the risk owner with the Chief Fire Officer have considered the comments and re-worded the risk slightly to better capture the focus. However, the conclusion was to leave the risk scores as they are and review this with all Community Protection risks at the Senior Leadership meeting next quarter.

6. Heat Map of Corporate Risk Register

6.1. This provides an overview and summary of the risk landscape for the organisation currently and an opportunity for the Audit Committee to consider risks across the Authority and across Services. Key changes from the position reported to the September 2017 Audit Committee are shown.

Each corporate risk has been allocated a simple risk number prefixed by appropriate letters to denote the Department owning the risk.

AC = Adult Care Services E = Environment
 CS = Children's Services PH = Public Health
 CP = Community Protection R = Resources

Heat Map (Matrix) of Corporate Risks (33 risks)

Probability	Almost Certain		E01	AC01		
	Likely		R08	AC04 AC08 CP07 ^{esc} E02	E05 R01 R02 R12	
	Possible		R15 R18 R19 ^{de-esc}	CS02 CP02 CP03 R05	R07 R13 R17 R21	CP01
	Unlikely			E04 CP06 R09	AC03 AC10 ^{esc} CS01	
	Rare			E03	CP04 CP05	PH01 R03
	Negligible	Low	Medium	High	Very High	
	Impact					

Key/Notes

- *de-esc* Risk that has been de-escalated from the Corporate Risk Register (shown to display a change from September 2017)
- *esc* Risk escalated from the Service Risk Register

6.2. Corporate Risk Register – brief risk descriptions

The following are brief descriptions for the risks in the matrix together with dates when risk focus reports were considered, or are to be considered:

No. and Score	Brief Risk Description	Risk Owner	Target score	Risk Ref	Date of Risk Focus Report
CP01 48	Unplanned incidents	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	32	HFRS0007	22/11/2012 23/03/2016
AC01 40	Homecare workforce - Care Act 2014 non- compliance	Frances Heathcote Assistant Director, Adult Care Commissioning	8	HCS0010	23/09/2016 01/12/2017
CP07 32 escalated	HFRS transfer to PCC	John Wood Chief Executive & Director of Environment	24	CP0005	
CS01 32	A child or young person could die	Jenny Coles Director of Children's Services	32 at target	CSF0055	30/06/2011 27/03/2014
E02 32	Residual Waste Treatment Programme	Simon Aries Assistant Director - Transport, Waste & Environmental Management	8	ENV0104	
E05 32	Croxley Rail Link cancellation	Rob Smith Deputy Director Environment	16	ENV0148	
AC08 32	Insufficient budget for adult care, Better Care Fund	Helen Maneuf ACS Assistant Director, Planning & Resources	16	HCS0016	
AC03 32	Failure of care providers - Inadequate care	Frances Heathcote Assistant Director, Adult Care Commissioning	32 at target	HCSCP0001	29/09/2011
AC10 32 escalated	Safeguarding Vulnerable Adults	Sue Darker Operations Director, Learning Disabilities and Mental Health	32 at target	HCSLD0005	

No. and Score	Brief Risk Description	Risk Owner	Target score	Risk Ref	Date of Risk Focus Report
AC04 32	DOLS - Deprivation of Liberty Safeguards	Sue Darker Operations Director, Learning Disabilities and Mental Health	8	HCSMH0002	16/09/2014
R01 32	Failure to retain, attract and recruit the right people and right skills	Sally Hopper Assistant Director, Human Resources	16	HR0021	21/11/2013
R02 32	Insufficient money to support infrastructure needs derived from new housing developments etc. (CIL/S106)	Trevor Mose Interim Assistant Director - Property	12	PROP0022	20/11/2014 01/03/2017
R12 32	Cyber-attack on HCC's ICT	Dave Mansfield Head of Technology	16	TEC0004	07/07/2017
CP02 24	Radicalisation - Prevent	Guy Pratt Deputy Director of Community Protection	16	CP0004	11/09/2017
CP03 24	Extreme Weather	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	12	CPRES0009	
CS02 24	School's expansion programme costs	Simon Newland Assistant Director (Education Provision & Access)	16	CSF0070	25/11/2015
R17 24	Failure to develop sufficient timely proposals to deal with the ongoing reductions in funding/resources and subsequent impact on services/reserves.	Steven Pilsworth Assistant Director Finance	16	CSHF0016	
R07 24	Failure to train employees to required standards	Sally Hopper Assistant Director, Human Resources	16	HR0018	
R13 24	Loss/inappropriate acquisition/disclosure of sensitive personal or commercial data	Stuart Bannerman Campbell Assistant Director	16	IMP0001	

No. and Score	Brief Risk Description	Risk Owner	Target score	Risk Ref	Date of Risk Focus Report
		- Improvement and Technology			
R05 24	Insufficient skills in commissioning / contract management and competencies	Stuart Bannerman Campbell Assistant Director - Improvement and Technology	8	IMP0002	
R21 24	Capital receipts, asset disposals and strategic joint venture arrangements	Trevor Mose Interim Assistant Director - Property	8	PROP0023	
E01 20	Tree Health	Simon Aries Assistant Director - Transport, Waste & Environmental Management	20 at target	ENV0142	30/11/2016
R08 16	The Council experiences significant fraud	Terry Barnett Head of Assurance	16 at target	AUDIT0001	20/06/2012
CP04 16	Failure of Local Resilience Forum - LRF - inadequate inter agency plans	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	16 at target	CPRES0001	24/11/2011 23/09/2015
CP05 16	HCC business continuity plans - BCP	Ian Parkhouse Assistant Chief Fire Officer - Response and Resilience	16 at target	CPRES0002	24/11/2011 23/09/2015
R03 16	HCC's pension fund level may not improve sufficiently to cover accrued pension costs	Steven Pilsworth Assistant Director Finance	16 at target	CSHF0002	
E04 16	Road maintenance investment	Rob Smith Deputy Director Environment	8	ENV0033	
CP06 16	HFRS meeting national training requirements	Chris Bigland Deputy Chief Fire Officer	16 at target	HFRS0004	
R09 16	Failure to comply with Safe Staffing legislation	Sally Hopper Assistant Director, Human Resources	16 at target	HR0022	
PH01 16	Health Protection emergency	Joel Bonnet Deputy Director of Public Health	16 at target	PHD0014	21/06/2016

No. and Score	Brief Risk Description	Risk Owner	Target score	Risk Ref	Date of Risk Focus Report
R19 12 De-escalated	Misuse of social media	Andrew Hadfield Head of Communications	12 at target	COMS0002	
R18 12	Risk of not offsetting the Apprenticeship Levy	Sally Hopper Assistant Director, Human Resources	8	HR0023	
R15 12	Land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place	Trevor Mose Interim Assistant Director - Property	8	PROP0018	
E03 8	Condition of our roads	Rob Smith Deputy Director Environment	8 at target	ENV0030	20/09/2013

7. Corporate Risk Register

7.1. The full register is embedded here.



7.2. Escalated risks since September 2017 Audit Committee

7.2.1. Risk CP07 (Ref. CP0005, Appendix A, Page 12) – “The Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables police and crime commissioners to take on responsibility for fire and rescue services. In the event that the Secretary of State determines that the governance of the Hertfordshire Fire & Rescue Service (HFRS) is to be transferred to the Hertfordshire Police and Crime Commissioner (PCC) as recommended in their business case, there is a risk that such a transfer may significantly and negatively impact on service delivery, particularly in relation to the support provided to vulnerable people and the County Council’s prevention agenda. In addition it may create significant uncertainty, leading to staff unrest; short term damage to key relationships and budgetary impacts”.

HCC responded in good time to the PCC’s consultation articulating concerns around the robustness of the business case. The PCC has considered all responses and has now submitted a proposal to the Home Secretary seeking transfer of governance of Hertfordshire FRS from HCC. This proposal will be the

subject of an independent review with associated advice to the Home Secretary prior to her making a decision on the future governance of the Service. It is likely that a decision will be taken within this calendar year.

Following the submission of the proposal by the PCC this risk has been escalated to the Corporate Risk Register. The current risk score is red 32 (severe).

- 7.2.2. Risk AC10 (Ref. HCSLD0005, Appendix A, Page 13) – “In the event of inadequate safeguarding arrangements, a vulnerable person at risk of harm is not identified and protected appropriately”.

Following a number of changes to ACS corporate risks in recent months, this risk has been managed in the ACS service risk register. However, on reflection, ACS believes it belongs in the Corporate Risk Register and should ‘mirror’ the Children’s Services risk of safeguarding children.

The current risk score is red 32 (severe).

7.3. **De-escalated risks since September 2017 Audit Committee**

- 7.3.1. Risk R19 (Ref. COMS0002) – “As a result of the increased number of HCC staff and members directly communicating with the public through social media, and of the increased number of residents using social media, there is a risk that the organisation's reputation could be damaged through an inappropriate communication”.

Positive feedback has been received from internal audit following checks on how well social media protocols are embedded across the Council. Training and awareness-raising continues and at the request of the Chief Executive, Communications are now auditing all social media accounts. The current risk score has reached its target score and following the independent assurance received, the risk owner has decided to de-escalate this risk to the Service level.

The current risk score is amber 12 (significant).

8. **Risks at Target – Accepted / Tolerated**

- 8.1. There has been discussion both at Policy & Resources Officer Group (PROG) and Audit Committee regarding the risks that have met their “target” score
- 8.2. Note the criteria for corporate risks at Annex A.
- 8.3. Our definition for ‘Target Score’ – “the score you desire and believe the risk will be once all relevant controls are in place and have taken effect. The target score should be realistic with regard to the nature of the risk and the resources that can be used to manage it. This is then the score you feel would be acceptable / tolerable. Target scores should be reviewed and considered at regular reviews of the risk, to capture any changes and assess how realistic and achievable the score still is, in the light of external factors, in the short to medium term. It should be noted that external factors and resource constraints may change, which could

then have a further effect (positive or negative), on the risk and its current score after it has reached the target score.”

- 8.4. Officer discussion has begun in relation to potentially splitting the Corporate Risk Register and showing two sets of risks for future review. It is suggested to differentiate between those risks that will always pose a potential risk to the council regardless of how many controls are in place, to continue to be called “Corporate Risks”. Those that relate to key projects and / or may well be of strategic importance to the council, to be called “Strategic Risks”. (For example, these may include the risk of the potential transfer of the Fire and Rescue Service and risks for Herts Living Ltd.). The definitions of “Corporate” and “Strategic” risks are to be considered over the next few months, and the Audit Committee will be updated on progress.

9. Next Steps

- 9.1. Challenges and recommendations from Audit Committee will be considered by the relevant risk owners/Services. Action taken as a result will update the Corporate Risk Register and be reported to the appropriate cycle of risk review meetings.

TEST TO APPLY TO IDENTIFY CORPORATE LEVEL RISKS ARISING FROM DEPARTMENTAL RISK REGISTERS –

Note:

1. Chief Officers may identify any risk to be reported to SMB in the performance monitor.
2. Although Red risks are likely to be the risks reported to SMB this is not necessarily the case.
3. To help decide which risks to identify as “corporate” on the Risk Management Information System i.e. those to be reported to SMB (prior to moderation by PROG) a set of criteria has been developed. If you answer **Yes** to at **least 3** of the criteria below it is likely to be regarded as a “corporate risk”
4. This test will be referred to at the PROG meeting to assist in the moderation of the risks to be reported to SMB.

Apply the following challenge or question to each risk:

If the risk were realised, would it

1. Result in **significant** attention from outside the council (e.g. general public/ Media/ Government agencies etc) and so maintain the potential to cause considerable damage to the Council's reputation?
2. **Significantly** impact upon the key resources of the Council (e.g. financial resources, human resources and other key assets etc)?
3. Result in **significant** disruption to a number of the **critical** services provided by the council?
4. **Significantly** impact upon the Councils strategic direction and/or ability to meet key targets and achieve key commitments?

ALSO ASK

5. Is this risk being identified as a significant operational risk by many of the Council's business units and as such the **cumulative effect** has the real potential to result in one or more of the outcomes described in 1 to 4 above?
6. If this risk has been assessed by the business unit as a ‘severe’ risk **after** the application of current controls (a red risk), is it considered that this risk should be ‘adopted’ onto the Corporate Risk Register (because of the potential for it to result in one or more of the outcomes described in 1 to 4)? Would the resources needed to manage the risk and deal with the potential impact be beyond the capability of the relevant business unit?
7. Is the risk related to activities that could be considered to be very new or different to the Council's previous experience, functions or operating parameters?

Risk Matrix – The following chart shows where, and what category/colour the risk will fall in dependent on the scores. Red being the most severe and green being the least.

The scores within the chart are multiples of the likelihood and impact, e.g. (*Likelihood of*) 4 x (*Impact of*) 8 = (*Risk Score of*) 32

Assessing Impacts

Impact Score	Impact Title	Example description
1	Negligible	Annoyance but does not disrupt service: Minor injury to an individual; Financial loss under £50k; Isolated service user complaints contained within unit/section; Litigation claim or fine less than £50k; Failure to achieve a core team plan objective
2	Low	Minor impact on service; Minor injuries to several people; Financial losses between £50k-100k, Isolated service user complaints contained within department; Litigation claim or fine between £50k -100k; Failure to achieve several team plan objectives including a core objective
4	Medium	Service disruption; Major injury to an individual; Financial losses between £100k-1 Million; Adverse local media coverage. Lots of service user complaints; Litigation claims or fine between £100k - £1Million; Failure to achieve one or more strategic plan objective
8	High	Significant service disruption; major/disabling injury to employee, service user or other stakeholder; financial losses between £1Million-£5Million; adverse national media coverage; litigation claim or fine between £1Million-£5Million; Failure to achieve one or more strategic objective
16	Very High	Total service loss for a significant period; fatality to employee, service user or other stakeholder; financial loss in excess of £5 Million; National publicity more than 3 days. Possible resignation of leading member or chief officer; Multiple civil or criminal suits. Litigation claim or fine above £5 Million; Failure to achieve a major corporate objective in the Corporate Plan

Severe	The Board feels most concerned about carrying this risk. The consequences will have a severe impact on the delivery of a key priority and comprehensive management action is required immediately.
Significant	The Board feels concerned about carrying this risk. The consequences of the risk materialising would be significant, but not severe. Some immediate action is required plus the development of an appropriate action plan.
Material	The Board is uneasy about carrying this risk. Consequences of the risk are not significant and can be managed through contingency plans. Action plans can be developed later to address the risk.
Manageable	The Board is content to carry this risk. Consequences of the risk are considered relatively unimportant. The status of the risk should be reviewed periodically.

Assessing Likelihood

Scale	Description	Likelihood of Occurrence
1	Rare	<ul style="list-style-type: none"> Extremely unlikely or virtually impossible Less than 5% chance of happening Unlikely to occur in a 50 year period
2	Unlikely	<ul style="list-style-type: none"> Could occur at some point 6% to 20% chance of happening Unlikely to occur within a 10 year period
3	Possible	<ul style="list-style-type: none"> Fairly likely to occur 21% to 50% chance of happening Likely to occur once within a 10 year period
4	Likely	<ul style="list-style-type: none"> Will probably occur in most circumstances 51% to 80% chance of happening Likely to occur once within a one year period
5	Almost certain	<ul style="list-style-type: none"> Expected to occur in most circumstances More than 80% chance of happening Likely to occur within 3 months

Likelihood

Impacts

	Negligible (1)	Low (2)	Medium (4)	High (8)	Very High (16)
Almost certain (5)	5	10	20	40	80
Likely (4)	4	8	16	32	64
Possible (3)	3	6	12	24	48
Unlikely (2)	2	4	8	16	32
Rare (1)	1	2	4	8	16

Appendix A - Corporate Risk Register key changes in quarterly movement report for December 2017

Report Date: 25/10/2017

Date filtered on: 08/08/2017



Notes: References highlighted **Purple** have been added since the 08/08/2017.

Old Category is shown when there has been a change of category.

Previous Risk Score shows rating, profile, probability and impact prior to the Current Risk Score

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
<p>CP07 / CP0005 <i>Opportunity to be Healthy and Safe</i> Old Category: Service Current Category: <i>Corporate</i></p> <p>The Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables police and crime commissioners to take on responsibility for fire and rescue services. In the event that the Secretary of State determines that the governance of the Hertfordshire Fire & Rescue Service (HFRS) is to be transferred to the Hertfordshire Police and Crime Commissioner (PCC) as recommended in their business case, there is a risk that such a transfer may significantly and negatively impact on service delivery, particularly in relation to the support provided to vulnerable people and the County Council's prevention agenda. In addition it may create significant uncertainty, leading to staff unrest; short term damage to key relationships and budgetary impacts.</p>	<p>John Wood</p> <p>Chief Executive and Director of Environment</p>	<p>HCC responded in good time to the PCC's consultation articulating concerns around the robustness of the business case. The PCC has considered all responses and has now submitted a proposal to the Home Secretary seeking transfer of governance of Hertfordshire FRS from HCC. This proposal will be the subject of an independent review with associated advice to the Home Secretary prior to her making a decision on the future governance of the Service. It is likely that a decision will be taken within this calendar year. This risk has now been escalated from the Service Risk Register to the Corporate Risk Register. Reviewed On: 05/10/2017</p>	<p>12/10/2017 Significant 24</p> <p>Probability Possible 3</p> <p>Impact High 8</p>		<p>Severe 32</p> <p>Probability Likely 4</p> <p>Impact High 8</p>	<p>Significant 24</p> <p>Probability Possible 3</p> <p>Impact High 8</p>
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						<p>12</p>

Appendix A - Corporate Risk Register key changes in quarterly movement report for December 2017

Report Date: 25/10/2017

Date filtered on: 08/08/2017



Notes: References highlighted **Purple** have been added since the 08/08/2017.

Old Category is shown when there has been a change of category.

Previous Risk Score shows rating, profile, probability and impact prior to the Current Risk Score

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Controls:	<u>Ref</u>	<u>Control Description</u>			<u>Status</u>	<u>Owner</u>
	CP0005/002	Support Community Protection staff through effective engagement to ensure they are kept informed on any progress in this matter			In Progress / Taking Effect	Darryl Keen
	CP0005/004	Provide any support required for an independent review and develop plans for options/scenarios			In Progress / Taking Effect	Guy Pratt
	CP0005/001	Report to cabinet on PCC proposals and agree HCC actions in response			Complete	Darryl Keen
	CP0005/003	Respond to the PCC proposals			Complete	Darryl Keen
AC10 / HCSLD0005 <i>Opportunity to be Healthy and Safe</i> Old Category: Service Current Category: <i>Corporate</i> In the event of inadequate safeguarding arrangements, a vulnerable person at risk of harm is not identified and protected appropriately.	Sue Darker Operations Director, Adult Disability Service	Risk reviewed by Risk Owner. This risk has now been identified as a Corporate risk and moved to the Corporate Risk Register. The risk scores now mirror those of the Children's Services safeguarding corporate risk. No further changes to risk required Reviewed On: 02/10/2017	12/10/2017 Significant 16 Probability Unlikely 2 Impact High 8		Severe 32 Probability Unlikely 2 Impact Very High 16	Severe 32 Probability Unlikely 2 Impact Very High 16
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Appendix A - Corporate Risk Register key changes in quarterly movement report for December 2017

Report Date: 25/10/2017

Date filtered on: 08/08/2017



Notes: References highlighted **Purple** have been added since the 08/08/2017.

Old Category is shown when there has been a change of category.

Previous Risk Score shows rating, profile, probability and impact prior to the Current Risk Score

Risk Ref Risk Description Corporate Priority Category	Risk Owner	Progress Update	Previous Risk Score	Movement Direction	Current Risk Score	Target Risk Score
Controls:	<u>Ref</u>	<u>Control Description</u>		<u>Status</u>	<u>Owner</u>	
	HCSLD0005/001	Hertfordshire Safeguarding Adults Board (HSAB) governance arrangements		In Place / Embedded	Sue Darker	
	HCSLD0005/003	Independent file audits of safeguarding cases in all care groups		In Place / Embedded	Sue Darker	
	HCSLD0005/005	Management oversight of safeguarding procedures		In Place / Embedded	Sue Darker	
	HCSLD0005/006	Quarterly performance report to ACS Management Board		In Place / Embedded	Frances Heathcote	
	HCSLD0005/007	Strategic Partners all involved with Safeguarding		In Place / Embedded	Sue Darker	
	HCSLD0005/004	Competency based learning and development activity associated with the HSAB (Accredited by Bournemouth University)		In Progress / Taking Effect	Sue Darker	
	HCSLD0005/008	Practice Governance Board overseeing action plan to ensure high standards of safeguarding		In Progress / Taking Effect	Sue Darker	
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Appendix B – Corporate Risk Register summary risk status report

Risk Ref	Business Unit	Details	Current Risk Rating				Target
			02/17	06/17	08/17	10/17	Score
CP01 / HFRS0007	Community Protection Hertfordshire Fire & Rescue	During unplanned incidents, such as terrorist activity, civil disturbance, large scale wide area flooding, or periods of industrial action, there is a risk that HFRS may be over reliant on existing regional or national resources which may lead to reduced fire cover.	48	48	48	48	32
AC01 / HCS0010	Adult Care Services	If there is a continuing inability to attract the required number of Homecare work force in line with the Adult Care Services Workforce Strategy, there is an increasing risk of non-compliance and a reduction in the ability to provide safe and appropriate care in users own homes which may lead to impacts on their health and wellbeing.	32	32	40	40	8
CP07 / CP0005	Community Protection	The Policing and Crime Act 2017 places a duty on police, fire and ambulance services to work together and enables police and crime commissioners to take on responsibility for fire and rescue services. In the event that the Secretary of State determines that the governance of the Hertfordshire Fire & Rescue Service (HFRS) is to be transferred to the Hertfordshire Police and Crime Commissioner (PCC) as recommended in their business case, there is a risk that such a transfer may significantly and negatively impact on service delivery, particularly in relation to the support provided to vulnerable people and the County Council's prevention agenda. In addition it may create significant uncertainty, leading to staff unrest; short term damage to key relationships and budgetary impacts.	n/i	24	24	32	24
CS01 / CSF0055	Children's Services	In the event of inappropriate care or attention there is a risk that a child or young person could die or become seriously injured.	32	32	32	32	32
E02 / ENV0104	Environment	In the event of the Residual Waste Treatment Programme being impacted by one of the following scenarios: - The ERF at Rye House does not proceed or is delayed - Unable to secure suitable, cost effective, alternatives for waste disposal should the contract with VES be terminated. It may result in: - Increased costs to HCC	32	32	32	32	8
E05 / ENV0148	Environment	As a result of political changes and escalating costs there is a risk that the Croxley Rail Link scheme is cancelled, which may result in claims to the Council (liability is capped at £3m), difficulties in re-claiming HCC investment sunk into the scheme and reputational loss. This will also have a significant impact on future growth in the area.	n/i	32	32	32	16
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Risk Ref	Business Unit	Details	Current Risk Rating				Target
			02/17	06/17	08/17	10/17	Score
AC08 / HCS0016	Adult Care Services	In the event of significant unforeseen demand on health and social care services and a risk of budget overspend and ongoing uncertainty about how these will be addressed nationally, there is a risk of insufficient budget to meet future demands of services. [supersedes risks HCS0011 & HCS0012]	n/i	32	32	32	16
AC03 / HCSCP0001	Adult Care Services Commissioning For People	In the event of a Hertfordshire Care Provider becoming inadequate or failing, there is a risk that this may result in poor care to clients or a safeguarding issue.	32	32	32	32	32
AC10 / HCSLD0005	Adult Care Services Learning Disabilities	In the event of inadequate safeguarding arrangements, a vulnerable person at risk of harm is not identified and protected appropriately.	16	16	16	32	32
AC04 / HCSMH0002	Adult Care Services Mental Health	As a result of the 2014 Supreme Court ruling around Deprivation of Liberty Safeguards (DOLS) there is a risk that an inability to conduct best interest assessments within legal timeframes could lead to unlawful detention of people and potential legal and compensation challenges to HCC.	32	32	32	32	8
R01 / HR0021	Resources Human Resources	If we fail to retain, attract and recruit the right people (managers, officers and volunteers) and right skills and maintain engagement at all levels, there may be a significant impact on service delivery and major cost implications. [Formerly CSCE0007]	32	32	32	32	16
R02 / PROP0022	Resources Property	As a result of the restrictions introduced in 2015 on the use of S106 for the pooling of developer contributions towards new infrastructure together with the introduction of the Community Infrastructure Levy (CIL), there is a risk that the uptake of CIL, which is the Government's preferred method for pooling contributions, remains slow, and due to the limited influence HCC can bring to bear over the districts on the spending priorities of CIL revenue as a non CIL charging Authority, this may result in there being insufficient money to support infrastructure needs derived from new housing. [Formerly CSCE0023]	32	32	32	32	12
R12 / TEC0004	Resources Technology	In the event of failing to maintain and ensure the use of our security systems, technical protocols and change management processes, there is a risk of a cyber attack (virus, penetration or malicious internal action) on HCC's ICT environments causing significant service disruption and possible data loss	32	32	32	32	16
CP02 / CP0004	Community Protection	As a result of disruptive factors influencing the lives of people in Hertfordshire, there is a risk that residents or staff become radicalised or drawn into terrorism, which could cause harm to themselves or the wider public and reduce community / social cohesion.	24	24	24	24	16
CP03 / CPRES0009	Community Protection Resilience	If there is insufficient preparation for increased frequency of extreme weather events resulting from climate change, then there might be negative impacts on service delivery, user access to service provision and to the reputation of the Council.	24	24	24	24	12
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Risk Ref	Business Unit	Details	Current Risk Rating				Target
			02/17	06/17	08/17	10/17	Score
CS02 / CSF0070	Children's Services	In the event of inadequate capital being made available from a number of funding streams, part of the costs of delivering the secondary expansion programme and/or schools required to meet demand in new housing developments may need to be met from the council's own resources having exhausted all other eventualities.	24	24	24	24	16
R17 / CSHF0016	Resources Finance	In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery. [Formerly CSHF0005 and CSHF0015]	24	24	24	24	16
R07 / HR0018	Resources Human Resources	In the event of a failure to train employees to required standards, there is a risk that staff are not fully competent in their roles, which could lead to the death, serious injury or harm to service users, members of the public or staff themselves e.g. front facing staff like QSWs and staff with access to vulnerable adults and children	24	24	24	24	16
R13 / IMP0001	Resources Improvement And Technology	There is a risk - of the loss/inappropriate acquisition/disclosure of sensitive personal or commercial data contrary to the requirements of the new General Data Protection Regulation (GDPR) which comes into force from 25 May 2018 - that we may breach the rights of data subjects; which could lead to harm to clients, impact on HCC's reputation, incur legal action and have severe financial consequences (despite applying best practice there is always the possibility of human error). [Formerly CSCE0013]	12	12	24	24	16
R05 / IMP0002	Resources Improvement And Technology	A significant proportion of the Council's expenditure is accounted for by externally commissioned services. In the event of insufficient skills in commissioning / contract management and competencies along with a lack of application of effective monitoring, governance and contract management rigour, there is a risk of poor value, inadequate service provision and data security and/or failure of externally delivered services, which could lead to disruption of service delivery. [Formerly CSCE0019]	24	24	24	24	8
R21 / PROP0023	Resources Property	HCC has undertaken a review of how it disposes of its surplus land and property assets to establish how best to optimise capital receipts in a difficult market. As a result of the decision to develop these sites and assets through a new Strategic Joint Venture (SJV) Arrangement, there is a risk that this policy change may slow the delivery of the current £20m per annum receipt value in the current Integrated Plan. (Replaces former risks PROP0020 and PROP0021)	n/i	24	24	24	8

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Risk Ref	Business Unit	Details	Current Risk Rating				Target
			02/17	06/17	08/17	10/17	Score
E01 / ENV0142	Environment	Due to the threat of an increasing number of tree pests and diseases, in particular the imminent threat from Ash Dieback, there is a risk of a significant number of trees being affected which may result in significant unplanned costs, potential dangers to the public and/or service users, impacts on the landscape and loss of biodiversity.	20	20	20	20	20
R08 / AUDIT0001	Resources Audit (SIAS)	There is a risk that the Council experiences significant fraud	16	16	16	16	16
CP04 / CPRES0001	Community Protection Resilience	In the event of a failure of the Local Resilience forum (LRF) to provide adequate inter-agency plans which correctly identify the capabilities required to deal with a major emergency in Hertfordshire there is a risk that Hertfordshire's multi-agency response may not be fully effective (formerly SERMU0001)	16	16	16	16	16
CP05 / CPRES0002	Community Protection Resilience	In the event of a failure to prepare adequate Corporate and departmental generic BCP plans, there is a risk that, should a major incident take place (to building, technology & people), there may be insufficient back up arrangements in place, which could result in a higher level of disruption than anticipated causing increased disruption to key resources. (Formerly SERMU0002)	16	16	16	16	16
R03 / CSHF0002	Resources Finance	There is a risk that HCC's pension fund level may not improve sufficiently to cover accrued pension costs because of economic conditions, poor investment or ineffective governance	16	16	16	16	16
E04 / ENV0033	Environment	In the event of under investment there is a risk that road maintenance levels can not be maintained and general deterioration occurs, which may lead to increased number of accidents, loss of reputation and customer dissatisfaction.	16	16	16	16	8
CP06 / HFRS0004	Community Protection Hertfordshire Fire & Rescue	In the event of a failure to meet national training requirements, poor operational performance from personnel who are not fully trained and competent in their role could lead to the death or serious injury of a firefighter.	16	16	16	16	16
R09 / HR0022	Resources Human Resources	If we fail to comply with safe staffing legislation and agreed HCC policy and practice there is a risk this could lead to a lack of protection for HCC service users (e.g. children and vulnerable adults) [Formerly CSCE0009]	16	16	16	16	16
PH01 / PHD0014	Public Health	In the event of a Health Protection emergency such as a communicable disease epidemic, radiological, chemical or biological agent exposure, or extreme weather conditions, there is a risk that the authority may be unable to meet its statutory duty to adequately assure multi-agency health protection arrangements and as a result there are high rates of morbidity or mortality of Hertfordshire residents	16	16	16	16	16
Agenda Pack 104 of 167							

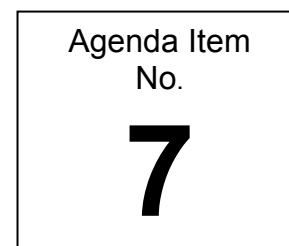
Risk Ref	Business Unit	Details	Current Risk Rating				Target	
			02/17	06/17	08/17	10/17	Score	
R18 / HR0023	Resources Human Resources	As a result of new legislation establishing an Apprenticeship Levy, there is a risk that should the County Council not take appropriate action to offset the levy and provide apprenticeship opportunities there may be financial and reputational consequences.	12	12	12	12	8	
R15 / PROP0018	Resources Property	There is a risk that land owned by the Council and no longer required for the purpose for which it was bought may not have an active management regime in place. As a result there is a risk of an H&S incident to persons or property which could give rise to H&SE action and a liability claim.	12	8	12	12	8	
E03 / ENV0030	Environment	In the event of a failure in road inspection and / or fault reporting procedures, there is a risk that the condition of our roads falls below expected standards, which results in injury to citizens and / or successful claims against HCC.	8	8	8	8	8	
			33	656	764	788	812	524

HERTFORDSHIRE COUNTY COUNCIL

**AUDIT COMMITTEE
FRIDAY 1 DECEMBER 2017 AT 10.00 AM**

HEMOCARE WORKFORCE IN HERTFORDSHIRE

Report of the Director of Adult Care Services (ACS)



Author: Frances Heathcote, Assistant Director Adult Care Commissioning
(Tel: 01992)

Executive Member: Colette Wyatt-Lowe, Adult Health and Care

1. Purpose of report

- 1.1 To provide further information regarding the risk and associated controls recorded on the Hertfordshire County Council (HCC) Corporate Risk Register relating to the recruitment of the homecare workforce.
- 1.2 To outline Hertfordshire's approach to mitigating the risks outlined in this report, and the positive steps being taken, in partnership with homecare providers, and Hertfordshire Care Providers association (HCPA) to ensure the County Council is able to support the homecare market, meet demand, and grow the homecare workforce to ensure people who need care and support at home are able to access homecare in a timely way, and so improving outcomes for people and reducing pressure on the wider health and social care system in Hertfordshire

2. Summary

- 2.1 The Audit Committee has requested a report on the above risk [Audit Committee-11 September 2017-Minutes](#), the assessment and rating of this risk and the controls in place to minimise or avoid its occurrence. The Corporate Risk is owned within the Adult Care Services (ACS) Directorate by the Assistant Director, Community Commissioning, and is reviewed quarterly by the Market Resilience and Quality Programme Board within ACS.
- 2.2 The entry in the County Council's Risk Register on 26May 2015 reads;
" If there is a continuing inability to attract the required number of Homecare work force in line with the Adult Care Services Workforce Strategy, there is an increasing risk of non-compliance and a reduction in the ability to provide safe and appropriate care in users own homes which may lead to impacts on their health and wellbeing."

A full copy of the entry can be found in Appendix One

3. Recommendation

- 3.1 This report invites Audit Committee to note, comment upon and endorse

the overall approach that the County Council is taking to mitigate the risk and associated controls relating to the recruitment of the homecare workforce in Hertfordshire and to note the actions being taken to improve the recruitment and retention of the homecare workforce in Hertfordshire.

4. Background

- 4.1 ACS currently commission homecare for approximately 2,600 older people, with a projected spend for 2017/18 of £29,072 M. This equates to an annual total of approximately 1.5 million hours of commissioned homecare for older people.

In recent years there has been growing concern about the stability of the homecare market in the United Kingdom. During 2016 the United Kingdom Homecare Association (UKHCA) carried out an extensive survey to gauge the scale of the issue and concluded that a significant number of providers were considering exiting the local authority homecare market, or were concerned about their future viability. In the 2017 Association of Directors Adult Social Services (ADASS) Autumn Budget Review, 52% of local authorities reported difficulties with sourcing homecare for older people – the County Council is included within this 52%. A link to the full report can be found here <https://www.ukhca.co.uk/downloads.aspx?ID=434>

Demand for support at home is forecast to grow. The population of people aged 85 and over in Hertfordshire is forecast to more than double by 2030 – rising from 28,500 to 67,700 by 2030. In addition to the ageing population, the following factors are also having an impact on the homecare market's ability to recruit the necessary numbers of high quality care staff to meet growing demand in Hertfordshire:

- Ageing workforce – by 2020 one fifth of the care workforce will be over 50 – and is currently 37% in Hertfordshire
- Changing society – older people are no longer living close to families, and are increasingly being cared for by elderly unpaid carers
- High employment levels – with average employment levels of 96% within Hertfordshire, there is an extremely constricted labour market, in which the care sector is having to compete aggressively against other sectors such as retail and catering
- The geography of Hertfordshire is an additional challenge for homecare providers – with pockets of rural areas that are difficult to attract people to work and a dependency on car owners to provide care
- Proximity to London, with higher paid jobs
- Hertfordshire's relative affluence and high cost of housing is a challenge for homecare providers trying to attract workforce from outside of the county to work in Hertfordshire
- Role of the media – in recent years there has been an increase in negative media coverage of care and care staff. There are few positive images of care being seen in the media.

- The impact of self-funders who form a significant cohort in the county; self-funders pay more for homecare services than the local authority - the average weekday hourly rate the County Council pay is £17.88, compared to an estimated average hourly rate of £20 that self-funders pay – this creates tension within the homecare market, with many providers favouring the self-funder market over Local Authority funded provision.
- The impact of Brexit – it is estimated that approximately 16% of the homecare workforce in Hertfordshire is from the EU, and the outcome of the referendum has resulted in a slowing of recruitment from EU countries.

The most important resource in any care service is the workforce. As a result, everything Hertfordshire County Council is striving to achieve, in partnership with our providers, to support older people to live as independently as possible for as long as possible within their own homes, relies on having enough staff with the right attitudes and values, who are committed to providing the highest quality care for vulnerable people in their own homes.

4.2 The homecare workforce in Hertfordshire

- 4.2.1 It is estimated that 10,500 staff are employed in Homecare providers within Hertfordshire, broken down by age group in table 1 below

Table 1 domiciliary Care workforce breakdown in Hertfordshire (Data from Skills for Care Workforce Estimates 2016/17):

	Domiciliary care
Total	10,500
<i>Under 25</i>	<i>10%</i>
<i>25 to 54</i>	<i>67%</i>
<i>55 and above</i>	<i>23%</i>

Skills for Care indicate that Eastern region turnover rates have increased steadily, by 4.6 percentage points, between 2012/13 and 2016/17 and that Hertfordshire rates have followed this trend. The figures clearly demonstrate that turnover rates in homecare are far higher than other care sectors (for example residential care) (Table 2 overleaf).

Table 2 Data from Skills for Care Workforce turnover estimates 2016/17:

	All services	Domiciliary care
All job roles	29.7%	41.0%
Direct care	35.1%	45.2%
Manager/Supervisor	14.9%	18.8%
Care worker	37.6%	46.8%
Registered manager	21.8%	19.2%

4.2.2 A recent analysis of exit interviews from County Council commissioned homecare providers highlighted three main reasons why people leave the homecare sector:

1. Rates of pay not high enough
2. Too much travel time, with an adverse impact on wear and tear of cars at personal cost
3. Moving to a different sector ie catering or retail

4.2.3 Based on the Skills for Care workforce estimates for Hertfordshire, it is estimated that the homecare workforce will need to increase by 44% by 2030 – this is based on the assumption that the workforce needs to grow proportionately to the number of people aged 75 and over. However in Hertfordshire, we are currently remodelling this figure to reflect more accurately the growth required to meet the ambitions around support at home – and continuing to reduce the numbers of people placed in a residential care home in favour of supporting more people to stay in their own home for longer [ACH Cabinet Panel- 20 May 2015- Support at Home](#)

Table three shows the target estimated net increase within the homecare workforce in Hertfordshire over the next five years. This takes in to account increased need associated with the projected growth of over 75s, as well as the current average 12% vacancy factor. This is the average current vacancy rate within homecare providers in Hertfordshire

Table Three – Net increase in homecare workforce in Herts

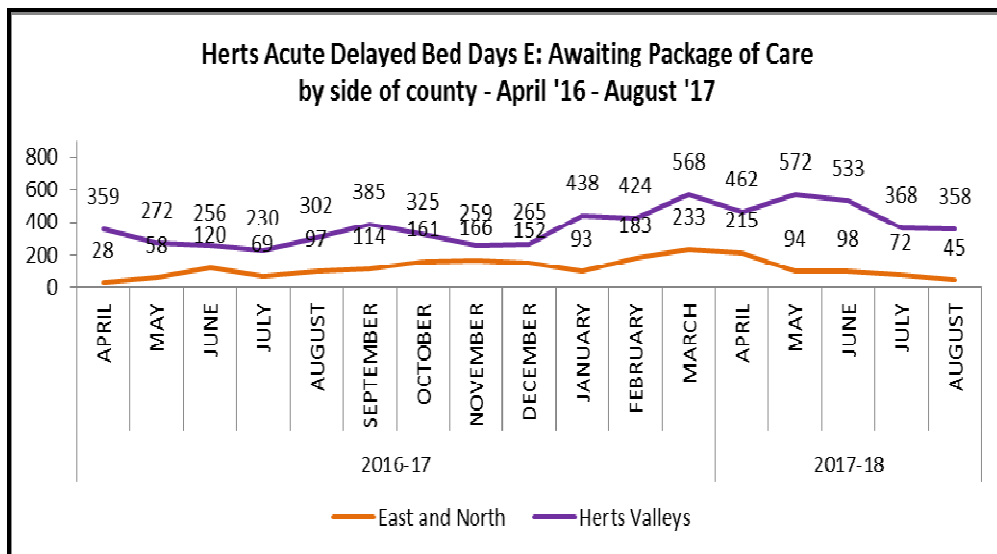
Year	2017	2018	2019	2020	2021
Net increase required	1615	1658	1700	1743	1785

4.3 Impact of a shortage of homecare staff in Hertfordshire

4.3.1 As at 1 October 2017, 165 older people were awaiting packages of homecare across the county, with a total number of approximately 2000 hours of care unfilled. In workforce terms, this equates to approximately 200 care staff. These figures do vary across the county, with the Herts Valleys experiencing higher numbers of people awaiting a homecare package. Not all people awaiting a homecare package are within the community (living at home without care) – the majority of people awaiting a homecare package are either in hospital, on another care pathway such as a short stay residential placement or Specialist Care at Home (Hertfordshire’s reablement service) or may already be receiving homecare and need to increase their package of support. In Herts Valleys 40% of people awaiting care are at home without a care package, and in East and North Herts this figure is 20%.

4.3.2 The most publicised impact of homecare shortages are Delayed Transfers of Care (DTCOC’S), most commonly defined by how many hospital “bed days” are lost by people delayed in hospital, when they are medically fit, awaiting a homecare package. Table four details the numbers of bed days lost in the acute hospitals each side of the county since April 2016. The table highlights that there is more pressure on the West (Herts Valleys) of the county, but also demonstrates the reductions in delays, from March 2017, particularly in East and North Herts. Officers are of the view that this indicates, whilst the shortages in the homecare workforce in Hertfordshire remain extremely challenging, the mitigating actions taken by County Council over the last twelve months as outlined in section 5 of this report, have had some positive impact on the care workforce. Without the steps the County Council have taken to mitigate the risks associated with the homecare market, it is likely that the current situation would be much worse.

Table 4: Numbers of bed days lost in the acute hospitals each side of the county since April 2016



5. **How is Hertfordshire County Council addressing the homecare workforce challenges in Hertfordshire?**

- 5.1 The County Council is seeking to support homecare providers by all available means. In the spring 2017 Budget, the Chancellor announced £2bn additional funding nationally for social care for 2017/18 to 2019/20. The money is called 'Improved Better Care Fund (iBCF)'. The allocation for the County Council for 2017/18 is £13.071M, reducing to £11,656M in 2018/19 and a final allocation in 2019/20 of £5,819M.

This provided an opportunity to bring forward planned uplifts for lead homecare providers and therefore an additional 71p on the hourly rate was made available. By increasing this amount by a further 19p as of April 2018, the County Council is effectively bringing forward by one year the point at which the 90p uplift in the National Living Wage (NLW) is made available in Hertfordshire in comparison with the rest of the country.

- 5.2 The average weekday blended hourly rate paid for homecare to Lead providers by the County Council is £17.88. The United Kingdom Homecare Association (UKHCA) recommended minimum hourly rate for homecare is £17.19, which places the County Council in the 10% of local authorities identified as paying above the UKHCA minimum hourly rate. Despite this, the County Council still faces huge challenges with recruitment of homecare staff in the Hertfordshire, indicating that pay alone is not the only factor that will attract and retain high quality staff within the homecare sector. Therefore the County Council have a range of strategies in place to grow the homecare workforce in Hertfordshire – including increasing pay, improving the image of the homecare sector, working with providers to move to guaranteed shift work, and the introduction of the Herts Care Standard across our Lead provider contracts. The Herts Care Standard sets out a range of expectations about how the County Council, as the commissioning authority, expects care staff to be recruited, and supported, by homecare agencies. The Herts Care Standard is attached as Appendix Two of this report. ACS is also piloting access to Herts Rewards – the County Council corporate rewards programme for its staff – to the homecare sector.

5.3 **Understanding the homecare market**

- 5.3.1 The County Council has a unique role to play in supporting the homecare sector through the processes it uses to commission homecare services with external providers. Currently 100% of homecare provision is provided by external providers, with no homecare provision being provided “in house”. ACS is currently exploring options to develop a Local Authority Trading Company (LATC) [ACH Cabinet Panel - 14 November 2017 – Smart Working- Traded Company](#) for homecare to provide additional resilience to the homecare market in Hertfordshire.

- 5.3.2 ACS has a combined model of Lead Provider contracts and spot

provision to provide homecare for people assessed by the County Council as being eligible for homecare funded through the local authority. There are currently four Lead Providers (LP's) in Hertfordshire covering 12 contract areas, supported by approximately 50 spot providers [ACH Cabinet Panel - 1 July 2014 – Future Commissioning Model for Homecare and the Hertfordshire Care Standard](#)

- 5.3.3 Under the Care Act 2014 the County Council has a duty to manage the care markets and to ensure a “sustainable and vibrant” care market. Whilst this presents challenges, it has also provided opportunities for ACS to become closer to the recruitment practice of contracted providers - and stronger links being made between capacity targets within contracts and the workforce required to deliver on these targets. Since the new Lead Provider contracts were awarded in April 2015, there is a requirement for all providers to have a workforce development strategy – including how they will recruit and retain staff, and quarterly targets for recruitment that are monitored by the County Council's commissioning teams [ACH Cabinet Panel- 20 May 2015- Workforce Strategy](#). Providers are encouraged to be innovative and to test out new ways of attracting new staff into the sector, and improving retention amongst their existing workforce. A case study of one of the lead provider's innovative approach to recruitment is attached as Appendix 3. Overall, staff turnover across our commissioned lead providers is 21%, compared to the national average of 41%, which indicates that the scrutiny of a provider's recruitment and retention within the contract does improve workforce retention locally.
- 5.3.4 Prior to 2015 the majority of homecare delivered through the previous “block contract” arrangements were with large national homecare providers – under the previous model only 14% of provision was delivered by providers who only operated in Hertfordshire. This is important in terms of understanding what creates the optimum conditions for successful local recruitment – an understanding of the local labour market together with knowledge of Hertfordshire's diverse geographical make up. Many of these national providers were not familiar with the geographical make up of Hertfordshire before they were awarded a contract in Hertfordshire, and in addition to this, because they had no local presence prior to being awarded a contract, they were not aware of the specific workforce challenges in Hertfordshire. Prior to 2015, out of the 8 national providers delivering services on behalf of the County Council, four were placed within Hertfordshire's Serious Concerns process, or suspended due to poor performance, at some point during the lifetime of their contract.

Table 5 illustrates the makeup of local and national providers following the 2007 award of contracts, and Table 6 details the current make up of national and local providers awarded a contract in the 2015 homecare tender. The 2015 tender had a specific focus on recruitment and retention, and tested out more thoroughly a providers understanding and knowledge of the make-up of the workforce in Hertfordshire. In addition to these changes, a panel of service users also interviewed each potential provider, using their own unique experiences of using homecare to the tender process. Since 2015 one lead provider has been suspended and subject to the County Councils' Serous Concerns process – this was one of the national providers and they have since had their contract terminated. In addition Complaints relating to homecare have reduced by 50% since 2014.

Table 5

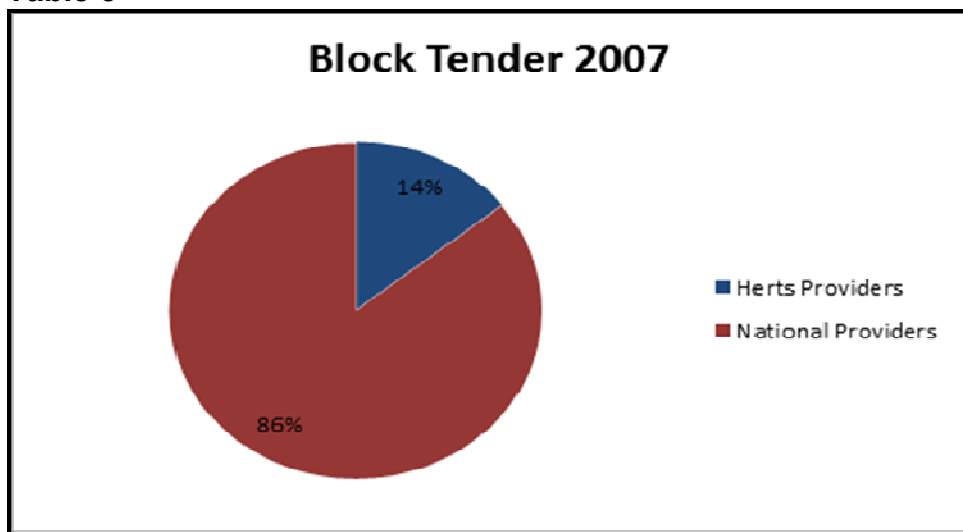
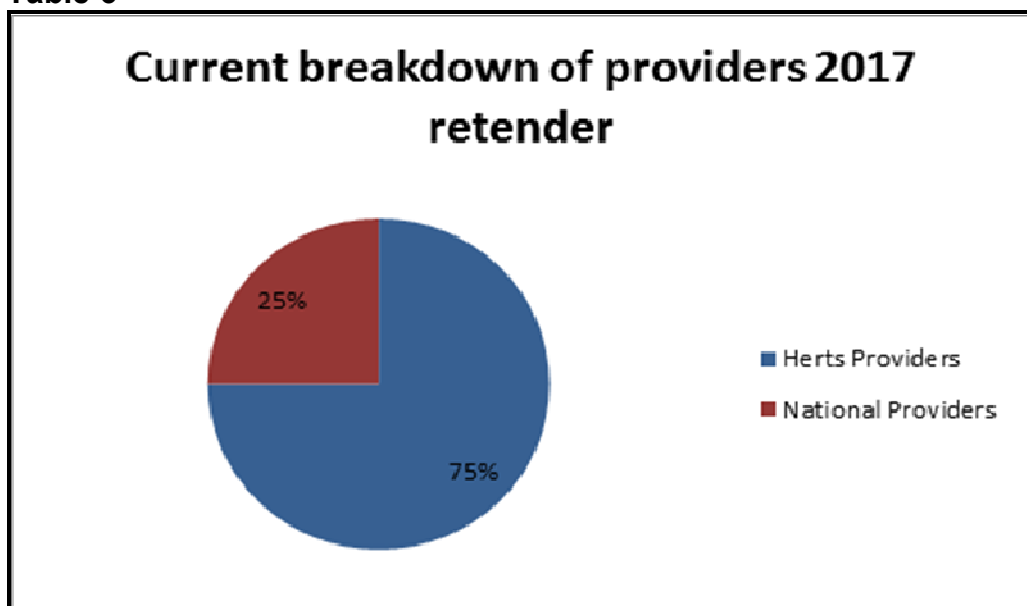


Table 6



5.4 Easing legislative pressures: National Living Wage (NLW)

5.4.1 National Living Wage legislation, whilst welcomed by the care sector, has created additional costs for care providers, which are being passed on to the council. As of April 2017 the NLW for workers over the age of 25 stands at £7.50 per hour. The assumptions are that the NLW rate will increase by 40p to £7.90 in April 2018, followed by a 50p increase to £8.40 in April 2019 and finally a 60p increase to £9 in April 2020. A number of larger retail organisations have already brought forward their NLW commitment and are offering wages at the 2020 target for NLW. This has further exacerbated recruitment challenges for the care sector in Hertfordshire. For two consecutive years the County Council has used the Council Tax social care percept to raise funds for social care, minimising the impact of the NLW on homecare providers. For 2017/18 £770k was used to fund the NLW cost for all older people's homecare providers.

5.4.2 One of the conditions of the Improved Better Care Fund is a specific requirement to stabilise the social care provider market. In Hertfordshire we have used this funding to award an additional inflationary uplift to lead providers enabling them to increase their hourly rate by 71p and so improving the competitiveness of homecare with other sectors. In addition to the additional increase in hourly rate, funding has also been committed to upskilling and training the homecare workforce, approximately £900,000 being allocated for training over the next two years. All schemes funded through the Improved Better Care Fund are subject to an external evaluation, to enable the County Council to monitor the impact this additional funding has had on increasing homecare capacity in Hertfordshire.

5.5 Hertfordshire Good Care Campaign

5.5.1 The Herts Good Care campaign – a joint initiative between Hertfordshire County Council and Hertfordshire Care Providers Association (HCPA) – was launched in June 2015 and is a proactive campaign that aims to:

- Increase the recruitment of paid care practitioners
- Raise awareness of and celebrate the vital work people working in care carry out every day
- Raise the reputation of the council as an organization that is seeking to find solutions to the growing care challenge.

5.5.2 Herts Good Care Campaign is an ongoing campaign, each year there is a dedicated Herts Good Care week that seeks to bring together a range of events and activities that positively promote working in the homecare sector. In the last two years there has been an increased use of social media to reach out to the younger generation and so help raise the profile of working in care with younger people. More

information about the Herts Good Care Campaign can be found at <http://www.hcpa.info/hertsgoodcare>.

5.5.3 Since the beginning of the Herts Good Care Campaign, there have been 165 placements into care roles. This number is increasing with a full recruitment team in place, employed by HCPA, covering both homecare and residential care settings in Hertfordshire. Media coverage has included the BBC and ITV programmes, as well as all local press and radio stations highlighting the campaign and supporting Herts Good Care week each year.

5.5.4 All four colleges in Hertfordshire support the Herts Good Care campaign and excellent links are being established between HCPA, colleges, and individual providers who are seeking specifically to attract younger people in to the homecare workforce.

5.6 **The Herts Good Care Recruitment Service**

5.6.1 The Herts Good Care Recruitment Service went live on 1 September 2017. This service is free of charge for care providers to use to help that source and place suitable candidates for their available job roles, helping providers to significantly reduce the costs involved with hiring and replacing their staff. The Herts Good Care Recruitment team have been working with care providers and offering support and guidance on their recruitment process, with the majority now following the recommended job description template, which the team have developed to help care providers attract more prospective applicants to their available roles. The service also provides care providers with interview tips to help them get the most out of their interviews, as well as supporting candidates with care careers advice, CV writing, and interview advice.

5.7 **Hertfordshire Workforce Development Strategy**

5.7.1 The current Workforce Development Strategy is being refreshed and will be launched in April 2018. The strategy will have three key objectives:

1. Recruitment: building the workforce – Raising the image through attraction and values based recruitment initiatives
2. Retention: Developing our current workforce– improving skills, career progression and succession planning
3. Grow: Expanding the workforce of the future – ensuring we have the skills to drive growth by working with businesses, statutory, community services and training providers to improve the skills of both the existing workforce and the future labour market in order to sustain economic growth and meet demand.

5.7.2 The Workforce Development Strategy will set approximate growth targets for each of the following cohorts of people, targeted to attract

new people in to the homecare sector over the next five years. The draft targets are set out opposite, these are still being consulted on with care providers and HCPA, but are to be used as a guide to inform current and shorter term recruitment activity before the new strategy is launched in April 2018,

Target Group	% target and key messaging
Young people – schools and colleges	30% - use of social media, promoting care as a career with excellent prospects
Returners to the workforce following family caring/career break	40% - promoting flexibility of working hours, family friendly employers, excellent training and support
Early retirees	30% - Targeting those who have more maturity and life experience may have already been caring for an elderly relative, have resilience and compassion – targeting groups such as University of the Third Age, Women’s Institute, Doctors surgeries.

Risk and Controls Progress (incl JT) - Homecare Workforce

<u>Risk Ref</u>	<u>Risk Description</u>	<u>Corporate Priority</u>	<u>Corporate Category</u>	<u>Current Risk Score</u>	<u>Risk owner</u>	<u>Progress Update - Risks</u>	<u>Control Measure</u>	<u>Owner - Status - Target Date</u>	<u>Progress Update - Controls</u>	<u>Target Risk Score</u>
HCS0010										
Corporate				Severe 40	Frances Heathcote Assistant Director, Adult Care Commissioning	Review Summary: Risk reviewed at ACS Management Board and subsequently revised by new owner 5th July. The wording has been amended to focus on the Homecare Workforce. In the light of the new focus of the risk and the current inability to attract the required workforce, the risk owner has increased the probability of the risk. The score overall has therefore increased. Reviewed on 11/07/2017	HCS0010/001 Workforce Strategy being reviewed for 2018/19, project group in place including Hertfordshire Care Providers Association (HCPA) Frances Heathcote - In Progress / Taking Effect - 30/04/2018		HCS0010/001 Review Summary: Control reviewed by risk owner in July 2017, amendments made to reflect changes. Reviewed on 11/07/2017	Material 8
	If there is a continuing inability to attract the required number of Homecare work force in line with the Adult Care Services Workforce Strategy, there is an increasing risk of non compliance and a reduction in the ability to provide safe and appropriate care in users own homes which may lead to impacts on their health and wellbeing.			Probability: Almost Certain 5 Impact: High 8			HCS0010/007 Contingency plan in place for closure of care providers under Prevention of Providers Failure policy Frances Heathcote - In Place / Embedded -		HCS0010/007 Review Summary: Control reviewed by risk owner in July 2017, amendments made to reflect changes. Reviewed on 11/07/2017	Probability: Unlikely 2 Impact: Medium 4
	<i>Created: 26/05/2015</i>						HCS0010/008 All Lead Providers of Home Care are now required to have a recruitment and retention strategy Frances Heathcote - In Place / Embedded -		HCS0010/008 Review Summary: Control reviewed by risk owner in July 2017, no change required. Reviewed on 11/07/2017	
	Opportunity to be Healthy and Safe						HCS0010/009 Ensure sustainable pay rates for care sector providers are within budget parameters and being reviewed on an annual basis Frances Heathcote - In Place / Embedded -		HCS0010/009 Review Summary: Control reviewed by risk owner in July 2017, amendments made to reflect changes Reviewed on 11/07/2017	
							HCS0010/010 Evaluating impact of 2018/19 increase in pay to be completed by September 2017 Frances Heathcote - In Progress / Taking Effect - 30/09/2017		HCS0010/010 Review Summary: New control raised July 2017. Reviewed on 11/07/2017	

APPENDIX TWO

THE HERTFORDSHIRE CARE STANDARD

1. Introduction

The Hertfordshire Care Standard (“the Standard”) has been developed following feedback from service users and their families and sets out HCC’s expectations of Providers delivering Support at Home. The Standard has been designed to support people of Hertfordshire who receive care and support services to be treated with compassion, kindness and dignity.

It sets out the framework for how Support at Home Providers will recruit, deploy, develop and retain staff, as well as how they should plan support with the people they support.

This updated version follows a review of the Standard to ensure it aligns with the NICE homecare guidelines issued in September 2015 and incorporates feedback on other key issues.

2. Background

In response to the 2012 national survey entitled “Time to Care”, UKHCA’s paper “*A Fair Price for Care*” and The Cavendish Review, Hertfordshire has developed The Hertfordshire Care Standard.

The Hertfordshire Care Standard seeks to address concerns relating to care practitioners’ terms and conditions and the impact this can have on care delivery. The Standard also seeks to improve the level of support, training and skill care practitioners possess and move away from time and task based service models.

Support at Home Providers will have responsibility for ensuring adherence to the Hertfordshire Care Standard.

Since its launch in April 2015, HCC have evaluated the outcomes of the Standard and – in consultation with Hertfordshire Care Providers Association, Support at Home Providers and operational staff – identified key elements of the new NICE guidelines for homecare to be included in this new Standard.

3. The Hertfordshire Care Standard

The Hertfordshire Care Standard is a set of requirements that will require Support at Home Providers to demonstrate that they:

- Fully comply with relevant Equalities legislation
- Manage risks associated with missed or late visits effectively and ensure robust plans are in place for any missed visits
- Build a culture in which reporting of safety and abuse concerns is understood as a marker of good care, not just as a negative outcome of poor care
- Select all newly recruited staff through a value based recruitment approach that identifies compassion as well as ability (for example ‘Our Culture of Compassion’ (Department of Health 2012)). If you need help with this, HCPA run fully funded courses on this area http://www.hcpa.info/training/leadership_suite
- Support all staff to sign up to the Skills for Care ‘The Social Care Commitment’ and can evidence their understanding of the ‘Dignity in Care’ 10 Point Challenge

- Can demonstrate all care staff have received a robust training programme, including The Care Certificate for those new to care, and mentoring to enable them to deliver care effectively
- Show leadership competence and continuing professional development by working towards 'Silver' HCPA membership within 12 months and keeping this current year on year
- Pay care practitioners a **sustainable wage** that is competitive with other local service industries and that attracts individuals who wish to work within the caring sector and is in line with the expectations of the government's timescales for implementing the National Living Wage.
- Pay care practitioners sick pay and holiday pay, travel time (or an enhanced blended rate which compensates for travel time), travel costs and other necessary expenses such as training, mobile phones and uniforms and DBS checks (unless the care practitioner has chosen to register with for the update service).
- Offer care practitioners a choice about the type of contract they take and have the option to switch contract type upon request - e.g. zero hours, variable hours, fixed and permanent. Providers should have a relevant range of contract types and whilst care practitioners should be given a choice it is accepted that available options for each individual practitioner will be subject to business and service user needs.
- Give people who use or who are planning to use home care services and their carers details of different funding mechanisms including self-funding, where to find information about the range and quality of services available, what needs the home care services are able to address
- Ask people about their aspirations, needs and priorities, as well as what gives them peace of mind, and makes them feel safe and unsafe.
- When assessing risk, balance the risk of a particular behaviour or activity with how it is likely to benefit the person's wellbeing and help improve their quality of life
- Liaise with healthcare practitioners and other people involved in a person's care and support to ensure the homecare plan promotes wellbeing, particularly in relation to:
 - medicines management
 - pain management
 - overall skin integrity and preventive care.

Support at Home providers will also:

- Ensure there are robust mechanisms that will encourage and support continuing professional development of care practitioners.
- Have established and effective ways to mentor, supervise, monitor and assess care practitioners, and offer opportunities for peer and field based support.
- Comply with CQC supervision standards of four per year in addition to Hertfordshire's expectation that each member of staff has an annual appraisal and a minimum of 4 spot checks per year.
- Support the workforce to safeguard vulnerable adults and addressing issues of poor care quality support they may observe.
- Plan care provision with service users and/or their carers, family, friends or advocates that is not focussed on 'Time and Task' but planned around meeting the service user's needs, risks and aspirations.
- Demonstrate support planning that reflects service user choice and control and is focussed on achieving people's specified outcomes.
- Work in partnership with Hertfordshire's commissioners and social care operational teams to improve services and deliver key outcomes for Service Users and carers.

4. Continuity of Care

It is important for providers, social care operational teams and commissioners to work together to ensure care is person centred and that people who are receiving care benefit from building a trusting relationship with their care practitioners.

To promote continuity of care practitioner and ensure the Service User knows their care practitioners and that care practitioners are familiar with how the person likes support to be provided and can readily identify and respond to risks and concerns, it is a requirement of the Hertfordshire Care Standard that Support at Home providers:

- Introduce people to new care practitioners
- Build teams of regular care practitioners around the Service User and their carer
- Inform people in advance if their care practitioner will be changed and explain why
- Work together with Service Users and their carers to negotiate any changes that may need to be made

As a guide, and using feedback from Providers, Service Users and outcomes of monitoring, the Standard has established the following indicator for size of care team in relation to the number of care visits a person receives each week per rolling 4 week period:

Visits per Week	Maximum Number of Care Practitioners
1 – 3	2
4 – 7	4
8 – 14	8
15 – 28	10
29 - 41	14
42 +	16

5. Monitoring of the Hertfordshire Care Standard

As part of the East of England Quality Monitoring Framework, Health and Community Services will review employment, recruitment, staff support and training practices, as well as how care provision of Service Users is planned.

Support at Home Providers will need to evidence through staff files, policy and client records how they meet the Hertfordshire Care Standard.



Appendix Three - Recruitment Case Study Abbots Care

“Shirley Campaign”

Over 55’s and active retirees – We actively recruit the over 55’s and active retirees. Quite often they have worked in other sectors for their careers and find that they are motivated to give something back to the community. Care workers in this group offer maturity, life experience and are reliable and confident.

One of our care workers Shirley joined Abbots Care in 2001 as a young 67-year-old. She had experience of caring for her Daughter who’d had a terminal illness and ran a small charity lunch club for elderly people in St. Albans.

Shirley has worked across all areas of care supporting many service Users much younger than her and supports Abbots by talking to voluntary groups to tell them about her work.

We supply our active retirees with information on how to maximise your earnings and pension and tax.

We are very proud of Shirley who was included on the Queen’s Birthday honours list this year for her contribution to voluntary and charity work.

In the last 12 months, we have recruited and **retained 23 new care workers in this age group.**

“Refer your friends”

When a care worker recommends their friends and family we offer a dedicated fast track recruitment process. We know from experience that these applicants are aware of the Abbots culture, understand the demands and the rewards of the role and are usually “sticky” – we retain them for more than a year. They are often not from a care background so we give intensive shadowing and support following Induction until they are fully competent.

In the last 12 months **43 new care workers recruited and retained from this group.**

Other innovative sources;

- **Previous family carers** – Make excellent care workers as have had hands on experience and are motivated to make a difference.
- **Students** – form Nursing, Social Work, and therapist courses are motivated to gain work experience and offer unsocial hours
- **Foreign Recruits** – We have been recruiting form Europe and Australia using trusted partners for 2 years. We rent houses for them in the locality and supply them with vehicles.

Other features of our recruitment and retention strategy are:

Care Worker Customer Service Co-ordinator

Although this isn't a source of recruitment it forms part of the overall strategy for supporting our care workers. The sole purpose of our customer service co-ordinator is to offer pastoral care to our care work team. This can involve sorting out any rota concerns, payroll issues or just listening to them when they are having a tough round. The CCCO is target is to reduce turnover by 5%.

Automated Recruitment Tracking system

Since automating our recruitment process, we have increased applicant **flow from 71 in Sept to 131 in October with 21 Inducted Oct and 24 booked for Nov.**



Agenda item
No:

8

Hertfordshire County Council Internal Audit Progress Report 1 December 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Agree changes to the audit plan
- Agree to the removal of high priority actions now complete

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.6 Schools' Activity
 - 2.14 Proposed Audit Plan Amendments
 - 2.22 Limited Assurance Audits
 - 2.23 High Priority Recommendations
 - 2.29 Medium Priority Recommendations
 - 2.31 Performance Management

Appendices

- A Progress against the 2017/18 Audit Plan

- B Implementation Status of High Priority Recommendations

- C Definitions of Assurance and Recommendation Priorities

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with information on the position as at 15 November 2017, relating to:
 - a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Hertfordshire County Council Internal Audit Plan for 2017/18
 - b) Proposed amendments to the approved 2017/18 Audit Plan
 - c) 'Limited Assurance' audits issued since the last meeting of this Committee of which there are none in this reporting period.
 - d) Implementation status of previously agreed:
 - high priority audit recommendations and agreement to remove completed actions; and
 - medium priority recommendations
 - e) An update on performance management information.

Background

- 1.2 The 2017/18 Hertfordshire County Council Audit Plan was approved by the Audit Committee on 1 March 2017.
- 1.3 The Audit Committee receives periodic progress updates against the Internal Audit Plan and this is the third update report for the 2017/18 financial year.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 15 November 2017, 52% of the 2017/18 Internal Audit Plan days had been delivered (calculation excludes unused contingency days). Appendix A to the report provides a status update on each individual deliverable within the audit plan.

- 2.2 The following reports have been issued and assignments undertaken in the period since 14 August 2017 which was the cut off period for the previous report that was brought to the Committee in September:

Audit Title	Assurance Level	Number of Recommendations
2016/17 Audit Plan		
Environment		
Ringway Contract – Sector Specific Improvements	Substantial	No Recommendations
Adult Care Services		
Pre-Paid Cards	Substantial	2 Medium 3 Merits Attention

Audit Title	Assurance Level	Number of Recommendations
2017/18 Audit Plan		
Resources / Children’s Services		
Early Years Payment Run Processes (consultancy review)	Not Assessed	8 advisory recommendations
Children’s Services		
General Data Protection Regulations (GDPR) - Transmission of Sensitive Data	Moderate	1 High 4 Medium 3 Merits Attention
Environment		
Blue Badges	Substantial	3 Merits Attention
Grant Certification / Statutory Submissions		
Bus Subsidy Operators Grant	Unqualified Opinion	No Recommendations
Pot Hole Action Fund	Unqualified Opinion	No Recommendations

Local Transport Capital Block Funding	Unqualified Opinion	No Recommendations
Disabled Facilities Grant	Unqualified Opinion	No Recommendations

- 2.3 In addition to the above, the following draft reports have been issued to management for comment and response:

Service	Audit Title	Month of Issue
2016/17 Audit Plan		
SIAS Joint Review	PREVENT	August 2017
2017/18 Audit Plan		
Environment	Dropped Kerbs	July 2017
Adult Social Care	Appointeeships and Deputyships	November 2017
Resources	Cyber Security	October 2017

- 2.4 One activity from the 2016/17 audit plan remains in fieldwork stage, this being the SIAS Partnership Joint Review of Trading Activities.
- 2.5 In respect of progress on delivering audits within the 2017/18 audit plan, two audits are currently at quality review stage, 12 audits currently in fieldwork and 20 are at planning or terms of reference stage.

Schools' Audit Activity

- 2.6 All activities within the 2016/17 Schools Plan have been completed.
- 2.7 The schools' audit plan for 2017/18 identified three streams of activity:
- a) **Theme 1** - Assessment of the effectiveness of internal control in relation to the requirements of the Schools Financial Value Standard (SFVS) (sample of 27 schools)
 - b) **Theme 2** – Safe Recruitment – to provide assurance that the sample schools comply with the statutory guidance in the Department for Education's publication "Keeping Children Safe in Education" and the Home Office Right to Work in the UK legislation, when undertaking recruitment activity (sample of 18 schools)

- c) **Theme 3** – IR35 – to provide assurance that the sample schools are complying with the new IR35 (off payroll working) regulations that came into force in April 2017 (sample of 15 schools)
- 2.8 In respect of Theme 1, visits to all sampled schools have now been completed and 25 final reports have been issued. Of the remaining schools both are at draft report stage with responses from both schools currently being chased up to allow finalisation.
- 2.9 In respect of theme 2 (Safe Recruitment in Schools) visits have now commenced for eighteen sampled schools, with 10 draft reports and 1 final report issued. All visits are scheduled to be completed by the end of December 2017.
- 2.10 Finally for theme 3 (IR35 compliance) visits have now also commenced to the 14 schools remaining within the audit sample. Currently one draft report and one final report have been issued, with all visits again scheduled to be completed by the end of December.
- 2.11 As part of the above review, and at the request of IR35 project group, SIAS have also issued a questionnaire to all maintained schools to evaluate their understanding of the IR35 regulations and the internal control arrangements they have in place to ensure compliance. The work to co-ordinate and follow up responses is scheduled for completion in quarter three and the outputs will be used to assist the Council's work in providing training and guidance in schools to support their understanding and application of this new legislation.
- 2.12 To date we have not received any referrals for inclusion under the contingency allocation for schools due to become academies.
- 2.13 We continue to receive enquiries from schools regarding a range of financial matters and update the Frequently Asked Questions within the Internal Audit page on the Grid accordingly.

Proposed Audit Plan Amendments

- 2.14 Proposed amendments to the 2017/18 Internal Audit Plan and the reasons for these are set out below:
- 2.15 Resources
- Following discussions with the Council's External Auditors and Hertfordshire County Council's Finance Department, an audit of the Adult Care Services Feeder Systems has been added to the Key Financial Systems audit plan. This audit will provide assurance to the External Auditors over the robustness of control design and operation of this feeder system to support their Final Accounts

assurance work. A total budget of 15 days has been allocated to this project.

2.16 Grants

- Since the previous progress report SIAS have received four requests for grant certification activities relating to the Bus Subsidy Operators Grant, Pothole Action Fund, Local Transport Capital Block Funding and the oneTRANSPORT grant. A total of 7.5 days has been allocated for the completion of these activities, with three of the reviews now completed.

2.17 Adult Care Services

- At the request of the Assistant Director Planning & Resources the planned audit of Accommodation for Independence Programme (Adult Disability Service) has been cancelled as, following the outcomes of a national consultation on funding for supported accommodation, this programme is no longer being taken forward. A total of 14 days has been returned to the Council's contingency allocation.

2.18 Environment

- At the request of the Assistant Director (Strategy & Communications) the planned audit of Development Management Enforcement has been deferred to 2018/19. This is a result of planned changes to key policies, thereby reducing the value of an audit in the current year. A total of 14.5 days has been returned to the Council's contingency allocation.

2.19 Schools

- In order to accommodate the additional planned worked on IR35 compliance within schools (see paragraph 2.11), including an increased number of compliance visits, the audit budget for this theme has been increased by 16 days to a total of 43 days.

2.20 In respect of the plan additions above these have been resourced from the Council's audit plan contingency allocation, leaving a remaining contingency balance of 47.5 days. The exception is the change highlighted within paragraph 2.19, which have been resourced from the Schools contingency allocation, leaving a remaining balance of 15 days.

2.21 Additional minor changes have been made to the audit plan in order to reflect changes of 3 days or less, where original planned items are no longer required, or new activities have emerged.

Limited Assurance Audits

- 2.22 Since the previous progress report no Limited Assurance opinions have been provided by SIAS.

High Priority Recommendations

- 2.23 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.24 An update on progress with implementing high priority recommendations is shown at Appendix B to the report. Progress is summarised in the table below:

HIGH PRIORITY RECOMMENDATIONS				Not implemented by Due Date	
Total Number of Outstanding Recommendations at the start of this Follow Up Period	Implemented	Not Yet Due	No Longer Applicable	Partially Implemented – Revised Date Agreed	No Update Provided by Action Owner
3	1	1	0	1	0
%	33.33%	33.33%	0%	33.33%	0%

- 2.25 High priority recommendations relating to schools are excluded from this listing given both the volume of schools within the County and the relative risk of any single recommendation to the Authority as a whole.
- 2.26 Further details on the implementation status of the above management actions are provided within Appendix B of this progress report.
- 2.27 One new high priority recommendation has been made since our previous progress report to the Committee.

- GDPR - Transmission of Sensitive Data within Children's Services –

HR records (as at 20 July 2017) indicated that 1156 officers within Children's Services had not completed the mandatory iLearn Data Protection Module. In respect of the above, issues have been identified in relation to the accuracy of the iLearn statistics; with some staff on the report indicating they had completed the training. In response to the

report Management have already issued a reminder to all staff to complete the mandatory training, will follow up progress with all managers in November, will review the accuracy of iLearn completion rate recording and reporting with Corporate Colleagues and will review the training provided to the extended workforce such as Foster Carers.

- 2.28 The current progress of management in implementing the above actions is reported to the committee within Appendix B of this report.

Medium Priority Recommendations

- 2.29 The Committee’s role in respect of medium priority recommendations is to be satisfied that there is a monitoring process in place and that, in general, agreed recommendations are being implemented.
- 2.30 The table below details the implementation status of medium priority recommendations that were due for implementation in the period since the last progress report.

MEDIUM PRIORITY RECOMMENDATIONS		Not implemented by Due Date		
Total Number of Recommendations Followed Up in this Period	Implemented	Partially Implemented – Revised Date Agreed	Actions not commenced – Revised date Agreed	No Update Provided by Action Owner
37	5	23	0	9
%	14%	62%	0%	24%

Performance Management

- 2.31 Annual performance indicators and associated targets are approved by the SIAS Board on an annual basis.
- 2.32 The actual performance for Hertfordshire County Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Performance Target for 31 March 2018	Profiled performance at 15 November 2017	Actual performance to 15 November 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	54%	52%
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects	95%	50%	49%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%**
4. Number of High Priority Audit Recommendations agreed as %	95%	95%	100%

* Based on audit plan 'deliverables' at draft, final and audit closed stage including schools audits and items carried forward from 2016/17 that were not at draft report stage by 31 March 2017.

** 16 completed customer satisfaction surveys have been received during 2017/18, four of which relate to audits completed from the 2016/17 audit plan.

2.33 In addition, the performance targets listed below are annual in nature; Members will be updated on the performance against these targets within the separate Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – external audit has been able to draw assurance from the work of internal audit on relevant matters.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **7. Head of Assurance's Annual Report** – presented at the June meeting of the Audit Committee.

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

Hertfordshire County Council Audit Plan 2017/18

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Corporate								
Annual Governance Statement 2016/17	N/a				8	SIAS	8	Complete
Annual Governance Statement 2017/18	N/a				5	SIAS		Allocated
Head of Internal Audit Opinion 2016/17	N/a				5	SIAS	5	Complete
Whistleblowing - named contact and quarterly review	N/a				4	SIAS	4	Through Year
Resources								
Resources Queries < 3hrs Activities	N/a				10	SIAS	5	Through Year
Resources: Hertfordshire Business Services (HBS)								
Business Operations					25	SIAS	15	In Fieldwork
Resources: Finance								
Pensions - Administration					30	SIAS	2	TOR Issued

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Payroll					25	SIAS	6	TOR Issued
Debtors					25	SIAS	5.5	TOR Issued
Creditors					25	SIAS	2	TOR Issued
General Ledger					20	SIAS	1.5	TOR Issued
Treasury Management					15	SIAS	2.5	TOR Issued
Adult Care Services – Feeder Systems					15	SIAS		In Planning
SAP Systems Access					15	SIAS		TOR Issued
eIncome					15	BDO	5.5	In Fieldwork
Resources: Property								
Carbon Reduction Commitment	Unqualified Opinion	0	0	0	15	SIAS	15	Final Report Issued
Resources: Technology								
Segregation of Duties / Access Controls					20	BDO		Allocated
Cyber Security					15	BDO	14.5	Draft Report Issued

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Resources: Human Resources								
Employee Expenses	Substantial	0	0	4	15	SIAS	15	Final Report Issued
Off Payroll Working (consultancy)					5	SIAS	1.5	Through Year
DBS and Risk Assessments	Moderate	0	2	1	10	SIAS	10	Final Report Issued
Resources: Legal, Democratic & Statutory Services								
LEP - Compliance with Assurance Framework					15	SIAS	13	In Fieldwork
Resources: Customer Engagement & Libraries								
Blue Badges	Substantial	0	0	3	10	SIAS	10	Final Report Issued
Council Wide Reviews								
Conflicts of Interest					25	SIAS	3.5	TOR Issued
Delegated Decision Making					25	BDO	10.5	In Fieldwork

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Volunteering					25	SIAS	23.5	In Fieldwork
Business Continuity					25	SIAS	15	In Fieldwork
Serious and Organised Crime Audit					25	SIAS	12	In Fieldwork
Safeguarding					25	SIAS		Allocated
Cross Service Reviews								
0-25 Integrated Service (Children's Services and Adult Care Services)					20	BDO		Allocated
Home to school / college transport (Children's Services and Environment)					15	SIAS	5.5	TOR Issued
Transport Infrastructure Assets (Resources and Environment)					1.5	SIAS	1.5	Audit Cancelled
Early Years Payment Run Processes	Not Assessed	0	0	8	5	SIAS	5	Final Report Issued
Adult Care Services								
Deputyship / Appointeeships					15	SIAS	14.5	Draft Report Issued
Integrated Commissioning Arrangements					15	BDO	2.5	Terms of Reference Issued
Application of Eligibility Thresholds (Older People Service & Adult Disability Service)					20	BDO		Allocated

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Data Security and Information Sharing					15	SIAS	0.5	In Planning
Direct Payments					15	SIAS		Allocated
Provider Portal (Consultancy Advice)					5	SIAS	1.5	Through Year
Data quality - Business Process Compliance – Older People Service					20	BDO	8.5	In Fieldwork
Demography & Budget monitoring - Adult Disability Service					20	BDO		Allocated
Payment of homes gross - Consultancy Support					1	SIAS	1	Audit Cancelled
Accommodation for Independence Programme (Adult Disability Service)					1	BDO	1	Audit Cancelled
Adult Care Services Queries < 3hrs Activities	N/a				10	SIAS	5	Through Year
Market oversight programme – consultancy activity / advice					20	SIAS	19.5	Quality Review
ACS Client Finances (Older People Service)					5	SIAS	3	In Fieldwork
Environment Services								
Bus Contracts					15	SIAS	1.5	In Planning
Dropped Kerbs					12	SIAS	11.5	Draft Report Issued
Highways Service - Highways Act 1980 Section 58					15	BDO	11.5	In Fieldwork

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Highways Service - Category 3 Works					15	BDO		Allocated
Highways Services - PMnet Software Development Project					10	SIAS	9	Quality Review
Development Management - Enforcement					0.5	SIAS	0.5	Audit Cancelled
Compliance with CDM Regulations					15	SIAS	5	In Fieldwork
Environment Services Queries <3hrs activities	N/a				10	SIAS	5	Through Year
WAMS (Waste Management System) - Consultancy Advice					3	SIAS		Through Year
Children's Services								
Programme / Project Management					20	BDO	1.5	In Planning
Financial Monitoring of Schools					15	SIAS	3	In Fieldwork
Family Finding model					5	SIAS	1	Through Year
Quality Assurance Systems (Consultancy)					10	SIAS	4	In Planning
Customer Service Centre (safeguarding enquiries)					20	SIAS		Allocated
GDPR – Transmission of Sensitive Data	Moderate	1	4	3	20	SIAS	20	Final Report Issued
Children's Services Queries <3hrs Activities	N/a				10	SIAS	5	Through Year

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Public Health								
Commissioning, Contract Management and Contract Payments					20	BDO	11	In Fieldwork
Immunisation in Schools					0.5	SIAS	0.5	Audit Cancelled
Community Protection								
Service Performance Management					15	BDO		Allocated
Internal Quality Assurance Arrangements					15	SIAS	3	In Fieldwork
Trading Standards - Management of Evidence					10	SIAS	4	In Fieldwork
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports	N/a				5	SIAS	2.5	Through Year
Joint Review					5			Not Yet Allocated
Grant Claims								

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Herts Chief Finance Officers Society	Unqualified Opinion	0	0	0	2	SIAS	2	Final Report Issued
Hertfordshire Education Foundation					2	SIAS		Allocated
Hertfordshire Charity for Deprived Children	Unqualified Opinion	0	0	0	1	SIAS	1	Final Report Issued
Autism Grant					2	SIAS		Allocated
LEP - Local Growth fund	Unqualified Opinion	0	0	0	3	SIAS	3	Final Report Issued
Integrated and structural maintenance grant					2	SIAS		Allocated
Building Better Opportunities					3	SIAS	2	In Fieldwork
Disabled Facilities Grants / Home Improvement Agency	Unqualified Opinion	0	0	0	5	SIAS	5	Final Report Issued
LEP Capital Grant	Unqualified Opinion	0	0	0	4.5	SIAS	4.5	Final Report Issued
Bus Subsidy Operators Grant	Unqualified Opinion	0	0	0	2	SIAS	2	Final Report Issued
Pot Hole Action Fund	Unqualified Opinion	0	0	0	1.5	SIAS	1.5	Final Report Issued
Local Transport Capital Block Funding	Unqualified Opinion	0	0	0	1.5	SIAS	1.5	Final Report Issued
oneTRANSPORT					2.5	SIAS		Allocated
Grants Contingency					0	SIAS		

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Other Chargeable								
Plan Delivery Monitoring	N/a				30	SIAS	20	Through Year
Recommendations Follow-Up - Q1	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q2	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q3	N/a				5	SIAS	5	Complete
Recommendations Follow-Up - Q4	N/a				5	SIAS		Allocated
Client Liaison	N/a				10	SIAS	5	Through Year
Audit Committee	N/a				20	SIAS	14.5	Through Year
2018/19 Audit Planning	N/a				30	SIAS	3.5	Allocated
Performance Data	N/a				3	SIAS	1.5	Through Year
External Audit Liaison	N/a				2	SIAS	1	Through Year
SIAS Development	N/a				40	SIAS	37	Through Year
SIAS Board Meetings and Preparation	N/a				10	SIAS	7	Through Year

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Management of Scrutiny	N/a				5	SIAS	3	Through Year
Management of Health & Safety	N/a				5	SIAS	2.5	Through Year
Management of Shared Anti-Fraud Service	N/a				5	SIAS	3	Through Year
Management of Risk Management and Insurance	N/a				5	SIAS	3	Through Year
Public Sector Internal Audit - Self Assessment 17-18	N/a				10	SIAS		Allocated
16/17 Projects requiring completion								
16-17 Projects requiring completion	N/a				10	SIAS	10	Complete
16/17 Social Media	Substantial	0	0	0	9.5	SIAS	9.5	Final Report Issued
16/17 Client Finances - Establishment Visits	Substantial	0	4	0	12.5	SIAS	12.5	Final Report Issued
16/17 Training Records	Substantial	0	0	3	10	SIAS	10	Final Report Issued
16/17 Ofsted Action Plan	Substantial	0	1	2	7.5	SIAS	7.5	Final Report Issued
16/17 Overtime / Working Time Directive	Substantial	0	0	1	6	SIAS	6	Final Report Issued
16/17 Pre-Paid Cards	Substantial	0	2	3	8.5	SIAS	8.5	Final Report Issued

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
16/17 Joint Reviews					1	BDO	0.5	Quality Review
16/17 Ringway - Service Sector Improvements	Substantial	0	0	0	1	SIAS	1	Final Report Issued
HCC Plan Contingency Balance					32.5			
Schools								
Advice, queries and guidance for schools	N/a				20	SIAS	11.5	Through Year
Liaison, awareness raising and training	N/a				25	SIAS	9.5	Through Year
Theme 1 - SFVS (25 schools)	N/a				114	SIAS	112.5	Draft or Final Reports Issued
Theme 2 - Safe Recruitment (18 Schools)	N/a				70	SIAS	52.5	In Fieldwork
Theme 3 – IR35 (15 schools)	N/a				43	SIAS	26	In Fieldwork
16-17 SFVS Returns Collation	N/a				10	SIAS	10	Complete
17-18 SFVS Returns Collection	N/a				5	SIAS	0.5	Allocated

APPENDIX A PROGRESS AGAINST THE 2017-18 AUDIT PLAN AS AT 15 NOVEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Reporting 16/17 themes	N/a				10	SIAS	7.5	Draft Reports Issued
Follow up schools with high priority recs or moderate assurance	N/a				15	SIAS	1.5	In Fieldwork
Contingency - Schools Causing Concern	N/a				6	SIAS		Through Year
Contingency - Academy Conversions	N/a				6	SIAS		Through Year
Plan Monitoring	N/a				10	SIAS	9	Through Year
Completion of 16-17 Audits	N/a				8	SIAS	8	In Progress
Schools Plan Contingency Balance					3			

Total		1	13	28	1637		826.5	
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Key

H = High Priority
M = Medium Priority
MA = Merits Attention
RECS = Recommendation
BDO = new audit partner, replacing PWC from 1 April 2015
N/A = not applicable

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation / Original Management Response	Responsible Officer / Due Date	Management Comment as at October 2017 (previous commentary added where appropriate)	Status of Progress
1	<p>HCC Service User Managed Monies</p> <p>(Final Report Issued February 2015)</p>	<p><u>Recommendation</u> All existing service users that are not currently managed under Appointeeship or Deputyship should be reviewed to ensure that HCC have the appropriate level of authority based on the level of support being provided.</p> <p>For instances where significant levels of support are provided, appointeeships or deputyships should be used in all cases. If there are subsequent anomalies, these should be fully documented, approved by Senior Management and recorded on the Service User’s file.</p> <p><u>Management Response</u> The review of the area of appointeeships and deputyships will form a specific workstream of this project.</p> <p>A key area of review will be determining the responsibilities of HCC within this area from both a legal and regulatory basis. If it is confirmed that appointeeships and deputyships should be used more widely a full review of existing service users will be undertaken.</p> <p>The project will also review how the existing scheme of delegation for approving expenditure for service users ensures that decision making is appropriate to the service user’s needs, i.e. decision making is undertaken by those individuals that know the client best.</p>	<p>Steven Lee-Foster, Assistant Director ACS Provider Services / David Price, Business Development Manager (ACS)</p> <p>30 September 2015</p>	<p>August 2017 Update – The audit of tenant information and role of In House Services is continuing, which includes visiting services to review information held locally in relation to Mental Capacity Act, Care Plans and practice. This work is now reaching a conclusion and will be summarised into a clear action plan shared with Senior Management, Unit Managers, Care Management Teams and Audit.</p> <p>October 2017 Update - The audit of tenant information has now been completed and no significant concerns have been identified.</p> <p>The audit outputs have identified the opportunity for additional work with Unit / Provider Managers, Care Management Teams and the Client Finance Team to review existing processes and workflows, with this being considered part of wider service development activities.</p> <p>The monthly SIAS return, submitted by units, will be reviewed to ensure that it acts as an appropriate tool to provide assurance that unit managers understand and comply with agreed policies and processes. In addition, escalation processes will be created to deal with issues that cannot be resolved by units.</p>	<p>Complete</p>

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation / Original Management Response	Responsible Officer / Due Date	Management Comment as at October 2017 (previous commentary added where appropriate)	Status of Progress
2	<p>Data Quality (Children’s Services)</p> <p>(Final Report Issued May 2017)</p>	<p><u>Recommendation</u> It was recommended that Children’s Services:-</p> <ul style="list-style-type: none"> • Review the Children’s Services Data Oversight Strategy to ensure that it is consistent with the corporate Data Quality Strategy • Formally allocate the Senior Information Risk Owner (SIRO) role to a named officer • Ensure that each information system has a named officer for data quality. • Set a clear target date for the implementation of the Master Data Roadmap/Golden Record project • Set up regular data quality meetings across all departments and with external users • Update the Data Quality Strategy to include information on how data quality is reported through the data governance hierarchy. <p><u>Management response</u> Meet with Corporate colleagues to review the recommendations and determine the appropriate response from a corporate perspective.</p> <p>Present a report to Children’s Services Core Board to review the recommendations and agree proposed actions and owners. Develop an action plan following on from decisions taken at Board.</p>	<p>Jenny Eccles - Head of Business Infrastructure</p> <p>July 2017</p>	<p>October 2017 Update - A meeting has taken place with Corporate colleagues and an approach has been agreed. A report will be presented to CS Core Board in September 2017</p> <p>November 2017 Update – The above report has been rescheduled to 6th December 2017 for presentation to Core Board</p>	<p>Revised Target Date - 15 December 2017</p>

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation / Original Management Response	Responsible Officer / Due Date	Management Comment as at October 2017 (previous commentary added where appropriate)	Status of Progress
3	<p>GDPR – Transmission of Electronic Data (Children’s Services)</p> <p>(Final Report Issued November 2017)</p>	<p><u>Recommendations</u> It was recommended that Children’s Services (with the support of the Information Governance Team):-</p> <ul style="list-style-type: none"> • reminded staff of the requirement to complete Data Protection iLearn training • positively confirm with managers that all staff have completed the training by a specified date. • Undertake work to verify that all training records held are up to date and accurate, correcting any inaccuracies and implement ongoing monitoring to provide assurance that records remain accurate. • Within the above reviews, include all members of the workforce, extending to areas such as Foster Care. <p><u>Management Response</u></p> <ul style="list-style-type: none"> • An email from Jenny Coles has been sent to all managers (July 2017) indicating that all staff must have completed the iLearn training. This will be followed up with managers in November 2017 to confirm completion. • Implementation of a monthly new starters report to be reviewed to enable managers to ensure iLearn module has been completed. • Information Governance Unit to discuss with HR the issues regarding accuracy of iLearn completion data. • A review of DP training provided to foster carers is in progress and methods to communicate more securely with foster carers are being developed with the Corporate Technology Team. • Manual records of attendance on face to face training (which is considered over and above the iLearn mandatory training) prior to SAP to be inputted onto SAP to provide an overall report 	<p>Jenny Eccles - Head of Business Infrastructure and Elaine Dunncliffe - Information Governance and Access Unit Manager</p> <p>31 January 2018 for completion of all actions (some having earlier completion dates)</p>	<p>N/a – action not yet due</p>	<p>Not yet Due</p>

APPENDIX C – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.



Agenda Item
No:

9

Hertfordshire County Council Shared Anti-Fraud Service Report December 2017

Recommendation

Members are recommended to:

Note the progress against the Anti-Fraud Action Plan 2017/2018.

Contents

- Introduction
- 1. Background
- 2. Counter Fraud Activity in 2017/2018
- 3. Progress against the 2017/18 Anti-Fraud Action Plan
- 4. Transparency Code Data 2016/2017
- Appendices 1 & 2

Introduction

This report provides the Committee with details of performance against the published 2017/18 Anti-Fraud Action Plan for the Council agreed by this Committee in July 2017.

Several reports issued by Government and public sector organisations have highlighted fraud as a significant risk for local government. These reports are used by SAFS to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
- *UK Annual Fraud Indicator* produced by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in schools or care services).

1. Background

- 1.1 According to reports from the former Audit Commission National Fraud Intelligence Bureau, The National Audit Office (NAO), and the Cabinet Office, Public Sector fraud loss across local government in England exceeds £2 billion each year with some reports indicating levels considerably above this.
- 1.2 The Cabinet Office, the NAO, and the Department for Communities and Local Government have issued advice and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. The Chartered Institute of Public Finance and Accounting (CIPFA) have also produced a Code of Practice. This advice and guidance includes the need for Councils to be vigilant in recognising their fraud risks, and to invest resources in counter fraud activities that deliver savings.
- 1.3 It is therefore essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 Hertfordshire County Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and the Host Authority for the service. Members received a detailed report in September 2015 about the creation of SAFS and how this service would work closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution.

2. Counter Fraud Activity in 2017/2018

Staffing

- 2.1 The SAFS team was originally made up of nine staff. This has expanded to fourteen from late 2016, when the Partnership was joined by Luton Borough Council, Aldwyck Housing Group and B3 Living Housing. The Service is based at the County Council offices in Stevenage, although staff work across various locations in Hertfordshire and Bedfordshire.
- 2.2 Each SAFS Partner receives dedicated support and response from the SAFS Team. At present the most effective way to do this is by allocating officers to work exclusively for each Partner. These officers act as the first point of contact for that partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.

Fraud Awareness and Reported Fraud

- 2.3 SAFS ensures that fraud can be reported by both staff and the public; the Council's website and intranet both have mechanisms which link to the SAFS webpage for reporting suspected fraud.
- 2.4 The SAFS webpage – www.hertfordshire.gov.uk/fraud includes an online reporting tool and information on the types of fraud the Council is subject to and the impact of this on the public purse. A confidential fraud hotline (0300 123 4033) and a secure email account (fraud.team@hertscgcsx.gov.uk) are also available for reporting fraud. These contact details have been added to Hertfordshire County Council's own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures.
- 2.5 In the first half of 2017/2018 516 allegations of fraud were received across all SAFS Partners. 89 of these related to County Council services. The service also carried forward 28 live cases from 2016/2017. SAFS have closed 65 allegations to date, and 49 cases are still under investigation at the time this report was produced.
- 2.6 The details of reported fraud and outcomes at Hertfordshire County Council are shown in the tables below:

Table 1. Types of fraud being reported (in year):

Payroll /Pension Fraud	Blue Badge Fraud	Financial Fraud*	Care Services	Schools Fraud	Other Fraud **	Total
7/2	64	1	5	6	4	89

* This includes cyber-enabled fraud

** Includes contract/procurement/Insurance fraud

Table 2. Who is reporting Fraud (in Year)?

Fraud Reported by Staff	Reports from Public*	SAFS Team/ Data Matching	Other	Total
30	38	3	18	89

*includes reports following local 'Cheater Campaigns'.

Table 3. Outcomes of cases closed (in Year):

Closed No Action Required/ Passed to another Agency	Closed No Fraud Proved	Closed Fraud Proved/ Advice Provided	Closed 'No Fraud' but a Warning Letter issued	Total
26	6	7/8	18	65

- 2.7 Of those cases closed with a positive outcome two relate to County Council employees who were dismissed or disciplined following investigation. Six members of the public have been prosecuted for Blue Badge abuse or Insurance Fraud. Cases closed with a warning letter often relate to allegations of Blue Badge misuse which cannot be substantiated but where a letter is sent to remind the 'keepers' about their duty to look after their badges.
- 2.8 The SAFS work with Districts and Borough Councils has already identified fraud loss and savings against the local taxation system in excess of £80,000 in the first half year 2017/2018. Although District partners are the 'victims' in these cases the County Council is the main beneficiary from the recovery of these sums.
- 2.9 Live cases include disciplinary matters in schools for alleged misconduct related to fraud, and a number of cases alleging fraud against Adult Care Services by third parties.
- 2.10 SAFS have been working with the DWP Fraud and Error Service as part of a national pilot since early 2016. This work initially focused on 'welfare fraud' but has been so successful that the Government has announced a national roll-out in 2018, to include all areas of fraud across local government, including County Councils.

SAFS Projects at Hertfordshire County Council

- 2.11 SAFS has developed excellent working relationships with the Council's HR-Business Partners, Legal and Education Services. The relationship with the Blue Badge Team, part of Customer Services, has been particularly beneficial with SAFS helping to deliver a more robust service at point of application to prevent fraudulent applications. This in turn has been supported by SAFS activity with our District Partners.
- 2.12 The National Fraud Initiative data upload and submission to the Cabinet Office was completed by SAFS for the Council in October 2016. The Service is now reviewing all matches (30,000 across the Council) with relevant services including Concessionary Bus Passes, Blue Badge, Operation 'Amberhill', Payroll & Pensions and others, to ensure the Council complies with the statutory requirements to complete this exercise in 2017.
- 2.13 SAFS have arranged for the delivery of specialist training to teams working within council directorates such as Direct Payments, Schools SAFE-Recruiting and Schools Transport. SAFS work very closely with Hertfordshire County Council's HR Service, providing assistance in disciplinary matters. SAFS have

also worked with HR Recruiting to enhance anti-fraud measures as part of the Council's recruiting process and use of Agency Staff.

3. Progress against the 2017/2018 Anti-Fraud Action Plan

- 3.1 The Council has in place an Anti-Fraud and Corruption Policy. This document lays out the Council's position and includes advice to Members, senior officers, and staff about how to deal with identified fraud. This document pre-dates the formation of the SAFS and will be reviewed in 2017; at present it complies with best practice guidance from CIPFA/NAO/CLG.

Anti-Fraud Action Plan 2017/2018

- 3.2 The Council's Anti-Fraud Action Plan for 2017/2018, approved by Members in July 2017, covers all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and appropriate action to prevent/deter/pursue fraud. Progress against the plan is shown at **Appendix 1 (Page 9)**.
- 3.3 Progress against the Anti-Fraud Action for 2017/2018 and KPIs can be seen at **Appendix 2 (Page 17)**.
- 3.4 Adherence to the proposed plan for 2017/2018 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the Government, NAO, and CIPFA.

SAFS Reports 2017/2018

- 3.5 In March 2018 SAFS will provide a revised Anti-Fraud Action Plan for 2018/2019.
- 3.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council by 2018 on its activity on Counter Fraud for the whole of 2017/2018.

4. Transparency Code- Fraud Data 2016/2017

- 4.1 The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
- 4.2 The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy*

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf).

The National Fraud Strategy: *Fighting Fraud Together*

(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(<http://www.cipfa.org/->

[/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf](http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf))

4.3 The Code requires that Local Authorities publish the following the data in relation to Fraud, The response for Hertfordshire County Council for 2016/2017 is in **Bold**:

- *Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers. **Nil. The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.***
- *Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud. **1.5 FTE Staff***
- *Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists. **1.5 FTE Staff***
- *Total amount spent by the authority on the investigation and prosecution of fraud. **£110,000***
- *Total number of fraud cases investigated. **30 Cases investigated and closed in year***

4.4 In addition, the Code recommends that local authorities publish the following (for the Council Fraud/Irregularity are recorded together and not separated):

- *Total number of cases of irregularity investigated- **30***
- *Total number of occasions on which a) fraud and b) irregularity was identified. **27 occasions where fraud/irregularity identified***
- *Total monetary value of a) the fraud and b) the irregularity that was detected, and. **£227,500***
- *Total monetary value of a) the fraud and b) the irregularity that was recovered. **Not recorded.***

Appendices.

1. SAFS/HCC Anti-Fraud Action Plan 2017/2018 Page 9

2. Performance against Plan 2017/2018 Page 17

Appendix 1.

Hertfordshire County Council Anti-Fraud Plan in partnership with Hertfordshire Shared Anti-Fraud Service 2017/2018

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SAFS KPI for HCC 2017/2018.....	15
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Introduction

This plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Anti-Fraud and Corruption Strategy states:

*The Primary aim of this Strategy is to make it absolutely clear to the Citizens and stakeholders of Hertfordshire County Council that, as an organisation and individuals, we are committed to honesty, openness, and propriety, in all of our dealings. Simply put, **fraud and corruption will not be tolerated.***

We will do our utmost to foster a culture in which fraud and corruption can find no foothold, and any attempt to conduct illegal activity, either internal or external, against the Council will be met with a united and resolute front.

This plan includes objectives and key performance indicators to measure the Council's effectiveness against its Strategy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office, the Chartered Institute for Public Finance and Accountancy and The European Institute for Combatting Corruption and Fraud.

National Context.

In its 2015 publication '**Code of practice on managing the risk of fraud and corruption**' CIPFA highlights five principles outlining public bodies' responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The Chartered Institute for Public Finance and Accountancy (CIPFA) **Local Government Counter Fraud and Corruption Strategy (2016-2019)** included a summary of fraud losses across councils in England.

- Actual fraud losses reported by local government in 2013 totalled £207m (this excludes housing benefit)
- Hidden fraud loss for local government was estimated at £1.9bn.
- As admitted previously by the National Fraud Authority in 2013 the scale of fraud against local government is large, but difficult to quantify with precision.
- The strategic response to fraud threats contains three main principles 'Acknowledge/ Prevent/ Pursue'. The Anti-Fraud Action plan for Hertfordshire County Council adheres to these three principles

SAFS/ HCC Anti-Fraud Action Plan 2017 2018					
Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility
ACKNOWLEDGE	ACKNOWLEDGEMENT The risk of fraud and the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy Membership of SAFS Internal Audit Member Support	Have in place an Anti-Fraud and Corruption Strategy & Develop and Fraud Risk Assessment Tool for HCC and individual services Retaining Board Membership of SAFS Have in place an effective IA Plan and Audit Committee Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Head of Assurance S.151 Officer Audit Manager Head of Legal
	FRAUD AWARENESS Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Local News Media Promote Fraud Team Fraud Awareness Training Internal Awareness	Issue a press release for every successful prosecution in 2017/2018 Promotion of internet fraud pages (SAFS) and local media exposure Deliver ten fraud training awareness training sessions to Council Staff, or tailored training as requested by services Conduct an E-Survey of fraud awareness across officers	SAFS/Comms SAFS/Comms SAFS SAFS
PREVENT	CUSTOMER SERVICE Service performance is managed to the highest standards so that agreed levels of service are met	Ensure customers and staff are informed about counter fraud work	Customer Service Work across all Services SAFS and SIAS Reports to Audit Comms	Issue customers with information leaflets when attending interviews HCC S.151 and Head of Assurance Review SAFS Activity SAFS and SIAS Mgrs Meetings and SAFS Mgr with Head of Assurance 2 Reports to Audit Committee	SAFS s.151/ Head of Assurance SAFS/Audit Managers SAFS
	PERFORMANCE Maximize performance through robust risk assessment and quality investigation work.	Be recognised as a high performing and successful fraud team.	Quality Fraud Referrals Individual Targets Data Matching Fraud Referrals Performance Report	100% risk assessment on all fraud referrals received SAFS CFO- Set PMDS Targets to match HCC KPIs NFI Data Matches 2017 to be reviewed in year Monitor source of fraud referrals each quarter Issue a performance report in April 2018	SAFS SAFS SAFS SAFS SAFS
PURSUE	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Interview Under Caution Sanction Files Witness Statements Legal Services	SAFS management checks on all sanctions issued File management checks on live caseload 100% check on witness statements used in prosecution cases Develop relationship with HCC Legal and High Street Solicitors for best service to SAFS and HCC	SAFS SAFS SAFS SAFS/ Head of Legal
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the 'prosecution' of fraud and dishonesty in appropriate cases	Prosecutions/ Sanctions Disciplinary/Professional Civil Recovery Legal Service Liaison	Ensure all cases suitable for sanction are reviewed in line with Policy Ensure that where fraud/corruption/bribery involves HCC staff this is dealt with in line with all relevant Policies Ensure that where HCC suffers a loss this is recorded and services encouraged to recover this from the debtor Continue to work with Legal and maximise recovery of costs and compensation to HCC	SAFS SAFS/Head of HR SAFS/S.151 SAFS/ Head of Legal

SAFS Resources 2017/2018

Budget

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018. This restructure would result in an increase in fees for all Partners. The Board agreed that the annual fee for Hertfordshire County Council, would be fixed to £110,000 +VAT. The Board also received assurance from financial modelling that the service would be sustainable, in its current form for 5 years with an increase in fees each year at 1% from 2019 onwards.

It has been agreed that the service would be allowed to build up a small operating reserve but should this be exhausted all Partners agree to meet any shortfall in Budgets equally.

Staffing

The full complement of SAFS now stands at 14.5 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Business Support who are funded from SAFS Budgets.

For staffing – Hertfordshire County Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on the SAFS Manager & Assistant Manager for quarterly liaison meetings, management meetings and two Audit Committees reports per annum. SAFS also have access to an Accredited Financial Investigator (AFI) and criminal litigation services. SAFS will also work alongside specialist teams such as HR, Comms, Litigation and Commercial Law and Trading Standards.

SAFS

KPIs for HCC 2017/2018

KPI	Measure	2017/2018 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at the Council (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff	100% of all	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Council's financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£300k From fraud identified and savings/prevention	£75k	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	25	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	60%	60%	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	100%	Create a data hub for Hertfordshire.

SAFS - Standards of Service.

SAFS will provide Hertfordshire County Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Assistance in the design of Council policies processes and documents to deter/prevent fraud.
4. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
5. SAFS will provide a proactive data-matching solution (data-warehouse) to identify fraud and prevent fraud occurring.
 - The data-warehouse will be funded by SAFS and located in accordance with Data Protection Act requirements.
 - The data-warehouse will be secure and accessible only by named SAFS Staff. Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree to as they choose. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Partners to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
6. All SAFS Staff will be qualified, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
7. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
8. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 10 days.
 - The Council will be informed of all reported fraud and how SAFS are going to deal with this.
 - SAFS will allocate an officer to each investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
 - SAFS Officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
 - Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
9. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. Decisions on imposition of any sanction will lay with the Council but the issue of any penalty will be resolved locally on a case by case basis.
10. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
11. SAFS will provide Alerts to Hertfordshire County Council, of suspected fraud trends or reports/guidance from government and public organisations to assist in the prevention of fraud.

**Data Protection Act, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act.*

Appendix 2.

Progress and performance against Hertfordshire County Council Anti-Fraud Action Plan

2017/2018

SAFS/ HCC Anti-Fraud Action Plan 2017 2018						
Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility	Achieved to 30.9.2017
ACKNOWLEDGE	ACKNOWLEDGEMENT The risk of fraud and the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy	Have in place an Anti-Fraud and Corruption Strategy & Develop a Fraud Risk Assessment Tool for HCC and individual services	Head of Assurance	Strategy in place and 'Fraud Risk' is being considered
			Membership of SAFS	Retaining Board Membership of SAFS		
	FRAUD AWARENESS Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Internal Audit	Have in place an effective IA Plan and Audit Committee	S.151 Officer	Complete. Board attended by S.151 or Deputy
			Member Support	Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Audit Manager	Complete
			Local News Media	Issue a press release for every successful prosecution in 2017/2018	Head of Legal	WB & Bribery complete. AML under review
			Promote Fraud Team	Promotion of internet fraud pages (SAFS) and local media exposure	SAFS/Comms	Ongoing with HCC Comms
		Fraud Awareness Training	Deliver ten fraud training awareness training sessions to Council Staff, or tailored training as requested by services	SAFS/Comms	Complete	
		Internal Awareness	Conduct an E-Survey of fraud awareness across officers	SAFS	Ongoing. 5 delivered to date	
				SAFS	In Progress	
PREVENT	CUSTOMER SERVICE Service performance is managed to the highest standards so that agreed levels of service are met	Ensure customers and staff are informed about counter fraud work	Customer Service	Issue customers with information leaflets when attending interviews	SAFS	Complete
			Work across all Services	HCC S.151 and Head of Assurance Review SAFS Activity	S.151/ Head of Assurance	Ongoing
			SAFS and SIAS	SAFS and SIAS Mgrs Meetings and SAFS Mgr with Head of Assurance	SAFS/Audit Managers	Ongoing
			Reports to Audit Comms	2 Reports to Audit Committee	SAFS	July 17/ Nov 17/ Mar 18
	PERFORMANCE Maximize performance through robust risk assessment and quality investigation work.	Be recognised as a high performing and successful fraud team.	Quality Fraud Referrals	100% risk assessment on all fraud referrals received	SAFS	Complete
			Individual Targets	SAFS CFO- Set PMDS Targets to match HCC KPIs	SAFS	Complete
			Data Matching	NFI Data Matches 2017 to be reviewed in year	SAFS	In progress
			Fraud Referrals	Monitor source of fraud referrals each quarter	SAFS	Ongoing
			Performance Report	Issue a performance report in April 2018	SAFS	Planned
PURSUE	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Interview Under Caution	SAFS management checks on all sanctions issued	SAFS	Ongoing
			Sanction Files	File management checks on live caseload	SAFS	Ongoing
			Witness Statements	100% check on witness statements used in prosecution cases	SAFS	Complete
			Legal Services	Develop relationship with HCC Legal and High Street Solicitors for best service to SAFS and HCC	SAFS/ Head of Legal	Complete
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the 'prosecution' of fraud and dishonesty in appropriate cases	Prosecutions/ Sanctions	Ensure all cases suitable for sanction are reviewed in line with Policy	SAFS	Complete
			Disciplinary/Professional	Ensure that where fraud/corruption/bribery involves HCC staff this is dealt with in line with all relevant Policies	SAFS/Head of HR	Complete
			Civil Recovery	Ensure that where HCC suffers a loss this is recorded and services encouraged to recover this from the debtor	SAFS/S.151	Ongoing
			Legal Service Liaison	Continue to work with Legal and maximise recovery of costs and compensation to HCC	SAFS/ Head of Legal	Complete

KPIs for HCC 2017/2018

KPI	Measure	2017/2018 Target	Performance to 30.9.2017	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at the Council (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff	100% of all	Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Council's financial contribution to SAFS.
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£300k From fraud identified and savings/prevention	Approx £60k from council tax revenue. Approx £10k from other matters.	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	89	Improve the reach into the areas of non-benefit and corporate fraud within the county.
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	60%	71% (15 cases from 21 closed)	Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	Data-Hub operational. NFI ongoing. County wide framework contract signed off April 2017	Create a data hub for Hertfordshire.