

Blackpool Council

18 November 2014

To: Councillors Callow, I Coleman, Galley, Hunter, O'Hara, Smith and L Taylor

The above members are requested to attend the:

FINANCE AND AUDIT COMMITTEE

Thursday, 27 November 2014 at 6.00 pm
in Committee Room A, Town Hall, Blackpool FY1 1GB

A G E N D A

1 DECLARATIONS OF INTEREST

Members are asked to declare any interests in the items under consideration and in doing so state:

- (1) the type of interest concerned; and
- (2) the nature of the interest concerned

If any member requires advice on declarations of interests, they are advised to contact the Head of Democratic Governance in advance of the meeting.

2 MINUTES OF THE LAST MEETING HELD ON 18TH SEPTEMBER 2014 (Pages 1 - 6)

To agree the minutes of the last meeting held on 18th September 2014 as a true and correct record.

3 STRATEGIC RISK REGISTER - MAJOR PROJECTS (Pages 7 - 12)

To consider a progress report on the individual risks identified in the Council's Strategic Risk Register.

4 STRATEGIC RISK REGISTER - PUBLIC SERVICES NETWORK (Pages 13 - 18)

To consider a progress report on the individual risks identified in the Council's Strategic Risk Register.

5 ANNUAL AUDIT LETTER 2013/14 (Pages 19 - 30)

To consider the Annual Audit Letter 2013/14.

6 AUDIT COMMISSION - PROTECTING THE PUBLIC PURSE 2014 (Pages 31 - 42)

To provide a summary of the key information identified in the Audit Commission's recent Protecting the Public Purse (2014) publication.

7 FINANCIAL PERFORMANCE MONITORING AS AT MONTH 5 2014/2015 (Pages 43 - 46)

The level of spending against the Council's Revenue and Capital budgets for the first 5 months to August 2014.

8 FINANCIAL PERFORMANCE MONITORING AS AT PERIOD 6 2014/2015 (Pages 47 - 50)

The level of spending against the Council's Revenue and Capital budgets for the first 6 months to September 2014.

9 TREASURY MANAGEMENT HALF-YEARLY PROGRESS REPORT TO THE 30TH SEPTEMBER 2014 (Pages 51 - 74)

To consider a report relating to Treasury Management activities for the six months to 30th September 2014.

10 RISK SERVICES QUARTER 2 REPORT (Pages 75 - 98)

To consider a quarterly summary of work undertaken by Risk Services.

11 INTERNAL AUDIT BENCHMARKING (Pages 99 - 106)

To consider the key findings from the recent Chartered Institute of Public Finance (CIPFA) benchmarking exercise relating to the internal audit service.

12 DATE OF NEXT MEETING

To note the date of the next meeting as Thursday 29th January 2015 at 6.00pm in Committee Room A at the Town Hall and the proposed items as:

- Financial Performance Monitoring Report
- Strategic Risk Register – Retention of staff of the right calibre and maintain morale
- Annual Audit Fee Letter 2013/14

Venue information:

First floor meeting room (lift available), accessible toilets (ground floor), no-smoking building.

Other information:

For queries regarding this agenda please contact Bernadette Jarvis, Democratic Services Advisor, Tel: (01253) 477157, e-mail bernadette.jarvis@blackpool.gov.uk

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MINUTES OF FINANCE AND AUDIT COMMITTEE MEETING - THURSDAY, 18 SEPTEMBER 2014

Present:

Councillor Callow (in the Chair)

Councillors

I Coleman
O'Hara

Hunter
Smith

L Taylor

In Attendance:

Neil Jack, Chief Executive

Steve Thompson, Director of Resources

Alan Cavill, Director of Place

Tracy Greenhalgh, Chief Internal Auditor

Phil Redmond, Chief Accountant

Iain Leviston, Manager, KPMG

Bernadette Jarvis, Senior Democratic Services Adviser

1 DECLARATIONS OF INTEREST

There were no declarations of interest on this occasion.

2 MINUTES OF THE LAST MEETING HELD ON 26TH JUNE 2014

The Committee agreed that the minutes of the last meeting held on 26th June 2014 be signed by the Chairman as a correct record.

3 STRATEGIC RISK REGISTER

Mr Cavill, Director of Place, provided the Committee with an update on the risks identified on the Strategic Risk Register in relation to continuing to fund the illuminations. He outlined the pressures faced by the illuminations department to continually improve the illuminations despite reductions in funding.

The Committee was advised of the successes this year in obtaining sponsorship for the illuminations from both large organisations and smaller companies. It was also advised of an increase this year in the monies collected from public donations.

Mr Cavill outlined to the Committee the successful tendering processes that had been undertaken to enable the illuminations department to carry out work in other areas of the Country to generate additional income. He also reported on ongoing strategies to secure further funding which included the opportunity for a town-wide Business Improvement District (BID). He added that other areas had more than one BID and that Blackpool had the potential to have the same arrangements if it chose to do so.

Mr Cavill concluded his report by advising of the continual requirement to pursue opportunities for funding for the illuminations and advised of a Coastal Communities

MINUTES OF FINANCE AND AUDIT COMMITTEE MEETING - THURSDAY, 18 SEPTEMBER 2014

funding bid that was in the process of being submitted.

Responding to questions from the Committee in relation to inviting businesses outside of Blackpool to be involved in any potential Tourism BID, Mr Cavill explained that this would need to be in agreement with other relevant Local Authorities. In response to a question around timescales for any new BIDs, Mr Cavill explained that it would depend on if they were to be encompassed in the existing BID or undertaken as a separate BID. If the decision was made to have separate BIDs, this could be implemented at any time, however, if new BIDs were to be encompassed within the existing BID, this would need to be implemented following the expiry of the existing BID or incorporated within the existing BID election process which was due to be undertaken next year.

The Committee agreed to note the plans in place to control and mitigate the risks identified in the Council's Strategic Risk Register in relation to continuing to fund the illuminations.

Background papers: None

4 RISK SERVICES QUARTERLY REPORT - QUARTER 1

Ms Greenhalgh, Chief Internal Auditor, presented the Committee with an overview of the Risk Services Report for the first quarter of 2014-2015. She reported on developments within the service which included confirmation from the Department for Work and Pensions (DWP) that the benefit fraud investigators would transfer to the DWP from 1st April 2015 to become part of the Single Fraud Investigation Service and that all new insurance policies had been put in place and were being monitored.

Ms Greenhalgh reported on the Key Performance Indicators for the service. She advised that the relatively low percentage of audit plan completed reflected that resource had been targeted towards finalising the financial year 2013-2014. She assured Members that this was now back on track and an increase in the percentage figure was anticipated. Ms Greenhalgh reported on the level of housing benefit and council tax overpayments. She advised that only 44% of services had completed their business continuity plans by the end of the quarter and that this was being addressed. The percentage of updated risk registers was also below target and the Risk Services team were currently engaging with the relevant departments to improve this figure.

Members were presented with the overall assurance statement for audit work undertaken during 2013-2014 which showed a positive outcome for many of the reviews. Ms Greenhalgh outlined the challenges faced by Public Health in gaining access to clinical data. She also reported an inadequate rating for Economic Development due to there being a lack of an over-arching strategy for both Blackpool and the Fylde Coast but assured Members that action was currently being taken to address this. In response to concerns raised by the Committee relating to the lack of a strategy being in place to set up the long term economic aims for Blackpool, Ms Greenhalgh explained that a significant amount of work had been invested in developing a regional strategy and a Local Enterprise Partnership (LEP) strategy and now that this had been achieved Blackpool could move forward with producing its local action plan. Mr Jack, Chief Executive, explained the necessity of developing a LEP economic strategy as a priority to secure

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2014**

Government funding for infrastructure projects and the requirement to ensure that the local strategy was in line with the overall LEP strategy.

Ms Greenhalgh concluded her presentation by outlining the progress made with Priority one recommendations.

The Committee agreed to note the report.

Background papers: None

**5 EXTERNAL AUDITOR'S REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)
AND STATEMENT OF ACCOUNTS 2013-2014**

The Committee considered KPMG's Governance Report and the audited Statement of Accounts for 2013-2014. Mr Thompson, Director of Resources, reported that there had been only one recommendation identified which related to the controls around the disposal of new build Academies and that this had been accepted by the Authority and year end disposal procedures had been amended accordingly.

Mr Levitson, Manager, KPMG, explained that the report had summarised the key findings from two areas, namely the audit work in relation to the Council's financial statements for 2013-2014 and its arrangements to deliver value for money at a strategic level. The appendices attached to the report outlined the recommendation and audit difference around the disposal of an Academy as detailed above, the implementation of the four recommendations that had been identified the previous year and KPMG's requirement for objectivity and independence from the Local Authority.

Mr Levitson reported on the positive outcome from the audit and the expectation that an unqualified conclusion for both areas would be issued by 30th September 2014.

The Committee considered and agreed to approve the audited Statement of Accounts for 2013-2014.

Background papers: None

6 ENGAGEMENT OF CONSULTANTS MONITORING REPORT

The Committee considered the report detailing the appointment of consultants exceeding £25,000 for the period 1st May 2014 to 31st July 2014.

Mr Thompson reported that there had been two appointments in the above period and that both appointments had been for specific non-recurrent projects.

The Committee agreed to note the report.

Background papers: None

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7 FINANCIAL MONITORING AS AT MONTH 3 2014-2015

Mr Thompson presented the Financial Monitoring Report as at Month 3 advising Members that it had also been presented to the Executive at its meeting on 8th September 2014. The report presented a view of the current position in the Council's Revenue and Capital budgets for the first quarter. He reassured Members that although this was the first public report on financial monitoring, there had been internal monitoring of financial performance from the beginning of the financial year in order to maintain focus on priority areas.

Mr Thompson advised the Committee that the report reflected the new structure. He reported on the main variances in the budget by Directorate and the reasons for the over and underspends. Ongoing pressures in Childrens Services continued as a result of the number of Looked After Children and the reduction in the Education Services Grant funding as schools made the transition to Academies. Adult Services also faced pressures due to the Deprivation of Liberty cases as did Community and Environmental Services due to Travel and Road Safety. Mr Thompson also reported on further moderate pressures within Cemeteries and Crematoriums. He advised that that the overspends would be offset by contributions from Area Forums, Contingencies and Reserves and Treasury Management resulting in a forecast overspend of £3.1m.

Mr Thompson reported that the level of Working Balances was at its lowest since 2005 without the financial growth to aid recovery that existed at that time.

The Committee was advised of the Earmarked Revenue Reserves for longer term commitments which allowed minimal scope for manoeuvre. In response to questions, Mr Thompson confirmed that there remained significant levels of capital spending which would need to be funded from internal resources.

The decision not to proceed with the pay freeze following consultation had necessitated the recommendation to use Earmarked Reserves to maintain a balanced budget. Mr Thompson reported that settlements had been reached for the majority of the first generation Equal Pay claims which would enable fund to be released from Earmarked Reserves to offset the in-year funding gap together with the balance being met from Contingencies. This recommendation had been approved by Executive and Council.

Mr Thompson reported on the significant risks related to Collection Rates. He outlined the impact that the introduction of the Council Tax Reduction Scheme and the changes to the distribution of the Business Rates had had on income. Mr Thompson stated that the Finance Report for Quarter 1 had reported that the Council was now responsible for 49% of successful business rate appeals. Mr Jack informed the Committee of concerns regarding the Council's obligations in funding the historic appeals in light of the changes in how business rate income was distributed. Mr Thompson advised that a clearer picture on the impact of the appeals would be known by July 2015 as this was when it was expected that the majority of the appeals would be determined.

Mr Thompson continued his report by advising Members that no adverse variations on capital schemes had been predicted. He concluded his report by advising Members on the remedial action that had been taken to bolster working balances and to meet the in-year

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budget gap. Early indications for Month 4 were showing a slight improvement in the budget position.

The Committee agreed to note the report.

Background papers: None

8 DATE OF NEXT MEETING

The Committee noted the date of the next meeting as 6pm on Thursday 26th October 2014 at Town Hall, Blackpool and the proposed items for the meeting as follows:

- Strategic Risk Register - PSN Compliance Requirement to restrict access to the network for unmanaged devices.
- Financial Performance Monitoring Report – Month 4

Chairman

(The meeting ended 6.50 pm)

Any queries regarding these minutes, please contact:
Bernadette Jarvis Democratic Services Advisor
Tel: (01253) 477157
E-mail: bernadette.jarvis@blackpool.gov.uk

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Neil Jack, Chief Executive
Date of Meeting	27 th November 2014

STRATEGIC RISK REGISTER – MAJOR PROJECTS

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council's Strategic Risk Register.

2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Chief Executive in relation to the identified risks on the Strategic Risk Register with regards to the delivery of major projects.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owner in relation to significant risks identified on the Strategic Risk Register.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 At the March 2014 meeting, the Finance and Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

5.2 Priority is being given to those risks which have been assessed as a high risk and once these have been effectively covered attention will then focus on medium and low risks.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 3(a) - Excerpt from Strategic Risk Register

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

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No.	Description of Risk	Impacts / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			Current Actions to Reduce Risk	Corporate Priority	Risk Owner / Risk Manager	Target Date
				I	L	GS		I	L	NS				
15	Local - failure to deliver major projects	1) Reputational risk to the Authority 2) Inability to deliver strategic vision	1) Increased confidence in corporate decision-making 2) Robust project management processes and contract monitoring	4	4	16	1) Robust project management 2) Senior Responsible Officers 3) Capital monitoring and progress reporting to CLT	3	3	9	1) Clarity of roles, responsibilities and accountabilities with greater transparency and equal application of principles 2) Clarity of scope 3) CLT to understand what their role is on major projects and to take corporate responsibility	4,5,9	Owner: CLT Manager: Chief Executive	Ongoing

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Carmel McKeogh, Deputy Chief Executive
Date of Meeting	27 th November 2014

STRATEGIC RISK REGISTER – PUBLIC SERVICES NETWORK

1.0 Purpose of the report:

1.1 The Committee to consider a progress report on individual risks identified in the Council’s Strategic Risk Register.

2.0 Recommendation(s):

2.1 Members will have the opportunity to question the Deputy Chief Executive in relation to the identified risks on the Strategic Risk Register with regards to Public Services Network (PSN) compliance requirement to restrict access to the network for unmanaged devices.

3.0 Reasons for recommendation(s):

3.1 To enable the Finance and Audit Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council’s approved budget? Yes

3.3 Other alternative options to be considered:

To not receive an update report, however this would prevent the Committee from monitoring and asking relevant questions of the Strategic Risk Owner in relation to significant risks identified on the Strategic Risk Register.

4.0 Council Priority:

- 4.1 The relevant Council Priority is:
- Safeguard and protect the most vulnerable

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 At the March 2014 meeting, the Finance and Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.

5.2 Priority is being given to those risks which have been assessed as a high risk and once these have been effectively covered attention will then focus on medium and low risks.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 4(a) - Excerpt from Strategic Risk Register

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Internal/ External Consultation undertaken:

11.1 None

12.0 Background papers:

12.1 None

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No.	Description of Risk	Impacts / Consequences	Opportunity	Gross Risk Score			Controls and Mitigation	Net Risk Score			Current Actions to Reduce Risk	Corporate Priority	Risk Owner / Risk Manager	Target Date
				I	L	GS		I	L	NS				
12	Local - PSN compliance requirement to restrict access to the network for unmanaged devices. [BYOD and Home PCs / computers]	<p>1) Inability for staff to access network from home</p> <p>2) Significant impact on flexible working strategy</p> <p>3) Failure to maintain compliance would result in disconnection from PSN network</p>	<p>1) Remove potential vulnerabilities to council network</p> <p>2) Reduced risk of data loss / leakage due to management of devices</p> <p>3) Awareness raising of Information Governance</p>	4	4	16	<p>1) Enforcement of robust control of managed devices accessing network</p> <p>2) Device refresh policy - Laptop Strategy [Managed devices]</p> <p>3) Government Connect standard met</p>	4	3	12	<p>1) Roll out of Laptops - Device refresh and Windows 7 O/S</p> <p>2) Two factor Authentication roll out across Council</p> <p>3) Removed access to staff portal, preventing access to network</p>	9	Owner: CLT Manager: Deputy Chief Executive	Apr-15

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Iain Leviston, Manager, KPMG
Date of Meeting	27 th November 2014

ANNUAL AUDIT LETTER 2013/14

1.0 Purpose of the report:

1.1 To consider the Annual Audit Letter 2013/14.

2.0 Recommendation(s):

2.1 To consider the report, asking relevant questions and making any recommendations that are considered appropriate.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to consider the key findings from the External Auditor's 2013/14 audit of the Council and to make appropriate recommendations.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

To not receive the report, but this would prevent the Committee from effective monitoring of the External Auditor's key findings from the 2013/14 audit of the Council.

4.0 Council Priority:

4.1 The relevant Council Priority is:

- Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 The External Auditor's Annual Audit Letter summarises the key issues arising from the 2013/14 audit of Blackpool Council. The document is addressed to the Council but it is intended that it is used to communicate issues to external stakeholders, including members of the public. The letter is used to highlight areas of good performance and also areas where further work is required to achieve best practice.

5.2 The Annual Audit letter is attached at Appendix 5(a).

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 5 (a): Annual Audit Letter 2013/14.

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 None

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Annual Audit Letter 2013/14

Blackpool Council

28 October 2014

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The contacts at KPMG in connection with this report are:

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Report sections

■ Headlines 2

Appendices

1. Key issues and recommendations 3

2. Summary of reports issued 4

3. Audit fees 5

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, the appointed engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. If you are dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

This report summarises the key findings from our 2013/14 audit of Blackpool Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.

We provide a summary of our recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 25 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
Audit opinion	<p>We issued an unqualified opinion on your financial statements on 25 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit recommendations	<p>To comply with auditing standards, we are required to report uncorrected audit differences to the Finance and Audit Committee. We are pleased to report there are no uncorrected audit differences.</p> <p>We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.</p> <p>Our audit identified one audit adjustment with a value of £5.3 million. This relates to the disposal of a new build Academy which was not identified as a disposal on the Fixed Asset Register. The Authority have since incorporated this process into their existing controls. A medium priority recommendation in respect of this issue is detailed in Appendix 1.</p> <p>We are pleased to report all prior year recommendations have been addressed.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>
Certificate	<p>We issued our certificate on 30 September 2014 .</p> <p>The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2013/14 was £145,800, excluding VAT. The fee was unchanged from 2012/13.</p>

Appendix 1: Key issues and recommendations

This appendix details the recommendation that we identified during our 2013/14 audit, along with your response.

This is also detailed in our ISA 250, the date this was issued is listed in Appendix 2.

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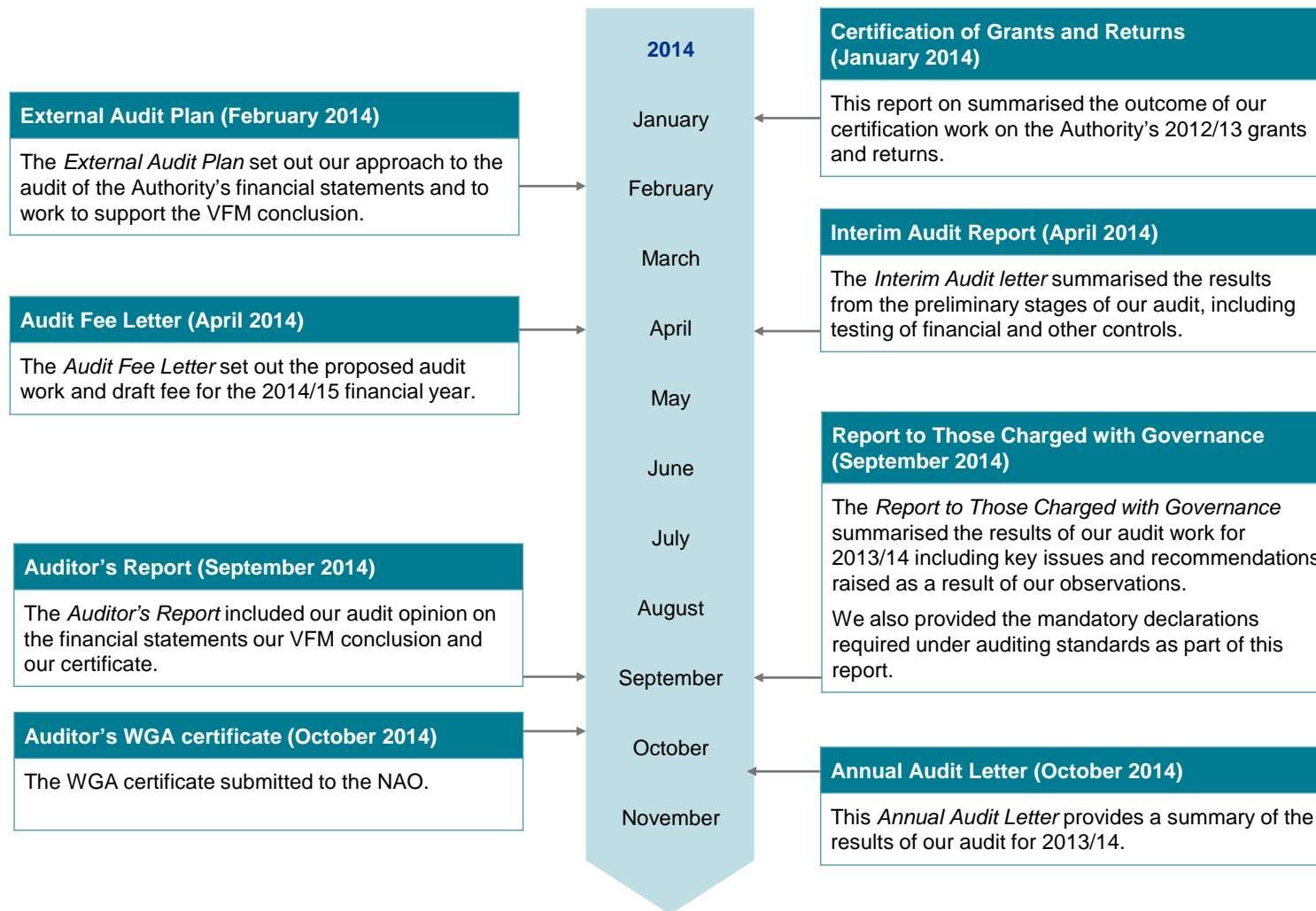
Priority rating for recommendations		
<p>1 Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p>2 Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>3 Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

No.	Issue and recommendation	Management response/ responsible officer/ due date
<p>1</p> <p>2</p>	<p>Disposing of new build Academies</p> <p>It was identified through our testing of Property, Plant and Equipment (PPE), that a new build Academy opened during the year was incorrectly classified as an Asset under Construction. The Academy should no longer be categorised on the balance sheet and should be treated as a fixed asset disposal in the Comprehensive Income and Expenditure Account (CIES).</p> <p>Although the Authority has a process to ensure new Academies are recognised and appropriately disposed of on the balance sheet, this Academy was overlooked due to being a new build as opposed to a converted school.</p> <p>Recommendation</p> <p>The Authority need to ensure existing controls around the disposal of converted Academies incorporate the disposal of new build Academies.</p>	<p>The Authority accepts this recommendation and will amend the year end disposal procedures to include new build Academies.</p> <p>Responsible officer</p> <p>David Fish</p> <p>Due date</p> <p>31 March 2015</p>

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for 2013/14.

To ensure openness between KPMG and your Finance and Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

External audit

Our final fee for the 2013/14 audit of the Authority will be £146,870. This represents:

- the agreed £145,800 audit fee notified to the Council in our fee letter of 23 April 2013; and
- an additional fee of £1,070 for the additional work undertaken on the Council's non-domestic rates balances in lieu of certifying the LA01 national non-domestic rates return as in previous years. This balance has been agreed with management, but also requires approval from the Audit Commission which will be sought in due course.

For 2014/15 this audit fee will remain unchanged. This has been agreed by the Audit Commission.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the Certification of Grants and Returns 2013/14 which we are due to issue in January 2015.



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Report to:	Finance and Audit Committee
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting:	27 th November 2014

AUDIT COMMISSION – PROTECTING THE PUBLIC PURSE 2014

1.0 Purpose of the report:

1.1 To provide a summary of the key information identified in the Audit Commission’s recent Protecting the Public Purse (2014) publication.

2.0 Recommendation(s):

2.1 To note the findings of the national report and agree whether it would be beneficial to set up a briefing session with the Chief Internal Auditor to complete the Protecting the Public Purse checklist attached at Appendix 6(a).

3.0 Reasons for recommendation(s):

3.1 The report provides information relating to the national context of counter fraud work which can help inform the work undertaken by the Council.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council’s approved budget? Yes

3.3 Other alternative options to be considered.

None

4.0 Council Priority:

4.1 The relevant Council Priority is ‘Deliver quality services through a professional, well-rewarded and motivated workforce’.

5.0 Background Information

5.1 Introduction

5.2 From 2015/16, Councils will no longer deal with benefit fraud as their benefit fraud investigators will transfer to the Single Fraud Investigation Service (SFIS), which is managed by the Department of Work and Pensions (DWP). The transition to the SFIS began in July 2014 and will be complete by March 2016.

5.3 Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies. For example, council tax discount fraud, right to buy fraud, social care fraud and insurance fraud.

5.4 The Department for Communities and Local Government (DCLG) has awarded £16 million through a challenge fund for two years from 2014. Councils whose bids are successful will receive a share of this fund to support their efforts to refocus their counter-fraud activities on non-benefit fraud during the implementation of the SFIS. Similar funding may not be available in the future.

5.5 Councils have reported that the single most important issue they face in tackling fraud is the need to ensure they have enough counter-fraud capacity. Other concerns identified by Councils in an Audit Commission survey included:

- Collecting and using data effectively;
- Understanding the importance of the financial benefits of fighting fraud;
- The need for effective risk management;
- Improving counter-fraud staff skills; and
- Partnership working.

5.6 The latest figures on detected fraud in councils

5.7 Local government bodies detected fewer cases of fraud in 2013/14 compared with 2012/13. However, the value of losses from detected fraud increased from £178 million in 2012/13 to £188 million in 2013/14, the highest value on record.

Unitary authorities and district councils detected more fraud in 2013/14 than in the previous year. The value of detected fraud in 2013/14 rose in unitary authorities compared with the previous year.

5.8 Unitary authorities reported a decrease in 10 per cent of the number of detected cases of benefit fraud in 2013/14 compared to 2012/13.

5.9 In 2013/14, the largest non-benefit frauds by value were for:

- **Right to Buy** – this fraud has seen a marked increase in cases (up 89 per cent) and a more than doubling in value to £12.4 million (up 110 per cent);

- **Social care** – cases have more than doubled to 438 (up 119 per cent) and their value has increased by more than half (58 per cent) to £6.3 million;
- **Insurance** – cases have more than tripled (up 205 per cent) and their value has risen by more than half (60 per cent) to £4.8 million; and
- **Disabled parking** (also known as Blue Badge fraud) – as in 2012/13, this produces the largest number of “other” cases, and in 2013/14, cases increased by 40 per cent to 4,055 with a value of £2 million.

5.10 Most local authority fraud investigators believe that opportunistic fraudsters pose the greatest risk. However, there is growing concern about organised criminals tendering for public service contracts, for example, to launder money. Councils should be alert to the risk of organised crime and ensure their defences remain appropriate for the task.

5.11 Longer term trends in frauds detected by Councils

5.12 The unintended consequence of some changes in Government policy is to make some frauds more attractive to fraudsters. For example:

- **Right to Buy** – Measures to encourage tenants to use the Right to Buy scheme were brought in from April 2012, which encouraged substantially more Right to Buy applications. This also led to more detected frauds. Between April 2012 and March 2014, Councils detected 295 cases, a 144 per cent increase over the three years before.
- **Social Care** – Since 2007, the government has consistently aimed to give people more choice and control over the social care they receive, and to enable them to live independently at home for as long as possible. Cases of detected social care fraud increased from 131 in 2009/10 to 438 in 2013/14. However, it should be noted that in 2013/14, 62% of unitary authorities did not detect a single social care fraud.

5.13 Effective stewardship of public funds

5.14 A corporate approach to tackling fraud in all areas supports Councils to carry out the core functions of effective counter-fraud. This helps them fulfil their role as stewards of public resources, which involves a number of core components:

- **Prevention and deterrence:** it is not currently possible to quantify accurately the financial benefit from deterring fraud, but professionals in the field believe the prospect of detection is the most powerful deterrent. Councils should widely publicise what fraud is, the likelihood of detection, and the penalties that fraudsters face.
- **Investigation and detection:** between 2009/10 and 2013/14 the mean average

number full time equivalent (FTE) fraud investigators employed by Councils declined steadily from 5.2 to 4.7, a fall of 10 per cent over the period. Our analysis suggests that a fall in FTE numbers is associated with lower fraud detection levels.

- **Recovery and redress:** after 2016, when central government no longer contributes funds for counter-fraud activity, Councils will need to recover more losses than they have in the past. They can use legislation such as the Proceeds of Crime Act to do so.
- **Openness and transparency:** Councils should look for fraud and record how many frauds they detect. Doing so would show leadership, allow them to compare their performance with other organisations, and alert them to emerging fraud risks more effectively.

5.15 Increasing levels of detection may therefore be a positive sign that Councils take fraud seriously, rather than evidence of weak counter-fraud controls. The more Councils look for fraud, and follow good practice, the more they will find.

5.16 It is becoming increasingly urgent for Councils to recover losses to fraud. In 2016, the funding to aid Councils re-focus their activities on non-benefit frauds during the transition to SFIS will end. Without this money, Councils will need alternative means of financing counter-fraud investigation and prevention. Recovery of losses offers one way to do this.

5.17 Building on the *Protecting the Public Purse (PPP)* legacy

5.18 From April 2015, the Audit Commission's counter-fraud activities will transfer to new organisations. The National Fraud Initiative's (NFI) data matching service will transfer to the Cabinet Office.

5.19 The remainder of the Audit Commission's counter-fraud staff and functions, including the *Protecting the Public Purse (PPP)* series and fraud briefings, will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Centre is a source of expertise and leadership for local government and the wider public sector to help organisations meet challenges in the future.

5.20 Recommendations

5.21 All local government bodies should:

- a) Use the checklist for councillors and others responsible for audit and governance to review their counter-fraud arrangements (see Appendix 6a);
- b) Adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud;
- c) Actively pursue potential frauds identified through their participation in the National

Fraud Initiative (NFI);

- d) Assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption; and
- e) Engage fully with the new CIPFA Counter Fraud Centre.

5.22 Councils in particular should:

- f) Protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud;
- g) Be alert to the risk of organised crime, notably in procurement;
- h) Be alert to the risks of fraud, particularly in growing risk areas such as Right to Buy and social care;
- i) Apply the lessons from the approach encouraged by *PPP* to tackle housing tenancy fraud, to other types of fraud;
- j) Focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources;
- k) Focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act; and
- l) Take up the Commission's offer of receiving a fraud briefing to help them benchmark their performance and promote greater transparency and accountability.

5.23 The government should consider:

- m) Mandating local government bodies to complete the annual survey of detected fraud and corruption, to ensure it remains a comprehensive and robust source of data on fraud in the local public sector;
- n) Extending the requirement to report information on detected cases of fraud to academies and free schools;
- o) Commissioning research into the extent of the annual loss to local authority fraud and the costs and benefits of fraud prevention activities;
- p) Encouraging CIPFA to use the detected fraud and corruption survey in the future to investigate the extent to which fraudsters use digital and on-line technology to

defraud local government;

- q) Extending powers for Councils to investigate all frauds, to protect the public purse; and
- r) Working with Councils to anticipate and mitigate any unintended risks of fraud created by new policies.

Does the information submitted include any exempt information?

No

List of Appendices:

Appendix 6 (a) – Checklist for Councillors and Others Responsible for Governance

6.0 Legal considerations:

- 6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0 Human Resources considerations:

- 7.1 Capacity to undertake future counter fraud work will be determined by whether the bid for funding from the DCLG has been successful.

8.0 Equalities considerations:

- 8.1 None

9.0 Financial considerations:

- 9.1 None

10.0 Risk management considerations:

- 10.1 An annual fraud risk assessment is undertaken to focus the corporate fraud work each year, however delivery of this is limited by the number of reactive investigations which need to be undertaken each year balanced with the limited resource available.

11.0 Ethical considerations:

- 11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 Audit Commission – Protecting the Public Purse 2014 (October 2014)
<http://www.audit-commission.gov.uk/wp-content/uploads/2014/10/Protecting-the-Public-Purse-2014-Fighting-Fraud-against-Local-Government-online.pdf>

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Protecting the public purse 2014: Fighting fraud against local government

Checklist for councillors and other responsible for governance

I. General	Yes	No	Actions Required
1. Do we have a zero tolerance policy towards fraud?			
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategies with <i>Fighting Fraud Locally</i> ?			
3. Do we have dedicated counter-fraud staff?			
4. Do counter-fraud staff review all the work of our organisation?			
5. Does a councillor have portfolio responsibility for fighting fraud across the council?			
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?			
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?			
8. Have we assessed our management of counter-fraud work against good practice?			
9. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • New staff (including agency staff); • Existing staff; • Elected members; and • Our contractors? 			
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?			
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?			
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?			
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?			

I. General	Yes	No	Actions Required
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?			
15. Do we have effective arrangements for: <ul style="list-style-type: none"> • Reporting fraud? • Recording fraud? 			
16. Do we have effective whistle-blowing arrangements? In particular are staff: <ul style="list-style-type: none"> • Aware of our whistle-blowing arrangements? • Have confidence in the confidentiality of those arrangements? • Confident that any concerns raised will be addressed? 			
17. Do we have effective fidelity insurance arrangements?			
II. Fighting fraud with reduced resources	Yes	No	Action Required
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?			
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?			
20. If successful, are we using the money effectively?			
III. Current risks and issues	Yes	No	Action Required
Housing tenancy			
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?			
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?			
Procurement			
23. Are we satisfied our procurement controls are working as intended?			
24. Have we reviewed our contract letting procedures in line with best practice?			

III. Current risks and issues	Yes	No	Action Required
Recruitment			
25. Are we satisfied our recruitment procedures: <ul style="list-style-type: none"> • Prevent us employing people working under false identities; • Confirm employment references effectively; • Ensure applicants are eligible to work in the UK; and • Require agencies supplying us with staff to undertake the checks that we require? 			
Personal budgets			
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?			
27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?			
Council tax discount			
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?			
Housing benefit			
29. When we tackle housing benefit fraud do we make full use of: <ul style="list-style-type: none"> • National Fraud Initiative; • Department for Work and Pensions Housing Benefit matching service; • Internal data matching; and • Private sector data matching? 			
IV. Other fraud risks			
30. Do we have appropriate and proportionate defences against the following fraud risks: <ul style="list-style-type: none"> • Business rates; • Right to Buy; • Council tax reduction; • Schools; and • Grants? 			

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Mr S Thompson, Director of Resources
Date of Meeting:	27 th November 2014

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 5 2014/2015

1.0 Purpose of the report:

1.1 The level of spending against the Council's Revenue and Capital budgets for the first 5 months to August 2014.

2.0 Recommendation(s):

2.1 To note the recommendations to the Executive meeting on the 10th November 2014 namely:

1. To note the report

2. To require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, particularly in Children's Services, Adult Services, Parking Services and Community and Environmental Services.

3. To recommend the Finance and Audit Committee to continue to independently review the financial and operational performances of the services listed in 2.2.

3.0 Reasons for recommendation(s):

3.1 Members' information and comment

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? NO

3.2b Is the recommendation in accordance with the Council's approved budget? YES

3.3 Other alternative options to be considered:

None

4.0 Council Priority:

4.1 The relevant Council Priority is:

“Deliver quality services through a professional, well-rewarded and motivated workforce”

5.0 Background Information

5.1 See reports and appendices circulated to members under separate cover.

5.2 Does the information submitted include any exempt information?

No

5.3 List of Appendices:

Report
Appendix 1
Appendix 2
Appendix 3a
Appendix 3b
Appendix 3c
Appendix 3d
Appendix 3e
Appendix 3f
Appendix 3g
Appendix 3h
Appendix 3i
Appendix 3j
Appendix 3k
Appendix 3l
Appendix 4
Appendix 5
Appendix 6

All circulated to members under separate cover

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 See reports and appendices circulated to members under separate cover.

8.0 Equalities considerations:

8.1 An Equalities Impact Assessment was produced as a part of the budget setting process and remains relevant.

9.0 Financial considerations:

9.1 See reports and appendices circulated to members under separate cover.

10.0 Risk management considerations:

10.1 Impact of financial performance on Council balances. Financial performance against approved Revenue and Capital budgets.

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Mr S Thompson, Director of Resources
Date of Meeting:	27 th November 2014

FINANCIAL PERFORMANCE MONITORING AS AT MONTH 6 2014/2015

1.0 Purpose of the report:

1.1 The level of spending against the Council's Revenue and Capital budgets for the first 6 months to September 2014.

2.0 Recommendation(s):

2.1 To note the recommendations to the Executive meeting on the 10th November 2014 namely:

1. To note the report

2. To require the respective Directors and Director of Resources to continue to closely monitor and manage financial and operational performances, particularly in Children's Services, Adult Services, Parking Services and Community and Environmental Services.

3. To recommend the Finance and Audit Committee to continue to independently review the financial and operational performances of the services listed in 2.2.

3.0 Reasons for recommendation(s):

3.1 Members' information and comment

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? NO

3.2b Is the recommendation in accordance with the Council's approved budget? YES

3.3 Other alternative options to be considered:

None

4.0 Council Priority:

4.1 The relevant Council Priority is:

“Deliver quality services through a professional, well-rewarded and motivated workforce”

5.0 Background Information

5.1 See reports and appendices circulated to members under separate cover.

5.2 Does the information submitted include any exempt information?

No

5.3 List of Appendices:

Report
Appendix 1
Appendix 2
Appendix 3a
Appendix 3b
Appendix 3c
Appendix 3d
Appendix 3e
Appendix 3f
Appendix 3g
Appendix 3h
Appendix 3i
Appendix 3j
Appendix 3k
Appendix 3l
Appendix 4
Appendix 5
Appendix 6

All circulated to members under separate cover

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 See reports and appendices circulated to members under separate cover.

8.0 Equalities considerations:

8.1 An Equalities Impact Assessment was produced as a part of the budget setting process and remains relevant.

9.0 Financial considerations:

9.1 See reports and appendices circulated to members under separate cover.

10.0 Risk management considerations:

10.1 Impact of financial performance on Council balances. Financial performance against approved Revenue and Capital budgets.

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 None

13.0 Background papers:

13.1 None

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Steve Thompson, Director of Resources
Date of Meeting	27 th November 2014

TREASURY MANAGEMENT HALF-YEARLY PROGRESS REPORT TO THE 30TH SEPTEMBER 2014

1.0 Purpose of the report:

1.1 The Council adopted the CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition). A feature of the Code is that periodic reports on Treasury Management activities are submitted to the Executive and the attached report relates to Treasury Management activities for the six months to 30th September 2014. The report is also submitted to Finance and Audit Committee for information.

2.0 Recommendation(s):

2.1 To note the report concerning treasury management activities for the six months to 30th September 2014.

3.0 Reasons for recommendation(s):

3.1 Members' information and comment.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? NO

3.2b Is the recommendation in accordance with the Council's approved budget? YES

3.3 Other alternative options to be considered:

None, the report is for members' information.

4.0 Council Priority:

4.1 The relevant Council Priority is:
Deliver quality services through a professional, well-rewarded and motivated workforce

5.0 Background Information

5.1 See attached report.

5.2 Does the information submitted include any exempt information? Yes/No

5.3 List of Appendices:

Appendix 2aReport
Annex 1
Annex 2
Annex 3
Annex 4
Annex 5
Annex 6
Annex 7

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 See report at Appendix 2aand its Annexes 1, 2, 3, 4, 5, 6 and 7.

10.0 Risk management considerations:

- 10.1 Interest rate movements and planned debt fallouts and amounts and nature of borrowings to fund capital expenditure.

This report enables monitoring of treasury management performance against planned borrowings and investments and interest paid and earned against budget; unsupported capital spending and its impact on the prudential indicators.

11.0 Ethical considerations:

- 11.1 None

12.0 Internal/ External Consultation undertaken:

- 12.1 Internally with the Treasury Management Panel.

13.0 Background papers:

- 13.1 None

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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
10th NOVEMBER 2014

TREASURY MANAGEMENT HALF-YEARLY PROGRESS REPORT
TO 30th SEPTEMBER 2014

1. INTRODUCTION

The Council has adopted CIPFA's Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition). A feature of the Code is that periodic reports on treasury management activities are prepared. This report relates to treasury management activities for the six months to 30th September 2014 and its content is reflective of the scale of the Council's current Capital Programme.

2. BORROWING TRANSACTIONS

2.1 Overview

The Bank of England Official Bank Rate (ie. the 'base rate' short-term interest rate to which all interest rates are related) stood at 0.5% on 1st April 2014 (0.5% on 1st April 2013). Since the beginning of the 2014/15 financial year, the rate has stayed constant at 0.5%. As of 30th September 2014 the rate remains at 0.5%.

Annex 1 shows movements in the base rate from October 2007 to September 2014 in order to display the recent trend.

Annex 2 shows movements in the borrowing rates available since September 2006 for Public Works Loan Board (PWLB) long-term (20-25 year rates), PWLB one year and variable one month rates.

The consequences of the slow rate of economic recovery and the Government's actions to bring down the current high level of borrowing have continued to depress the financial markets during the last 12 months. As a result the cost of short-term borrowing continues at historically low levels. The market expectation is that the bank base rate will remain low for the next 6 months and then climb gradually to more normal levels.

2.2 Loans Raised

The long term borrowing requirements for the 2014/15 capital programme have been deferred until such time that interest rates are judged to be favourable to the Council. This action reduces the Council's exposure to counterparty risk whilst enabling savings to be made in long-term borrowing costs. The Treasury Management Panel's view is that there will be no need to take any new long-term borrowing in the next 6 months.

Temporary borrowing has been required to deal with the normal peaks and troughs of the cash flow, including creditor payments, grant receipts, etc. It has also been used to finance any shortfalls in cash flow caused by capital expenditure. The temporary financing of capital

expenditure is prudent while short-term interest rates remain low and has the advantage of minimising temporary investments and the associated counterparty risk.

2.3 Loans Repaid

In addition to the regular repayment of £197k in respect of the Business Loans Fund and the temporary borrowing referred to in 2.2 above. Within the PWLB loans portfolio £296k was repaid at maturity on 30th September 2014.

2.4 Summary

The Council's borrowing activities for the first half-year of the financial year are summarised below:

Source of funding:	Borrowings 1 st April '14	Loans raised	Loans repaid	Borrowings 30 th Sep '14
	£000s	£000s	£000s	£000s
PWLB	59,882	0	(493)	59,389
Market Loans	39,250	-	-	39,250
Sub-total	99,132	0	(493)	98,639
Temporary Loans	41,500	37,400	(42,400)	36,500
LGR debt with LCC	21,270	-	-	21,270
Total borrowings <i>(excluding PFI Schemes and finance leases)</i>	161,902	37,400	(42,893)	156,409

Annex 3 to this report shows the maturity profile for the £98.6m of long-term external loans (ie. the PWLB and market debt only from the above table) outstanding at the end of September 2014. The maturity profile is in line with the Council's approved strategy.

3. TRANSACTIONS FOR THE FIRST HALF OF 2014/15

3.1 Level of Investments

Annex 4 to this report sets out an analysis of the Council's receipts and payments during the first half of the financial year. The Council's temporary investments stood at £1.6m on 30th September 2014. This compares with temporary investments valued at £3.2m on 30th September 2013. Temporary surplus funds are invested in accordance with the Treasury Management Strategy's requirements regarding security, liquidity and yield.

3.2 Investment Earnings

The Council takes advantage of peaks and troughs in receipts and payments by investing surplus funds over appropriate timescales within the context of the Council's overall cash flows. The actual investment interest earned to 30th September was £14k excluding interest received on the Local Authority Mortgage Schemes. Annex 5 shows a monthly analysis of interest receipts compared to budget.

3.3 Approved Investment Institutions

In order to manage prudently any surplus funds as set out within the Treasury Management Strategy the Council restricts its temporary investments to an authorised list of institutions. According to the creditworthiness of each institution, an appropriate investment ceiling has

been set with each as well as a maximum investment period. The credit ratings are monitored on a regular basis and checks are made via the internet and other media sources for signs of banks and building societies in difficulty. Council officers continue to use their contacts in the money market and speak regularly with other members of the Manchester Treasury Group to obtain market intelligence.

The Treasury Management Panel includes the Director of Resources and Chief Accountant and meets regularly throughout the year to review the list of approved investment institutions.

For banks the approved list is based on credit ratings issued by Fitch (single A categories or above, or the equivalent from other ratings agencies). The list also includes the more stable building societies, banded according to total asset size.

The proportion of temporary investments placed in the period 1st April 2014 to 30th September 2014 across the various categories of approved institutions is set out in the table below:

Type of institution invested with:	Amount £000s	% of total
UK banks and UK subsidiaries of overseas banks	96,790	85.8%
Building societies	6,500	5.8%
Debt Management Office - deposit facility	9,550	8.4%
Total temporary investments placed	112,840	100.0%

These values show the total of all new investments made during the six months. Due to the recycling nature of investing and lending, these values are not the absolute value of the portfolio of temporary investments as at 30th September 2014, which was £1.6m.

Annex 4 to this Report shows how the investing and maturing of temporary investments fits in with the rest of the Council's bank transactions.

3.4 Group Companies and Partners

During the first six months of the year we have provided advice and assistance to some of our group companies and partners. In particular we agreed to transfer funds between Blackpool Coastal Housing and the Council and as a result have increased the overall security of balances held. In the case of Crown Leisure we have invested monies for events which they previously held on our behalf and in doing so have increased the yield on those deposits fourfold.

4. TREASURY MANAGEMENT BUDGET MONITORING 2014/15

The month 6 financial performance monitoring report, shows a favourable forecast outturn for Treasury Management in 2014/15 of £1,678k. The main components of this (favourable) position are as follows:

	£'000s
Reduced interest charge on Local Government Reorganisation Debt	(53)
Lower financing costs on long term debt	(1,319)
Temporary interest on short term loans	(306)
Net (favourable)/adverse outturn forecast	(1,678)

5. PRUDENTIAL CODE FOR CAPITAL FINANCE

- 5.1 Where capital expenditure has been incurred which is financed by debt assumed under the *Prudential Code for capital finance in local authorities*, budget has been vired from the service area incurring the spend. This budget is used to pay for the additional capital financing costs which are incurred within Treasury Management as a consequence of the capital spend. In the case of Leisure Assets an actual charge for financing costs has been made to the scheme. The cost to the Council of employing its capital in these schemes arises from both the interest cost of the investment and from the subsequent need to repay the principal.

Cost savings or revenue increases within the services as a result of the capital investment will have been previously identified within a business case in order to demonstrate that these schemes are self-funding or better.

5.2 Prudential Indicators

At its meeting of 28th February 2014 the Council adopted the framework set out within *CIPFA's Prudential Code for capital finance in Local Authorities (2011 edition)*.

The Code requires that monitoring of our performance against the performance indicators (the Prudential Indicators) is reported to the appropriate decision-making body.

Annex 6 to this report shows the Prudential Indicators from 1st April 2014 to 30th September 2014, separately identifying the affordability indicators, the indicators of prudence and the treasury management indicators.

The format of these indicators is set out in the CIPFA Code of Practice.

Performance in the first half of 2014/15 is in line with expectations.

5.3 Capital Schemes Funded by Prudential Borrowing

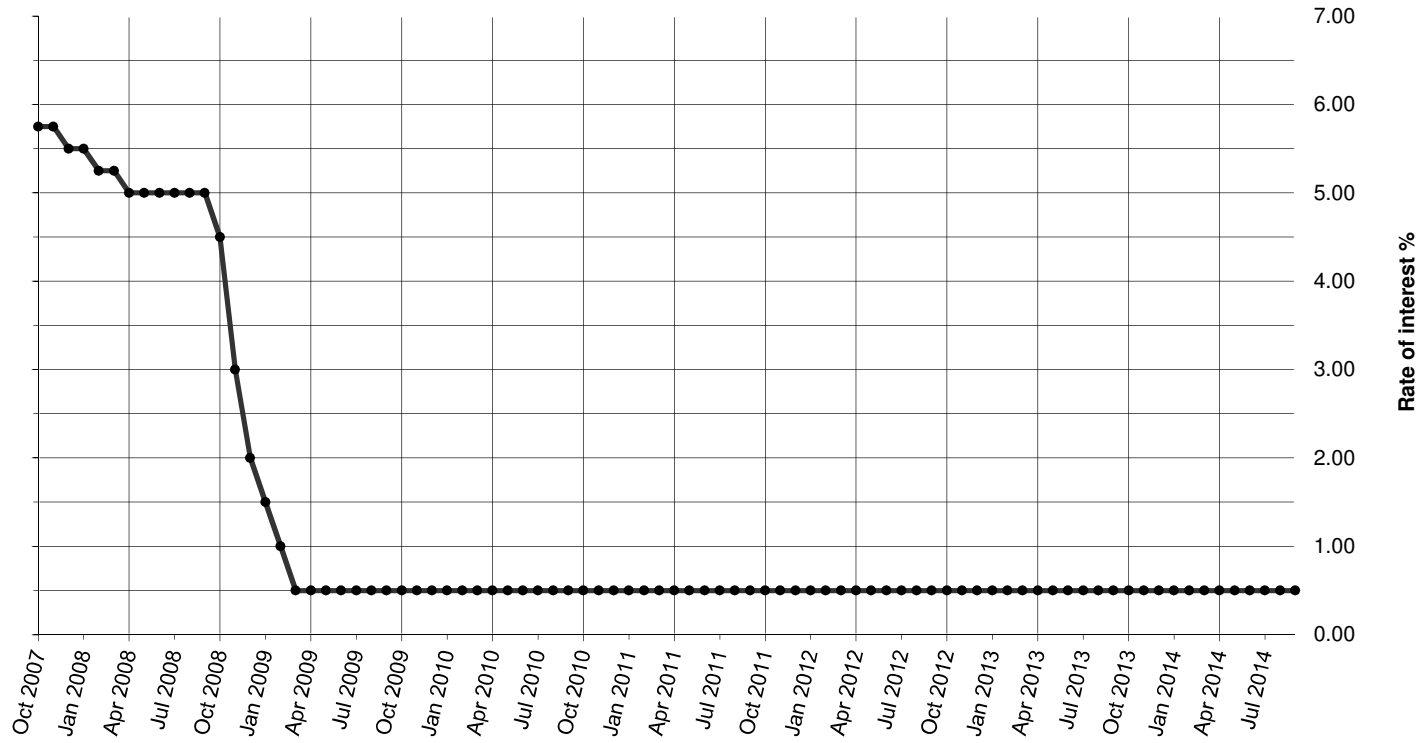
Annex 7 to this report shows the headroom to the authorised (borrowing) limit and operational boundary, and identifies the expenditure on schemes which are prudentially funded by year.

6. RECOMMENDATION

The Executive is asked to note the report concerning treasury management activities for the first half of the 2014/15 financial year.

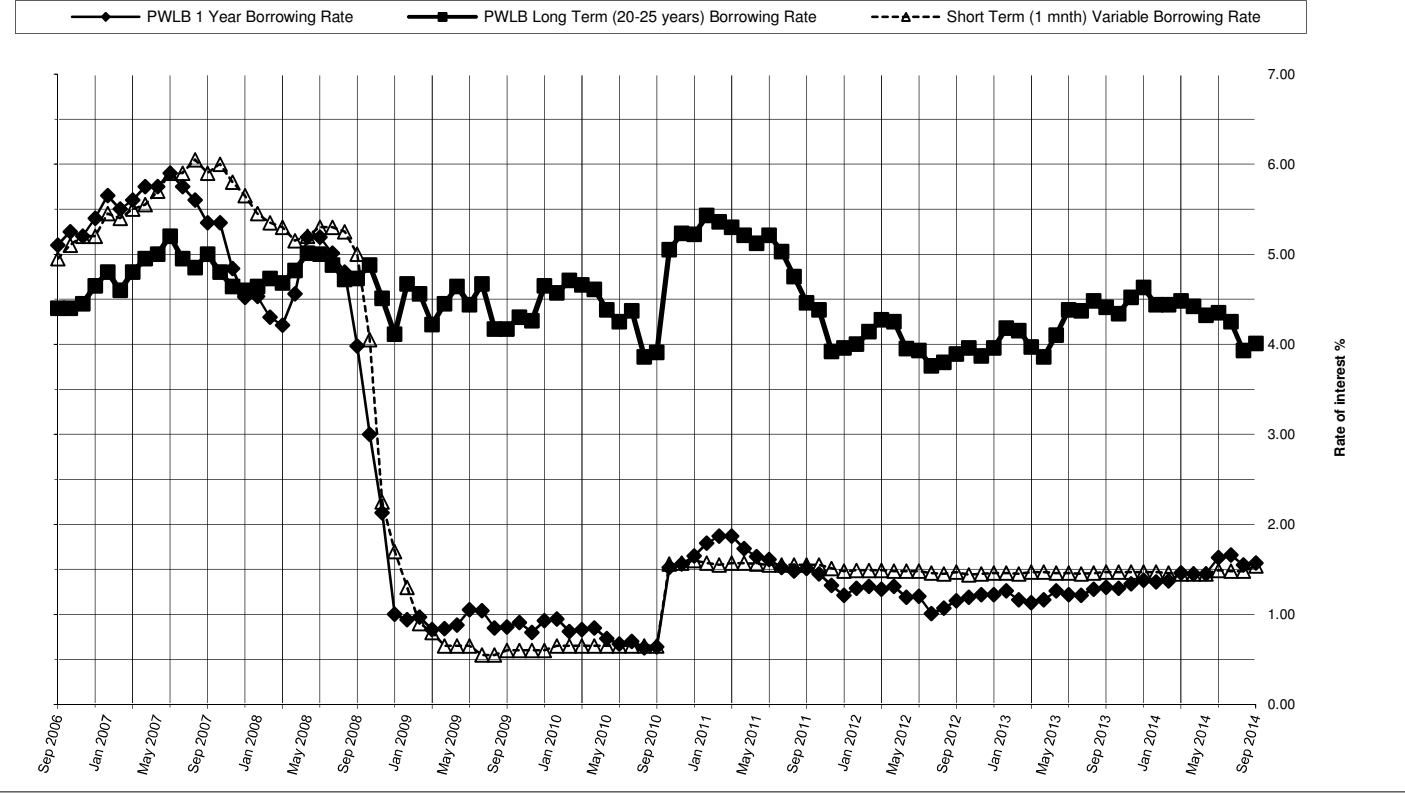
Steve Thompson
Director of Resources
17th October 2014

Bank of England Official Base / Repo Rates 2007 - 2014



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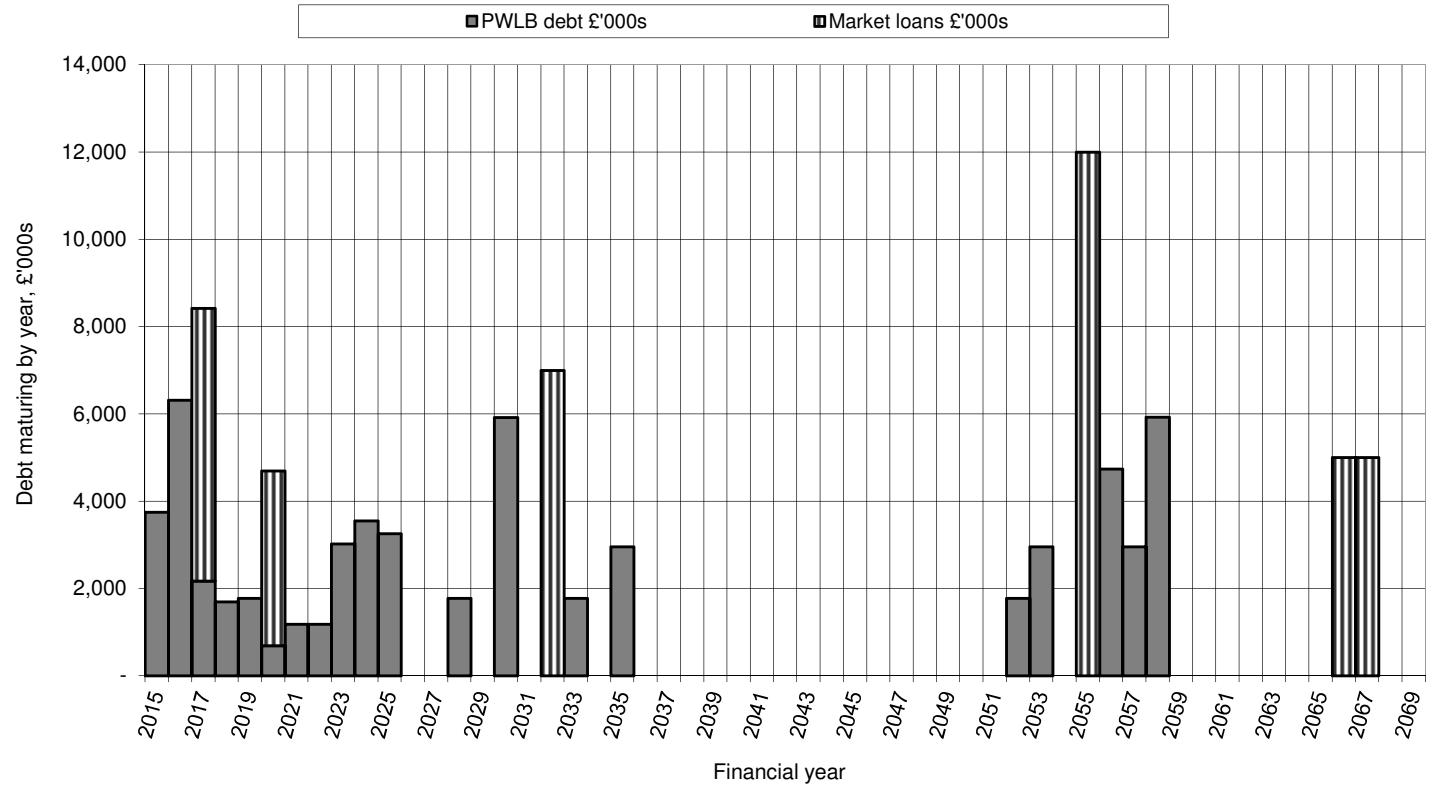
Borrowing rates available 2006 - 2014



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Annex 3

External debt fallout chart as at 30th September 2014



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Summary Statistics for April to September 2014.

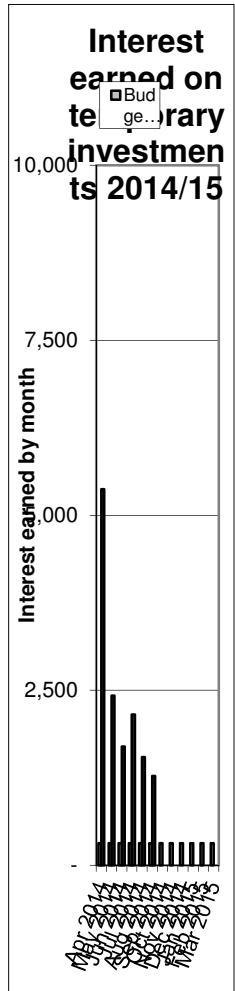
OVERALL DEBT FINANCING POSITION			
B/Fwd		Change YTD	C/Fwd
£'000		£'000	£'000
-	Investments	-	-
6,250	Bank Deposits	(4,680)	1,570
6,250	Total Investments	(4,680)	1,570
41,500	Short term loans	(5,000)	36,500
120,402	Long term loans (*)	(493)	119,909
161,902	Total Loans	(5,493)	156,409
155,652	Total Loans less total investments		154,839

(*) These include Local Government Reorganisation debt held on our behalf by LCC.

TRANSACTIONS IN THE SIX MONTHS		£'000
RECEIPTS		YTD
Loans borrowed	(**)	37,400
Investments matured	(**)	117,520
Housing Benefit		44,073
Housing Subsidy		-
Council tax and NNDR		46,020
VAT		8,515
RSG		56,892
Other Grants		35,814
Other Income		49,590
TOTAL		395,824
PAYMENTS		YTD
Police & Fire		4,005
General Creditors		158,277
Salaries & wages		39,612
Loan repayments	(**)	42,893
Investments made	(**)	112,840
Housing Benefits		38,322
TOTAL		395,949
		£'000
Opening bank balances		346
Receipts as analysed above		395,824
Payments as analysed above		395,949
Closing bank balances: 30.9.14		221

(**) These values show the totals of all movements on temporary investments and loans during the six months. Due to the recycling nature of investing and lending, these values are NOT the absolute value of our portfolio of temporary balances as at 30th September 2014.

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Blackpool Council
Prudential Code for Capital Finance
Prudential Indicators 2014/15

<u>Council</u> <u>T/M Report</u> <u>(10.02.2014)</u> <u>Annex C refs.</u>	<u>Prudential Indicator</u>	<u>14/15 Full year planned PI</u>	<u>14/15 First half year actual PI</u>
<i>Prudential Indicators: the actual position 2014/15</i>			
2.4	Actual Capital Expenditure, non-HRA. 14/15	To be reported after the 31.3.15 year end.	<i>This Prudential Indicator is fully disclosed within the capital reporting.</i>
2.4	Actual Capital Expenditure, HRA. 14/15	To be reported after the 31.3.15 year end.	<i>This Prudential Indicator is fully disclosed within the capital reporting.</i>
5.2	Actual Capital Financing Requirement as at 31/03/15	£282.2M. (including PFI schemes)	<i>This Indicator is for the full year only and will be reported after the 31.3.15 year end.</i>
5.2	Actual External net borrowing as at 31/03/15	£269.3M (including PFI schemes)	<i>This Indicator is for the year end only and will be reported after the 31.3.15 year end.</i>
<i>Prudential Indicators for Affordability</i>			
2	The ratio of financing costs to net revenue stream, non-HRA. 14/15	12.0%	10.1%. Based on forecasted borrowing costs and revenue streams.
2	The ratio of financing costs to net revenue stream, HRA. 14/15	3.8%	3.8%. Based on forecasted borrowing costs and revenue streams.
Capital	Estimates of the incremental impact of capital investment decisions on the Council Tax, non-HRA. 14/15	This Prudential Indicator is disclosed within the capital reporting.	<i>This Prudential Indicator is disclosed within the capital reporting.</i>
Capital	Estimates of the incremental impact of capital investment decisions on housing rents, HRA. 14/15	This Prudential Indicator is disclosed within the capital reporting.	<i>This Prudential Indicator is disclosed within the capital reporting.</i>

Annex 6

17/11/14 12:01

References	Prudential Indicator	14/15 Full year planned PI	14/15 First half year actual PI																														
<i>Prudential Indicators for Prudence</i>																																	
Capital	Capital Expenditure (including capital commitments), non-HRA. 14/15	This Prudential Indicator is disclosed within the capital reporting.	<i>This Prudential Indicator is disclosed within the capital reporting.</i>																														
Capital	Capital Expenditure (including capital commitments), HRA. 14/15	This Prudential Indicator is disclosed within the capital reporting.	<i>This Prudential Indicator is disclosed within the capital reporting.</i>																														
5.7	Authorised Limit. 14/15	(*) Borrowing no higher than £246.0M (*) Long Term Liabilities no higher than £62.0M	Current y/e forecast is £154.9M Current y/e forecast is £62.0M																														
5.7	Operational Boundary. 14/15	(*) Borrowing no higher than £226.0M (*) Long Term Liabilities no higher than £61.0M	Current y/e forecast is £154.9M Current y/e forecast is £61.0M																														
3.4	Net borrowing and the Capital Financing Requirement.	Borrowing < estimated CFR except in the short term.	<i>This Indicator is being complied with.</i>																														
3.3	Estimates of the Capital Financing Requirement, non-HRA. 31.3.15	£262.7M. Per Budget workings. Including PFI schemes.	£261.5M.																														
3.3	Estimates of the Capital Financing Requirement, HRA. 31.3.15	£19.5M.	18.0M.																														
<i>Prudential Indicators for Treasury Management</i>																																	
8.3	Adoption of the CIPFA Code of Practice and Cross-Sectoral Guidance Notes on Treasury Management - 2011 Edition.	Adoption.	Adopted.																														
8.8 (Annex B)	Gross Debt Compared to Capital Financing Requirement:	Gross Debt: £269M, CFR: £282.2M	Current y/e forecast is: Gross Debt £216.9, CFR £279.5M																														
8.8 (Annex B)	Variable interest rate exposure. Upper limit. 14/15	£99M	£60.25M																														
8.8 (Annex B)	Fixed interest rate exposure. 14/15	£282M	£96.15M																														
8.8 (Annex B)	Prudential limits for the maturity structure of borrowing.	<table border="1"> <thead> <tr> <th></th> <th>Lower limit</th> <th>Upper limit</th> </tr> </thead> <tbody> <tr> <td>< 12 months</td> <td><i>Nil%</i></td> <td>18%</td> </tr> <tr> <td>12 to within 24 mths</td> <td><i>Nil%</i></td> <td>18%</td> </tr> <tr> <td>24 mths, within 5 yrs</td> <td><i>Nil%</i></td> <td>30%</td> </tr> <tr> <td>5 to within 10 years</td> <td>2.0%</td> <td>60%</td> </tr> <tr> <td>10 to within 30 years</td> <td>2.0%</td> <td>70%</td> </tr> <tr> <td>30 years and above</td> <td>15.0%</td> <td>90%</td> </tr> </tbody> </table>		Lower limit	Upper limit	< 12 months	<i>Nil%</i>	18%	12 to within 24 mths	<i>Nil%</i>	18%	24 mths, within 5 yrs	<i>Nil%</i>	30%	5 to within 10 years	2.0%	60%	10 to within 30 years	2.0%	70%	30 years and above	15.0%	90%	<table border="1"> <thead> <tr> <th></th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td rowspan="6"><i>This indicator is being complied with.</i></td> <td>3.8%</td> </tr> <tr> <td>14.9%</td> </tr> <tr> <td>8.3%</td> </tr> <tr> <td>12.4%</td> </tr> <tr> <td>19.7%</td> </tr> <tr> <td>40.9%</td> </tr> </tbody> </table>		Actual	<i>This indicator is being complied with.</i>	3.8%	14.9%	8.3%	12.4%	19.7%	40.9%
	Lower limit	Upper limit																															
< 12 months	<i>Nil%</i>	18%																															
12 to within 24 mths	<i>Nil%</i>	18%																															
24 mths, within 5 yrs	<i>Nil%</i>	30%																															
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	8.3%																																
	12.4%																																
	19.7%																																
	40.9%																																
8.7 (Annex B)	Prudential limits for principal sums invested for periods longer than 364 days.	Not permitted; see Treasury Management Investment Strategy.	<i>This Indicator is being complied with.</i>																														

Notes:

* *The figure for Borrowing includes the Capital Teams figures for Street Lighting and Waste PFI schemes.*

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Blackpool Council

Authorised Limit & Operational Boundary Control, Prudentially funded schemes, 2014/15

	LCC/ex-LCC debt	External Debt		Total External Debt
		Borrowing	Liability against finance leases & PFI schemes	
	£'000	£'000	£'000	£'000
Total Debt @ 1st April 2014	21,270	140,632	61,000	222,902
New long-term borrowing/finance leases taken out YTD 14/15	-	-	-	-
New short-term borrowing taken out YTD 14/15	-	37,400	-	37,400
less: Borrowing repaid YTD 14/15	-	(42,893)	-	(42,893)
Long term (debt) outstanding as at 30th September 2014	21,270	135,139	61,000	217,409
New short-term borrowing expected before year end	-	30,000	-	30,000
less: Borrowing expected to be repaid before year end	(851)	(18,749)	-	(19,600)
Therefore (debt) forecast @ 31st March 2015	20,419	146,390	61,000	227,809
Authorised limit, 14/15		246,000	62,000	308,000
Therefore, headroom to Authorised limit 14/15		99,610	1,000	80,191
Operational boundary, 14/15		226,000	61,000	287,000
Therefore, headroom to Operational boundary 14/15		79,610	-	59,191

Annual Capital Expenditure funded by prudential borrowing

	Year	Total Value of Prudential Schemes	Source of funding (Prudential borrowing or finance leasing)
		£'000	
Prudential Schemes	2004/05	5,933	Borrowing
Prudential Schemes	2005/06	6,272	Borrowing
Prudential Schemes	2006/07	717	Borrowing
Prudential Schemes	2007/08	1,334	Borrowing
Prudential Schemes	2008/09	703	Borrowing
Prudential Schemes	2009/10	14,216	Borrowing
Prudential Schemes	2010/11	6,322	Borrowing
Prudential Schemes	2011/12	27,163	Borrowing
Prudential Schemes	2012/13	19,951	Borrowing
Prudential Schemes	2013/14	53,085	Borrowing
Prudential Schemes	2014/15 (forecasted)	16,000	Borrowing
Cumulative prudentially funded expenditure		151,696	

In addition to the above Capital Expenditure the Council is a partner in the Waste Management, Street Lighting and Highfield Humanities College Private Finance Initiative (PFI) Schemes.

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	27 th November 2014

RISK SERVICES QUARTER TWO REPORT - 2014/2015

1.0 Purpose of the report:

1.1 The report presents a quarterly summary of work undertaken by Risk Services. This is submitted in line with best practice, including the CIPFA audit code and the CIPFA Audit Committee guidance.

2.0 Recommendation(s):

2.1 To note the Risk Services Quarterly Report findings.

3.0 Reasons for recommendation(s):

3.1 To enable the Committee to receive an update report on the work undertaken by Risk Services.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council’s approved budget? Yes

3.3 Other alternative options to be considered.
None, as the report needs to be considered by the Committee in line with best practice, including the CIPFA audit code and the CIPFA Audit Committee guidance.

4.0 Council Priority:

4.1 The relevant Council Priority is ‘Deliver quality services through a professional, well-rewarded and motivated workforce’.

5.0 Background Information

5.1 The report covers areas relevant to the work of the Committee in terms of internal audit, fraud investigation, risk management and emergency and business continuity

planning.

- 5.2 Further details on any areas included in the report, and in particular expanded summaries or full copies of audit reports, are available to the Committee as required.

Does the information submitted include any exempt information? No

List of Appendices:

Appendix 10a – Risk Services Quarter 2 Report.

6.0 Legal considerations:

- 6.1 All work undertaken by Risk Services is in line with relevant legislation. This is particularly important when undertaking fraud investigations where a number of regulations need to be adhered to.

7.0 Human Resources considerations:

- 7.1 None

8.0 Equalities considerations:

- 8.1 None

9.0 Financial considerations:

- 9.1 All work has been delivered within the agreed budget for Risk Services.

10.0 Risk management considerations:

- 10.1 The primary role of Risk Services is to provide assurance that the Council is effectively managing its risks and provide support to all services in relation to risk and control. Risks which have been identified in the quarter are reported in the summary report.

11.0 Ethical considerations:

- 11.1 None

12.0 Internal/ External Consultation undertaken:

- 12.1 The Risk Services Quarterly Report was presented to the Resources Directorate Management Team on the 21st October 2014 and the Corporate Leadership Team on the 3rd November 2014.

13.0 Background papers:

13.1 None

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Risk Services Quarterly Report
1st July to 30th September 2014

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2. Performance.....	3
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Investigations performance indicators	3
Investigations Team Statistics.....	4
Civil Contingencies performance indicators	4
Risk and Insurance Performance Indicators.....	5
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5. Appendix C – Insurance Claims Data.....	17

Risk Services Quarter Two Report – 2014/2015

1. Second Quarter Summary

Service Developments

1.1 *Corporate*

Some members of Risk Services have now moved to Bickerstaffe House and these include Internal Audit, Risk and Insurance and Corporate Fraud.

The Civil Contingencies Team is remaining at the Municipal Building co-located in the control centre which would be used if a major incident was to occur. The Benefit Fraud Investigators will also remain at the Municipal Building until they transfer to the Department for Work and Pensions in April 2015.

The Internal Audit Team and Corporate Fraud Officer have received training on IDEA software which is a file interrogation package. It is hoped that increased use of this will help generate further efficiencies in the way in which audit testing is completed and proactive anti-fraud work undertaken.

1.2 *Internal Audit*

Progress is now being made delivering the 2014/2015 audit plan. Whilst progress has not yet reached 50% at this half year stage work-planning has been undertaken to ensure that the majority of the plan will be delivered by the close of the financial year.

Edith Thompson (Auditor) has now commenced maternity leave and is expected back with the team in July 2015.

1.3 *Investigations*

A bid for funding has been made to the DCLG for the provision of a corporate fraud service. If successful, this will see an increase in the number of Corporate Fraud officers available at the Council. The outcome of the funding bid should be known by October 2014.

There are a number of corporate fraud investigations underway and there continues to be a number of referrals in this area. Work is ongoing on fraud awareness raising and planning has been undertaken for a range of anti-fraud initiatives including a potential multi-agency exercise to identify blue-badge fraud and also to improve processes for tackling insurance fraud.

Significant planning has been undertaken to ensure that the Council is ready to participate in the 2014/2015 National Fraud Initiative programme. Data sets are due to be uploaded in October and data matches are due to be received in January. With the transfer of the Benefit Fraud Investigators to the DWP, resource will need to be identified in order to undertake the investigation of the data matches.

1.4 *Risk Management and Insurance*

Preparations have commenced for the 2015/2016 insurance renewals and the starting point for this is a review of the information already provided to the Council's insurers to identify any changes to provision which may be required.

An exercise has been undertaken to identify all traded services across the Council and steps are now being taken to verify this before it is shared with our insurers to ensure that adequate cover is in place.

Work is underway to update the i-pool training course in relation to risk management and guidance in relation to the various insurance policies in place at the Council is also being prepared for services.

Risk Services Quarter Two Report – 2014/2015

1.5 *Emergency Planning and Business Continuity Planning*

The local flood plan is currently being reviewed and a multi-agency meeting has taken place to start this process in preparation for the winter months.

A corporate business continuity exercise is currently being planned and this will take place in January. A major incident exercise is also in the pipeline and steps are being taken to put in place the appropriate arrangements for this.

A training programme has been put in place for those staff on the major incident out of hours rota to ensure that they have the required knowledge and skills to effectively respond should an incident occur.

2. Performance

Internal Audit performance indicators

PI Ref.	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local IAPI1	Percentage audit plan completed (annual target).	90%	39%
Local IAPI2	Percentage draft reports issued within deadline.	96%	100%
Local IAPI3	Percentage audit work within resource budget.	92%	94%
Local IAPI4	Percentage of positive satisfaction surveys.	85%	82%
Local IAPI5	Percentage compliance with quality standards for audit reviews.	85%	83%

Investigations performance indicators

PI Ref.	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local IPI1	Number of fraud investigations, per 1,000 caseload.	35	16.42
Local IPI2	Number of prosecutions and sanctions, per 1,000 caseload (annual target).	11	5.16
Local IPI3	Percentage cases closed resulting in changes to benefit.	50%	57%
Local IPI4	Percentage cases closed resulting in changes to benefit with sanctions.	54%	55%

Risk Services Quarter Two Report – 2014/2015

Investigations Team Statistics

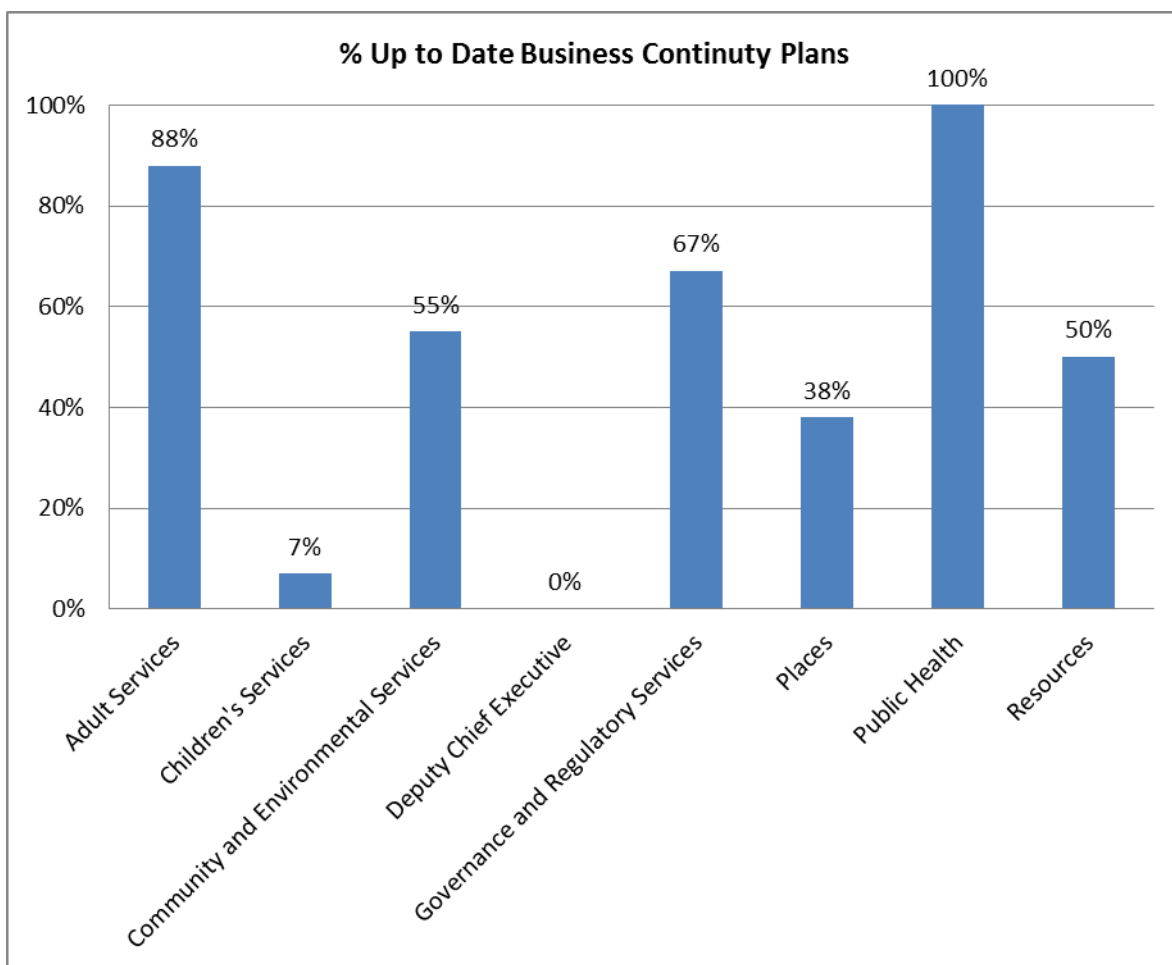
Month	Local Authority Overpayment	DWP Overpayment	Sanctions			
			Cautions	Admin Penalties	Completed Prosecutions	+/- Target
July	£97,848	£841	16	2	3	-1
August	£40,451	£21,927	16	3	3	0
September	£130,623	£76,316	15	1	8	2
Totals	£268,922.00	£99,084.00	47	6	14	1

Civil Contingencies performance indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
Local CC1	Percentage of Council services with business continuity plans.	100%	84%
Local CC2	Percentage of Council service business continuity plans updated during the financial year.	90%	39%
Local CC3	Number of civil contingency training and exercise sessions held.	6	3
Local CC4	Number of trained Emergency Response Group Volunteers.	60	32
Local CC5	Number of updates to the Major Emergency Plan.	2	0
Local CC6	Percentage integration into the Lancashire Resilience Forum workstreams	70%	70%

*In support of the 39% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by directorate:

Risk Services Quarter Two Report – 2014/2015

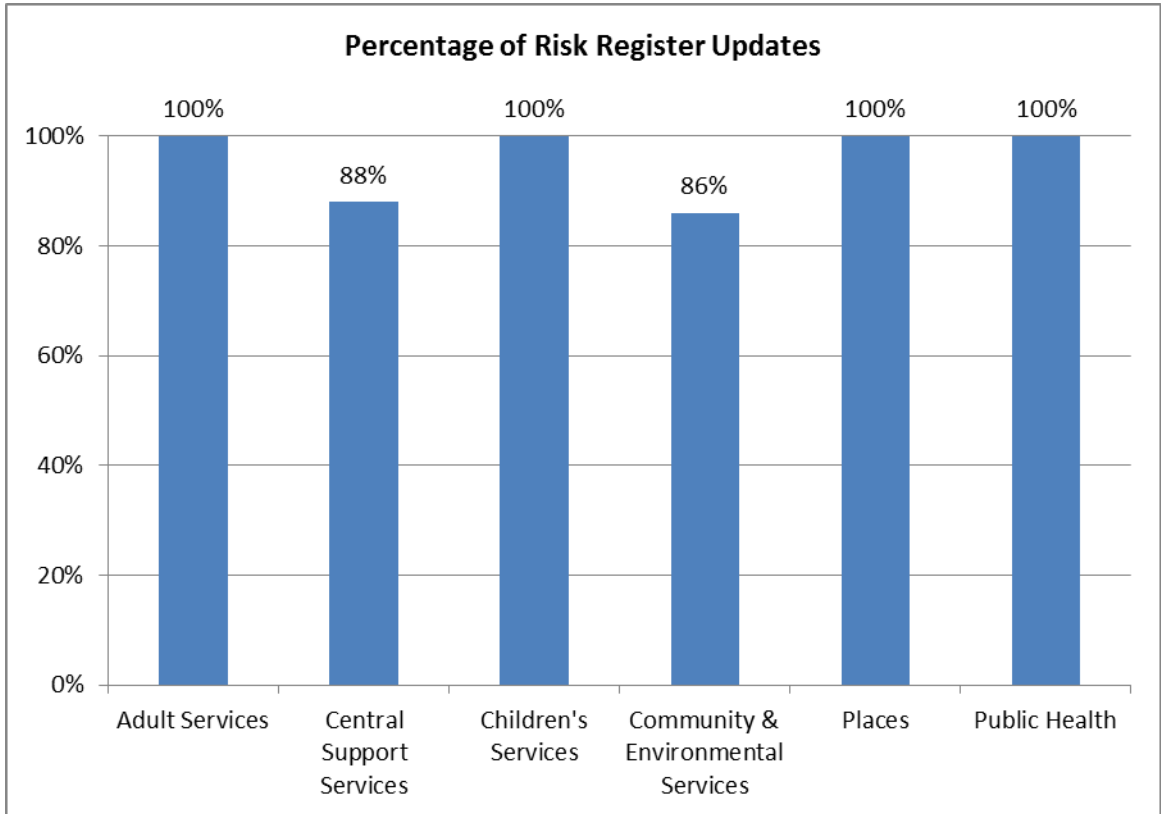


Risk and Insurance Performance Indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2014/15 Target	2014/15 Actual
RI1	Number of new liability insurance claims notified each month.	30	28
RI2	Number of liability insurance claims settled each month.	35	33
RI3	Number of liability insurance claims outstanding.	550	452
RI4	Percentage of new insurance claims registered and dispatched to insurers within 3 working days of receipt.	92%	100%
RI5	Percentage of property risk audit programme completed (annual target).	90%	33%
RI6	Percentage of risk registers revised and up to date at end of quarter.	90%	93%

Risk Services Quarter Two Report – 2014/2015

*In support of the 93% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:



Risk Services Quarter Two Report – 2014/2015

3. Appendix A: Performance & Summary Tables for Quarter 2– July to September 2014

Internal Audit reports issued in period

Directorate	Review Title	Assurance Statement
Corporate	CIPFA Value for Money Benchmarking	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The requirements for submission to the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Value for Money Indicators (VfMI) benchmarking for key corporate service activities; • The data supplied and the reasonableness of the assumptions used to form the basis of the submissions by Blackpool corporate service managers; and • The data on centrally managed services available in the relevant Audit Commission VfM profiles for the Council. <p><u>Assurance Statement:</u></p> <p>Overall, we consider that most services involved in the benchmarking exercise submitted accurate information and therefore the results in relation to value for money benchmarking exercise reflect a fairly accurate picture of how the Council compares with other authorities.</p> <p>However, in terms of Estates Management, Legal Services and Human Resources we have not been able to fully validate the information submitted for a variety of reasons and therefore are unable to provide assurance that value for money is being delivered.</p> <p>The experience of undertaking the 2013 CIPFA VfMI corporate services benchmarking exercise could be built upon to further develop the processes for the collection and interpretation of cost and performance data and to identify any further corporate service improvements in economy, efficiency and effectiveness.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
Governance and Regulatory Services	Area Forum Grants and Ward Budgets	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> • The policies and procedures in place for area forum grants and ward budgets and assess whether these are effective; and • The level of compliance with the policies and procedures in place. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are currently inadequate with a number of risks identified and improvements required.</p> <p>Our testing revealed some lapses in compliance with the controls.</p>
Governance and Regulatory Services	Registration Service Cash Handling Procedures	<p><u>Scope:</u></p> <p>The scope of the audit was to:</p> <ul style="list-style-type: none"> • Review the controls in place for handling cash within the Registration Service to confirm that these are appropriate; • Establish the controls required to minimise the risk of shortfalls in the cash taken; • Review the current procedures in place to reconcile the amount of cash taken to the amount of income due / certificates issued; • Establish a process for investigating any discrepancies; • Implement a procedure for undertaking spot checks on spoiled certificates; and • Determine whether the insurance arrangements in place are appropriate; <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are currently inadequate, with several risks identified and assessed and control improvements required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
People	Pupil Welfare	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The current service delivered by Pupil Welfare Officers in relation to school attendance, and whether the current model is effective and clearly understood, • The current methodology for allocating pupil welfare resource across schools, and whether this is equitable and appropriate, • The current approach used to allocate resources between addressing universal and persistent attendance issues and whether this is effective in raising attendance across Blackpool, • Financial resources currently available to the service, including processes in place to recoup monies for the delivery of ‘buy back’ services, • Whether administrative resources are effectively deployed. <p><u>Assurance Statement:</u></p> <p>We consider the controls in place around the processes adopted by the pupil welfare team to be adequate, with some risks identified and assessed, and several changes required to improve the efficiency of the service.</p> <p>However, we consider the controls in place for the wider strategy in relation to pupil welfare to be inadequate, with a number of material risks identified and significant improvement required. The strategy currently in place is now out of date due to changes such as the increasing number of schools converting to academy status.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
<p>People</p>	<p>School Improvement Plan</p>	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • How the school improvement plan addresses the recommendations of the Ofsted inspection report on local authority arrangements for supporting school improvement; • How does the plan measure and report impact; • The capacity identified for the delivery of the school improvement plan; • What initial progress on implementing the plan has been achieved; • Whether there are adequate action plans in place to support the delivery of the school improvement plan; • How the improvement plan was developed and how key stakeholders have been involved in the schools improvement planning process; and • How progress on implementing the school improvement plan is reviewed and monitored. <p><u>Assurance Statement:</u></p> <p>We consider the controls in place around the processes for school improvement planning to be adequate, with some risks identified and assessed, and some changes required to further improve the approach.</p> <p>Achievement by September 2016 of the overall school improvement target of 100% of Blackpool schools to be rated by Ofsted to be good or outstanding, with 20% of schools rated as outstanding, represents a demanding goal to be achieved. It will require a continuing effort over time to ensure the necessary sustainable improvement.</p> <p>In addition, by mid-September 2014, six out of what will then be Blackpool’s seven secondary schools will have academy status. For the Council, the increased number of academy schools represents increased complexity in relation to challenging school improvement. For academy schools, Local Authority intervention powers are more limited than for maintained schools. Effective communication with and challenge to the academies’ performance on an ongoing basis may be required to meet school improvement goals.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
<p>People</p>	<p>Social Care Purchase Unit and Domiciliary Care Contracting</p>	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • Initial plans and arrangements for the imminent procurement exercise to be undertaken for the new domiciliary care framework, assessing whether the approach should address the reasons for undertaking the exercise, and • The new contract allocation system which is currently being piloted with a view to assess its effectiveness. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate, with some risks identified and assessed, and some changes necessary.</p>
<p>People</p>	<p>St Nicholas C of E Primary School</p>	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> • Purchasing • Procurement • Petty cash and purchase cards • Income • Payroll • Banking <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some control improvements required.</p> <p>Our testing revealed only minor lapses in compliance with the controls.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
Places	Rigby Road Housing Development	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • The effectiveness of contract management arrangements; • The effectiveness of governance arrangements in place; and • Value for money achieved in the procurement process. <p><u>Assurance Statement:</u></p> <p>We consider the controls in place around the processes for the Rigby Road Housing Development to be adequate, with some risks identified and assessed, and some changes required to further improve the approach.</p>

Risk Services Quarter Two Report – 2014/2015

Directorate	Review Title	Assurance Statement
Resources	Property Services Procurement	<p><u>Scope:</u></p> <p>The scope of our audit was to review:</p> <ul style="list-style-type: none"> • Procurement arrangements in relation to ERDF funded leisure assets to assess whether adequate controls are in place to minimise financial exposure and potential claw back of funding, • Compliance with the Council’s internal policies and procedures for commissioning minor works / day to day repairs directly from Building Services, • Whether adequate procurement and contract management arrangements are in place in relation to inspection of buildings, • The approach to contract management in relation to Property Services, • Accountability and roles and responsibilities between Property Services and the Procurement Team, • Potential implications of new EU legislation which may lead to changes within UK law around awarding concession contracts by public authorities. <p><u>Assurance Statement:</u></p> <p>In relation to the ERDF funded projects evidence of controls has, in the past, been inadequate. However, for the current ERDF project we are satisfied that adequate controls are in place</p> <p>The agreed process for the automatic award of low value works by Property Services to Building Services is not yet working effectively and there are currently inadequate controls to enforce compliance with this arrangement.</p> <p>We recognise that procurement activity is underway to put suitable contracts in place to ensure compliance with procurement legislation and enable effective contract management. However, there has been some slippage in the procurement programme and there are various processes in place for contract management. We therefore consider this element of the scope to be inadequate.</p> <p>We consider that the controls in place in relation to the, accountability between Property Services and the Procurement Team, and the potential implications of the new EU legislation around awarding concession contracts by public authorities to be adequate.</p>

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Progress with Priority 1 audit recommendations

There are a number of outstanding recommendations which have either not yet been fully implemented or a response is still required from the service area.

We are working with each of the service areas to ensure that actions are fully implemented and will follow-up each of the above actions to check progress in quarter three of this financial year.

Benefit overpayment recovery rates

Current performance for the value of all overpayments recovered this year compared to those raised this year is 58.70%.

The Regulation of Investigatory Powers Act 2000

In line with best practice it has been agreed that the Council will report to the Finance and Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between July and September 2014 the Council authorised no directed surveillance reported to Legal Services.

Complaints in relation to benefit fraud investigations

Within the quarter we received two complaints, the first relating to a minor data breach and the second relating to the professionalism of one of the investigating officers. The data breach complaint has been passed to the Council's Information Governance Team for investigation and any recommendations arising from this will be implemented with immediate effect. With regards to the second complaint the Investigating Officer was found to have lacked adequate customer service and internal action has been taken to address this by the Chief Internal Auditor.

Benefit fraud referrals

An analysis of the benefit fraud cases to date in 2014/2015 has been included at **Appendix B**. This includes details of the referral source for cases opened and closed in 2014/2015.

Insurance claims data

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix C** of this report.

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4. Appendix B Benefit Fraud Referrals – Analysis of Cases Opened and Closed to date

Cases Opened – Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of referrals received	109	181	57	18	14	127	129	25	5	665
No. of new referrals	0	1	1	0	2	2	2	0	0	8
No. of cases passed to DWP	31	1	0	3	4	54	61	11	0	165
No. of cases passed to Visiting Team	13	0	3	0	5	34	28	7	0	90
No. of cases not investigated	15	3	4	2	1	12	14	2	1	54

Cases Closed– Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of cases closed	133	188	57	33	12	162	138	25	5	753
No. of cases passed to DWP	32	1	0	3	4	59	61	11	0	171
No. of cases passed to Visiting Team	13	0	3	0	5	39	29	7	0	96
No. of cases not investigated	17	5	4	2	6	14	16	1	1	66

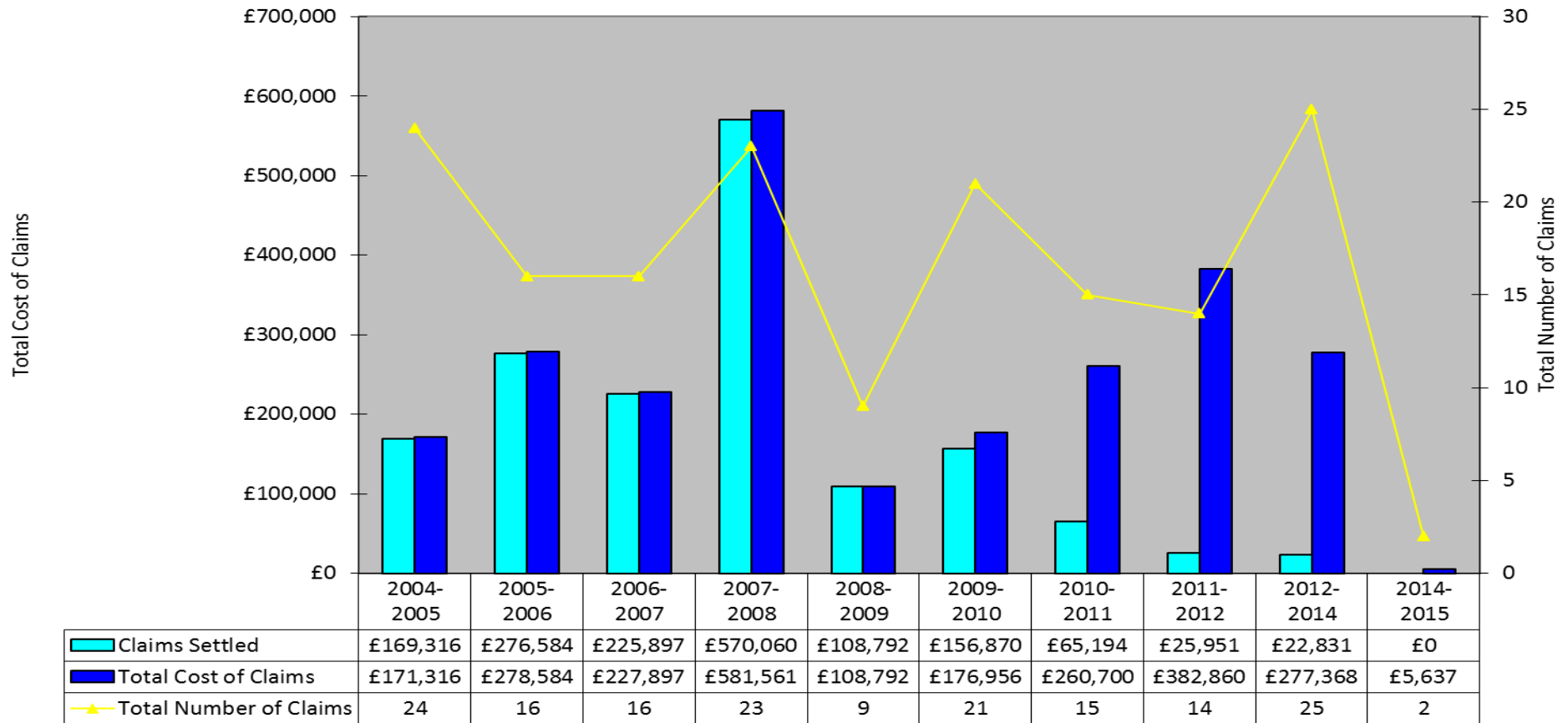
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	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of investigations undertaken	71	182	50	23	2	56	32	0	4	420
No. of no fraud cases	30	55	16	15	1	33	24	3	2	179
No. of positive cases in period	41	120	34	8	1	17	15	3	2	241
No. of prosecutions in period	2	5	14	0	0	0	1	0	1	23
No. of admin penalties in period	4	8	4	0	0	1	3	0	0	20
No. of cautions in period	23	45	4	2	1	7	4	2	1	89

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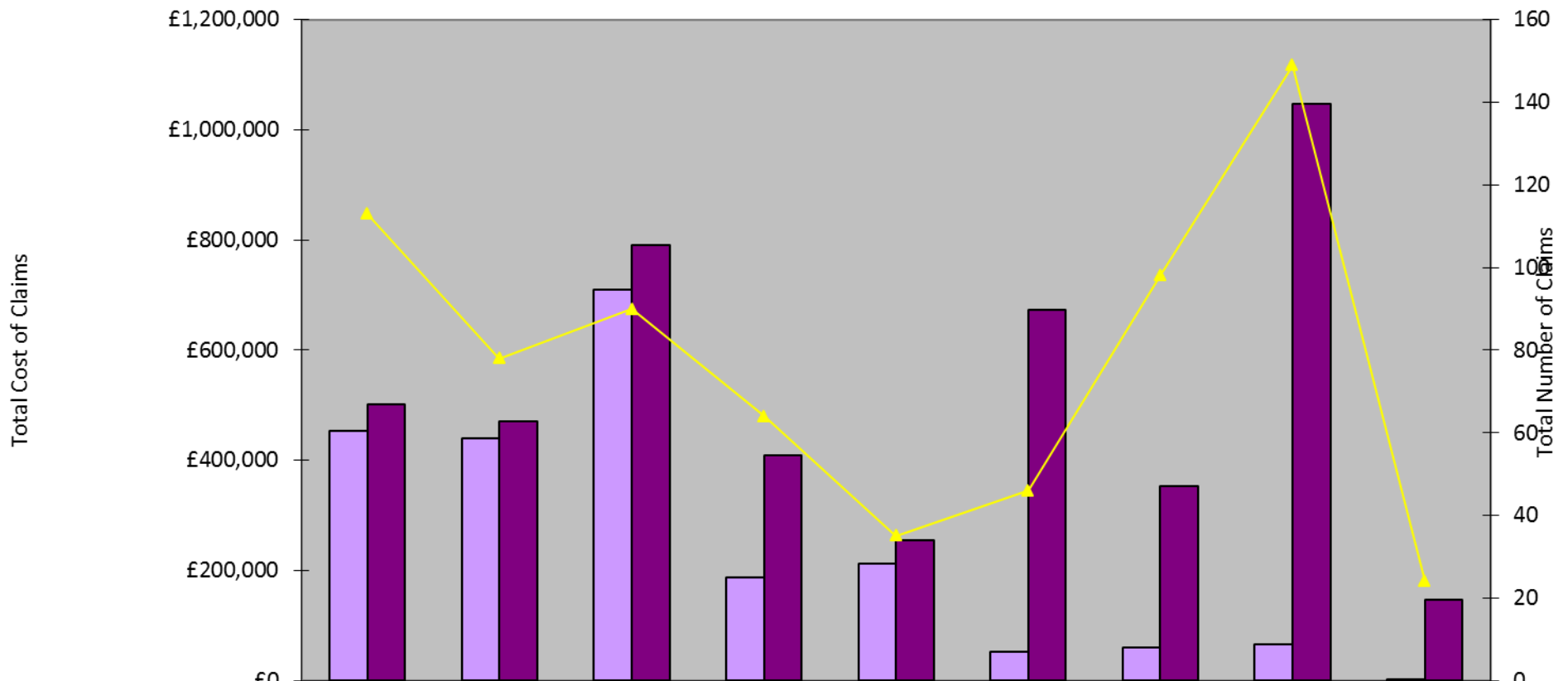
5. Appendix C – Insurance Claims Data

Total Number and Cost of EL Claims (Paid and Outstanding) as at 30.09.2014



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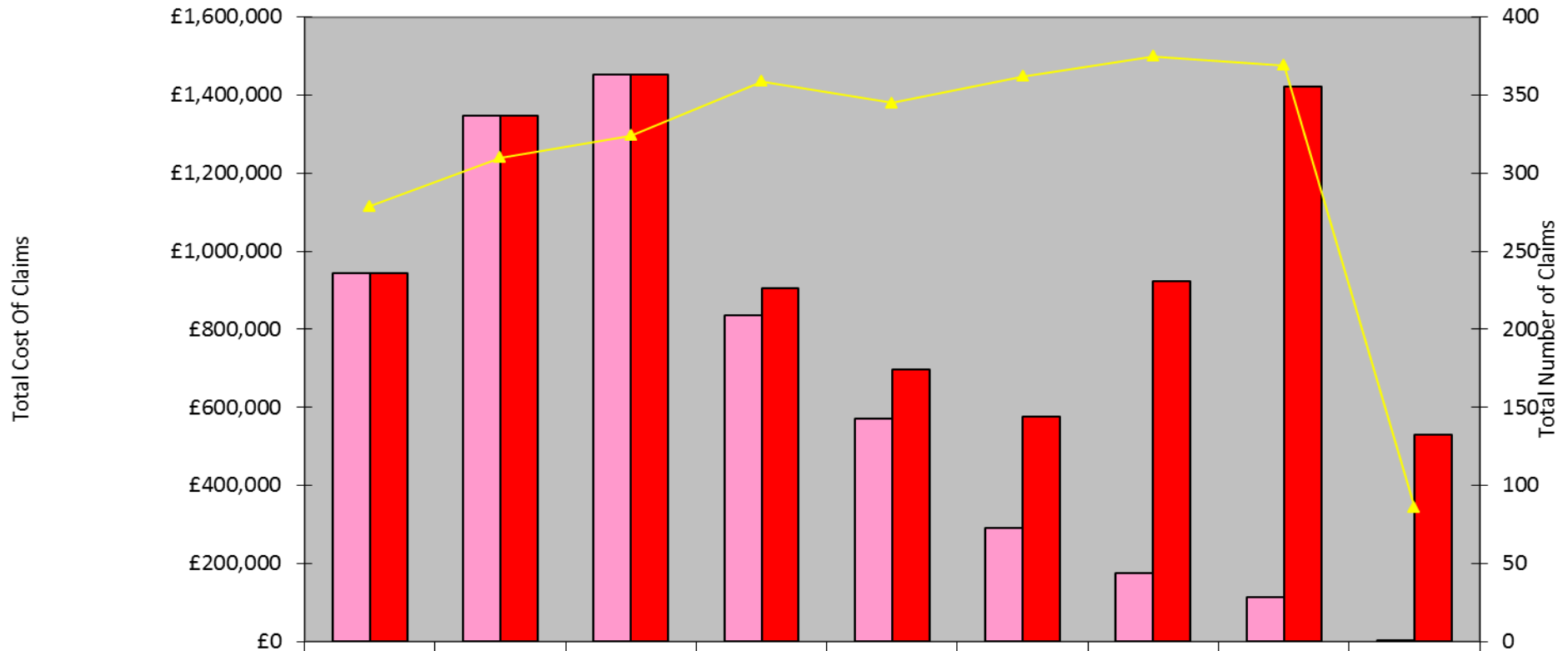
Total Number and Cost of PL Claims (Paid and Outstanding) as at 30.09.14



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-14	2014-15
Claims Settled	£454,016	£440,358	£708,989	£186,364	£213,125	£52,241	£59,182	£65,642	£18
Total Cost of Claims	£501,051	£470,408	£791,195	£408,702	£254,110	£672,407	£352,193	£1,047,404	£147,049
Total Number of Claims	113	78	90	64	35	46	98	149	24

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Total Number and Cost of PLH Claims (Paid and Outstanding) as at 30.09.2014



Claims Settled	£943,994	£1,348,498	£1,451,738	£835,069	£571,323	£289,845	£175,858	£113,985	£306
Total Cost of Claims	£943,994	£1,348,498	£1,451,738	£904,069	£696,662	£576,739	£922,547	£1,423,049	£529,737
Total Number of Claims	279	310	324	359	345	362	375	369	86

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Report to:	FINANCE AND AUDIT COMMITTEE
Relevant Officer:	Tracy Greenhalgh – Chief Internal Auditor
Date of Meeting	27 th November 2014

INTERNAL AUDIT BENCHMARKING

1.0 Purpose of the report:

1.1 This report presents the key findings from the recent Chartered Institute of Public Finance (CIPFA) benchmarking exercise relating to the internal audit service.

2.0 Recommendation(s):

2.1 To note the results of the CIPFA benchmarking exercise.

3.0 Reasons for recommendation(s):

3.1 To update the Committee on the results of the CIPFA benchmarking exercise.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered.
None

4.0 Council Priority:

4.1 The relevant Council Priority is 'Deliver quality services through a professional, well-rewarded and motivated workforce'.

5.0 Background Information

5.1 In line with the Strategic Audit Plan, the Internal Audit Service undertakes periodic benchmarking with the Chartered Institute of Public Finance (CIPFA). This exercise was last performed in 2010 and therefore it was appropriate to re-perform the exercise in 2014.

5.2 Blackpool was compared with 47 other unitary authorities who also participated in

the exercise. A summary of the key results follows.

5.3 **Cost Analysis**

The cost of the internal audit service in 2013/2014 demonstrates that Blackpool's cost is below average indicating a value for money service. This is shown in the following table:

Benchmarks	Blackpool	Average
Mainline audit days per £'m gross turnover	2.47	2.51
Cost per £'m gross turnover	£700	£734
Cost per auditor (in-house)	£51,667	£54,370
Overhead cost per auditor (in-house)	£7,424	£10,227

5.4 The number of chargeable days per auditor is in the upper quartile with Blackpool Council demonstrating 197 days against an average of 180 days.

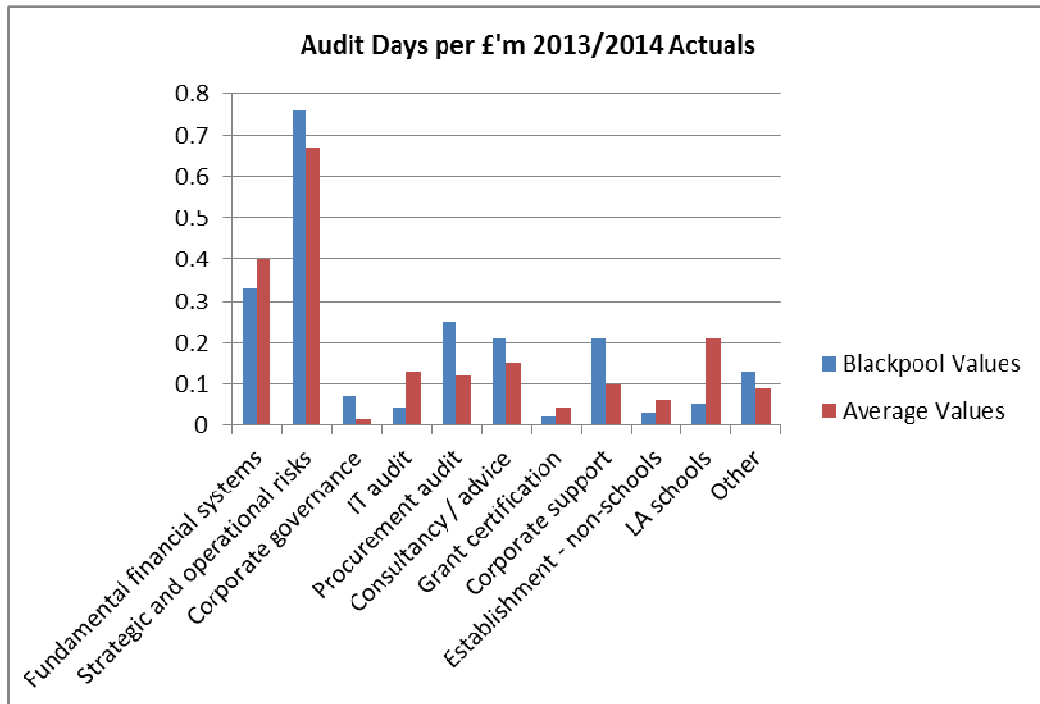
5.5 A similar pattern is estimated in 2014/2015 however an increase in corporate overheads has resulted in the cost per auditor being slightly higher than the average as shown below:

Benchmarks	Blackpool	Average
Mainline audit days per £'m gross turnover	2.04	2.53
Cost per £'m gross turnover	£717	£736
Cost per auditor (in-house)	£56,066	£54,563
Overheads cost per auditor (in-house)	£12,459	£9,866

5.6 It is evident from the benchmarking exercise that the number of days available for training is below average at Blackpool Council and this is an action to address in 2014/2015.

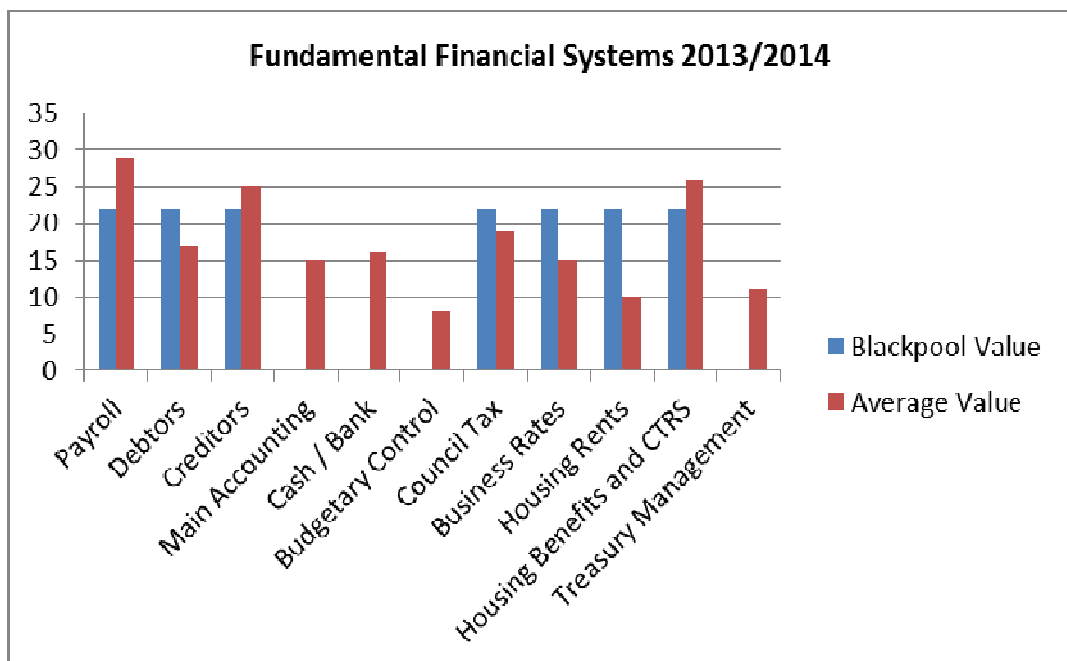
5.7 **Audit Coverage**

The benchmarking highlights that in the majority of types of audit work Blackpool is similar to other authorities as shown in the following table:



5.8 Key differences can be noted on the schools and IT audits where Blackpool currently undertakes significantly less work in these areas and procurement and corporate support where Blackpool completes considerably more than other authorities.

5.9 Further analysis of the fundamental financial systems provides the following information in terms of differences between coverage:

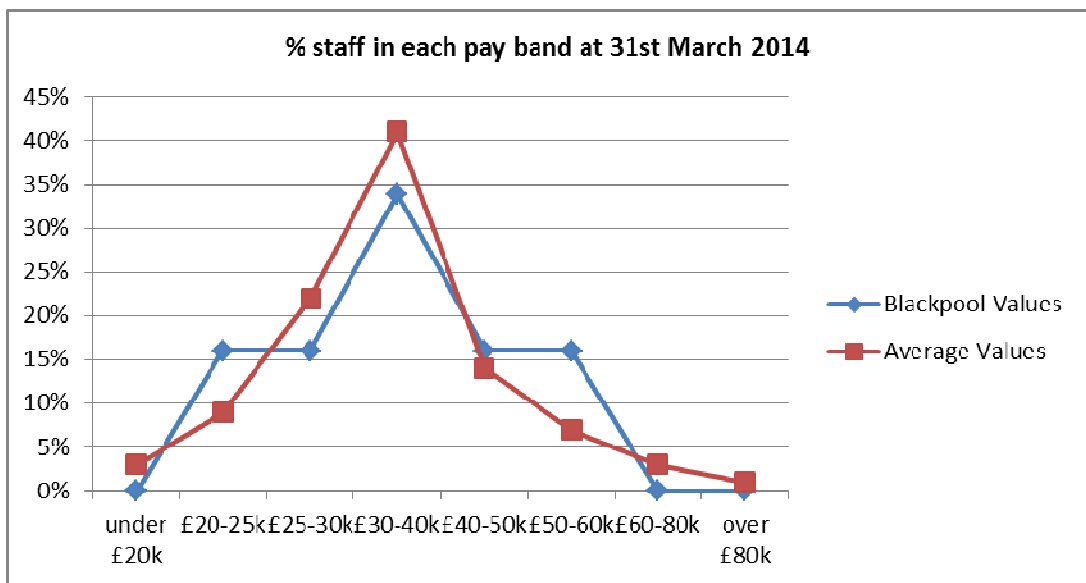


5.11 This illustrates that the team do not routinely undertake testing on areas such as main accounting, cash / bank, budgetary control and treasury management and these are areas which will be considered going forward. The results of this will be used to help inform the development of the new financial control assurance testing regime.

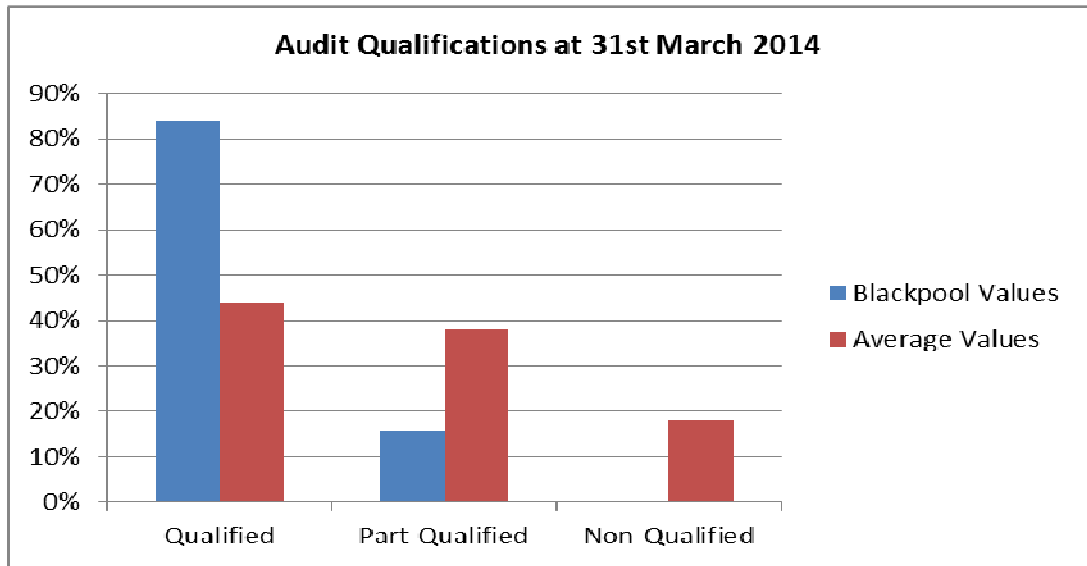
5.11 The benchmarking has also highlighted that the team undertake less than average work on the risk management process and performance management and this will be something which will be explored for the 2015/16 audit plan.

5.12 **Staffing**

In terms of the percentage of staff in each pay band the results of the benchmarking show that Blackpool follows a similar pattern to other local authorities and this is shown in the following graph:



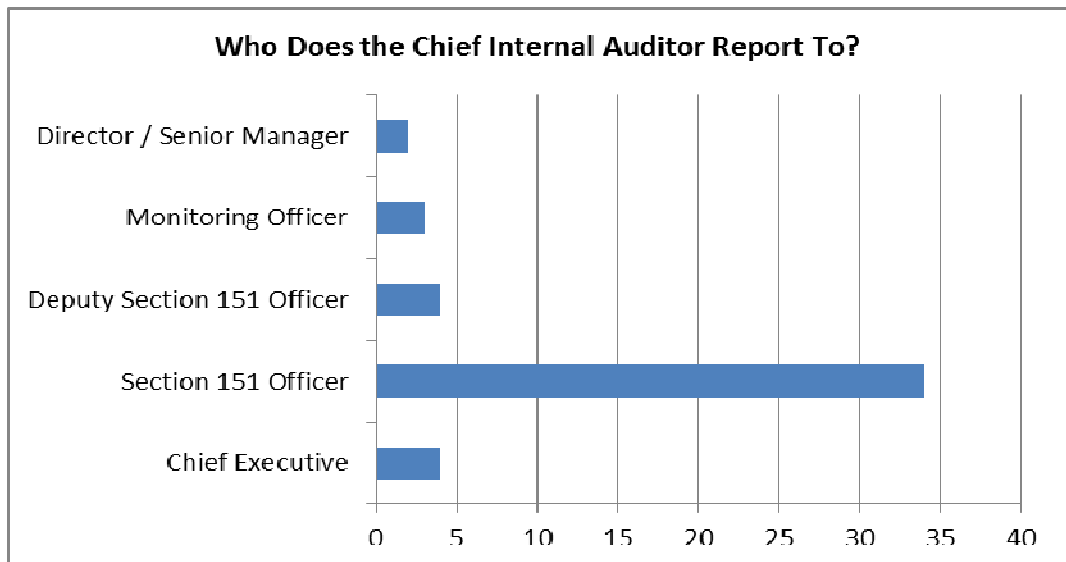
5.13 The results also show that the team have a high percentage of qualified and part qualified staff which is a demonstration of the commitment made to professional training by the Council as highlighted in the following graph:



5.14 The report does highlight that in 2013/2014 there were no audit trainees employed by the team although only 9% of authorities do currently employ a trainee who is actively training.

5.15 **Audit Context**

Blackpool Council is in line with the vast majority of other authorities in terms of the Chief Internal Auditor reporting to the Section 151 Officer as illustrated below:



5.16 In line with a number of other authorities the Chief Internal Auditor is responsible for risk management and counter fraud in addition to the internal audit service.

5.17 In terms of which areas the Chief Internal Auditor is the notifiable officer, Blackpool, like the majority of other authorities deals with anti-bribery, anti-money laundering and RIPA. The main difference between Blackpool and other authorities is that the Chief Internal Auditor at Blackpool is not the only notifiable officer under the whistleblowing policy.

5.18 In line with the majority of other authorities, Blackpool's internal audit function has assessed itself as complying with the Public Sector Internal Audit Standards however has not yet agreed in which year we are proposing to have an independent review to check compliance.

5.19 **Corporate Governance**

Just over half of participants confirmed that the internal audit team leads in preparing the Annual Governance Statement and over half of respondents do not conduct an audit of the Annual Governance Statement.

5.20 Unlike the majority of other authorities the Chief Internal Auditor takes a lead in compiling the Strategic Risk Register and does not undertake an audit of the risk register.

5.21 In common with the vast majority of other authorities the Chief Internal Auditor reports to the Audit Committee. The benchmarking shows that the most Audit Committees meet four times a year, with the second most popular frequency being five times a year. The majority of Audit Committees are represented by seven members on the Committee.

5.22 **Actions to Consider**

As a result of the benchmarking exercise the following actions will be considered:

- Review the fundamental financial systems audit work to assess whether it is feasible to increase the scope of work to cover accountancy functions.
- Consider increased coverage in areas such as risk management, ICT audit and performance management in line with other authorities.
- Identify suitable, cost effective, training options for the team.

Does the information submitted include any exempt information?

No

List of Appendices:

None

6.0 Legal considerations:

6.1 None

7.0 Human Resources considerations:

7.1 None

8.0 Equalities considerations:

8.1 None

9.0 Financial considerations:

9.1 Actions identified as part of this benchmarking exercise will be delivered within the constraints of the internal audit budget.

10.0 Risk management considerations:

10.1 None

11.0 Ethical considerations:

11.1 None

12.0 Internal/ External Consultation undertaken:

12.1 The data to inform this benchmarking exercise was submitted to CIPFA who analysed the results on behalf of the Council.

13.0 Background papers:

13.1 None

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