

CORPORATE AFFAIRS AND AUDIT COMMITTEE

Date: Thursday 29th April, 2021
Time: 3.30 pm
Venue: Virtual Meeting

AGENDA

Please note: this is a virtual meeting.

The meeting will be live-streamed via the Council's [Youtube channel](#) at 3.30 pm on Thursday 29th April, 2021

1. Apologies for Absence
2. Declarations of Interest
To receive any declarations of interest.
3. Minutes - Corporate Affairs and Audit Committee - 4 March 2021 3 - 10
4. Update in regards to Legal Services progress in response to Ofsted Inspection of Children's Social Care Services 11 - 14
5. Annual Report of the Senior Information Risk Owner (SIRO) 15 - 44
6. Annual Audit Letter 2019/2020 45 - 76
7. HR Assurance Report - Health and Wellbeing 77 - 82
8. Any other urgent items which in the opinion of the Chair, may be considered

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Wednesday 21 April 2021

MEMBERSHIP

Councillors , B Hubbard (Vice-Chair), B Cooper, T Higgins, J Hobson, T Mawston,
D Rooney and C Wright

Assistance in accessing information

**Should you have any queries on accessing the Agenda and associated information
please contact Susan Lightwing, 01642 729712,
susan_lightwing@middlesbrough.gov.uk**

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Thursday 4 March 2021.

PRESENT: Councillors J Rathmell (Chair), B Hubbard (Vice-Chair), T Higgins, J Hobson, T Mawston, D Rooney and C Wright

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: D Coupe, C Hobson (Executive Member for Finance and Governance), P Jeffrey (Internal Auditor) (Veritau), S Reid (External Auditor) (Ernst Young), M Rutter (External Auditor) (Ernst Young), J Dodsworth (Veritau) and R Smith (Internal Auditor) (Veritau)

OFFICERS: S Lightwing, C Benjamin, S Reynolds, J Weston and I Wright

APOLOGIES FOR ABSENCE: Councillors

20/56 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Higgins	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund
Councillor C Hobson	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund
Councillor Hubbard	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund
Councillor Rooney	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund

20/57 MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 4 FEBRUARY 2021

The minutes of the Corporate Affairs meeting held on 4 February 2021 were submitted and approved as a correct record.

20/58 CAPITAL STRATEGY 2021-2022

The Head of Finance and Investment presented a report of the Director of Finance for Members of the Committee to note the key elements of the Council's Capital Strategy and understand how the prudential indicators and treasury strategies ensured that it was affordable and sustainable over the medium term.

The report was an Appendix to the Revenue Budget and Medium Term Financial Plan report approved by Council on 24 February 2020. The two CIPFA codes that covered the prudential code on capital finance and the treasury management code of practice for local authorities recommended that the capital strategy was independently scrutinised by a local authority committee outside the budget approval process.

The Capital Strategy Report for the Council included the following areas:

- How the Investment Strategy was funded;
- The relevant prudential Indicators to monitor the performance, affordability and sustainability of the capital expenditure being proposed in line with the requirements of the prudential code;
- Treasury Management arrangements in place for investing surplus funds and borrowing to fund capital expenditure;

- The types of investments the Council made as part of managing its cash balances – the Annual Investment Strategy;
- Knowledge and skills of staff involved in the Treasury Management process;
- Minimum Revenue Provision policy – including outlining how much the Council set aside to re-pay debt built up to fund prior year's capital expenditure in the Borough.

A copy of the Capital Strategy Report 2021/2022 was attached at Appendix 1 to the submitted report. The Head of Finance and Investment provided a detailed explanation of the Council's capital expenditure and financing, treasury management, revenue budget implications and treasury management practices.

Responding to Members' questions, the Head of Finance and Investment explained that each capital funding decision was based on the resources available to fund it. Capital investment allowed the Council to create new assets, transform existing services and provide a better quality of life to residents. It was a statutory requirement for the Council to set an authorised limit for external debt at the start of each financial year and the limit was set based on the Investment Strategy.

It was highlighted that although the Council had undertaken some capital projects in recent years that have generated a revenue income stream, the primary aim had always been to regenerate the areas involved and to grow the wider economy within the Town.

AGREED as follows that:

1. the information provided was received and noted.
2. Members' suggestions for the format of future Committee training sessions were forwarded to the Chair or Director of Finance.

20/59

AUDIT RESULTS REPORT - MIDDLESBROUGH COUNCIL - 2019/20

The External Auditor presented the final Audit Results Report in respect of the audit of Middlesbrough Council for the year ended 31 March 2020. The report provided an update on the matters noted as outstanding in the provisional Audit Results Report presented to the November 2020 meeting of the Corporate Affairs and Audit Committee.

The External Auditor confirmed that an unqualified opinion had now been issued on the financial statements and a qualified value for money opinion in respect of the provision of Children's Services following the OFSTED inspection findings published in January 2020.

The draft financial statements included impairment charges of £13.6 million for TAMP and £7.9 million for the Centre Square buildings. TAMP was constructed by the Authority, however the Centre Square assets were recognised under finance leases. The initial recognition of both these assets and the finance lease liabilities was overstated by £8.5 million. The valuation as at 31 March 2020 was unaffected by the misstatement of the valuation on initial recognition, however the in-year revaluation loss of £7.9 million had been revised to a gain on revaluation of £0.6 million.

The valuation of the Authority's pension liabilities as at 31 March 2019 were adjusted in 2018/19 to reflect the estimated impact of addressing age discrimination within the Local Government Pension Scheme highlighted by the McCloud legal case. The valuation of liabilities at 31 March 2020 continued to include this adjustment, updated in-line with other assumptions.

In relation to the qualified value for money opinion in respect of the provision of Children's Services, the Chief Finance Officer confirmed that the opinion was in relation to the effectiveness of the expenditure. Once the Children's Services Improvement Plan was fully delivered, the Officer was confident that the Council would achieve value for money in that area.

Responding to a query in relation to potential increases in interest rates, the Auditor stated that the going concern disclosures within the financial statements were confirmed as robust up to the end of March 2022. The Chief Finance Officer highlighted that the Council's unallocated reserves had been increased for the financial year 2021/2022 and additional funds had been allocated to the Capital Finance Budget.

Finally, in relation to Officers' Remuneration, it was confirmed that it was the Chief Education post (or equivalent) which was incorrectly stated and the errors in the statement of exit packages related to banding issues. The Auditor agreed to email the details to the Chair post meeting.

AGREED as follows that:

1. the Middlesbrough Council Audit Results Report for the Year Ended 31 March 2020 was received and noted.
2. the External Auditor would provide details of the errors in the statement of exit packages related to banding issues to the Chair of the Committee in writing.

20/60

AUDIT RESULTS REPORT - TEESSIDE PENSION FUND 2019/20

The External Auditor presented the final Audit Results Report for the Teesside Pension Fund for the year ended 31 March 2020. The Report provided an update on the matters noted as outstanding when the provisional audit results were presented to the November 2020 meeting of the Corporate Affairs and Audit Committee.

The External Auditor confirmed that an unqualified audit opinion had been issued on the financial statements. The final opinion did not include additional narrative to highlight financial statement disclosures that the valuations of directly held property had been prepared on the basis of a 'material valuation uncertainty', as indicated previously, as it had been subsequently concluded that such a narrative was not required.

A Member queried the unadjusted difference in relation to £0.6 million costs incurred to surrender a lease to enable the sale of associated land. It was clarified that the accounting treatment applied was an error, however due to the low value in relation to the materiality threshold of approximately £9 million, it remained unadjusted.

Another query was raised in relation to a balance of £13.9m for which management had been unable to provide supporting evidence to justify its recognition as an asset of the Fund. The External Auditor explained that this sum had built up over a number of years and was not actually an asset of the Pension Fund. Council Officers had agreed to investigate this issue in advance of next year's audit.

The External Auditor extended his thanks to Middlesbrough Council Officers for their assistance during the completion of the audits.

AGREED that the Teesside Pension Fund Audit Results Report for the Year Ended 31 March 2020 was received and noted.

20/61

CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2019/20

The External Auditor presented a report summarising the results of work performed on Middlesbrough Council's claims and returns for 2019/2020.

The report set out the findings from certification work on the Housing Benefits Subsidy Claim and the Certification of Teachers' Pensions Return.

AGREED that the information provided was received and noted.

20/62

REDMOND REVIEW

A report of the Director of Finance was presented to inform Members of the Committee of the key points of the Redmond Review and discuss the next steps for compliance at the Council.

The key findings of the report were as follows:

- An ineffective balance between price and quality with 40% of external audits relating to the 2018-19 financial year failing to meet required reporting deadlines, in part due to under-resourcing and lack of experienced staff.
- A lack of co-ordination and regulation of audit activity across the sector.

- Outcomes from statutory accounts and external audit work not always being effectively communicated and presented to the local authority and public.
- The technical complexity of statutory accounts limiting public understanding of the financial position of local authorities and reducing the effectiveness of any scrutiny processes.

The findings from the Review had a direct bearing and relevance to the audit of the Council's 2019/20 accounts. In summary:

- The statutory deadline of the end of November for the audit had not been met and was now only just complete towards the end of February.
- There was an ongoing dialogue with the external auditors over a large increase in the level of fees payable for this work.
- The timeliness of the Council's ability to publish the audited results of the 2019/20 audit meant that they would be quickly superseded by the 2020/21 accounts.
- The accounts were very complex and were not understood by the public or other stakeholders. This had been demonstrated by no questions during the public inspection of accounts period over the last two years and Members needing specific training and direction when reviewing and scrutinising the accounts.
- Due to the regulatory demands on local authority accounts, most of the additional audit work had been on areas of material value that involved technical complexity and professional judgement when preparing. These areas did not have immediate or even medium term bearing on the Council's financial position.

Twenty three recommendations were made as a result of the review and were considered in four main themes which were detailed in the submitted report as follows:

External Regulation and Oversight.

Financial Reporting.

Governance.

Financial Resilience and Sustainability.

The implementation of some of the recommendations required changes to primary legislation, however, many of them could be implemented without.

Assuming that the recommendations were implemented, the key implications for the Council and the Committee would include:

- A likely increase in audit fees; with evidence suggesting audit fees collectively were at least 25% lower than required to fulfil current local audit requirements effectively.
- The requirement for the auditor to present an annual report to Full Council.
- The appointment of at least one suitably qualified independent member to Audit Committee to assist with scrutinising the accounts.
- An additional requirement to produce a standardised statement of service information and costs.
- A revised timetable for the statutory accounts process, with a change in the reporting deadline for local audit from 31 July to 30 September.

Although further consideration of the recommendations was needed, Officers and Members were supportive of the suggestion of appointing a suitably qualified independent member to the Committee.

The Ministry of Housing, Communities and Local Government (MHCLG) and the National Audit Office (NAO) were currently in the process of establishing a sector led working party to take forward the other recommendations. Progress on this would be reported to Members at regular intervals.

The Chief Finance Officer wished to place on record his thanks to the Auditors and Council Officers for their work during the last year, acknowledging some of the difficulties currently being encountered in local government finance.

AGREED that the information provided was received and noted.

20/63

INTERNAL AUDIT AND COUNTER FRAUD PLANS 2021/2022

A report of the Head of Internal Audit was presented to request the Corporate Affairs and Audit Committee's approval for the Internal Audit and Counter Fraud Plan for 2021/22.

A copy of the Internal Audit and Counter Fraud Plans 2021/2022 were attached as appendices to the submitted report.

Appendix 1 set out proposed internal audit work for 2021/22. The planned work was based on an initial assessment of risk undertaken by Veritau alongside discussions with Chief Officers and Members. Discussions would continue in the lead up to the 2021/22 audit year. As in 2020/21, the plan was a high-level document with an allocation of days for key areas of assurance. The detailed audits to be included within these areas would be agreed with Officers in the coming months. The plan was also flexible and would be updated if the Council's priorities or risks changed during the year.

It was expected that the Covid-19 pandemic and the Council's response, would be a significant priority for the Council throughout 2021/22. Veritau would continue to set time aside to provide support and challenge for this. The flexibility of the Audit Plan would assist in this regard. The total number of days allocated to internal audit assurance in 2021/22 was 555.

The proposed areas of counter fraud work in 2021/22 were set out in Appendix 2. No estimate of time was made for each area as this was dependent on the levels of suspected fraud reported to the Audit Team. The priorities for the work programme were set annually in the Council's Counter Fraud Strategy Action Plan and annual Fraud Risk Assessment. The total number of days allocated to counter fraud work in 2021/22 was 150.

AGREED that the Internal Audit and Counter Fraud Plan 2021/2022 was approved.

20/64

INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT

The Head of Internal Audit presented a progress report on the delivery of the 2020/2021 Internal Audit and Counter Fraud Plan and the outcomes from work completed since the last report to Committee.

Appendix 1 to the submitted report summarised the progress made in delivering 2020/21 internal audit work. The audits listed had been agreed with management as a priority for review during the year, and had either commenced been scheduled to take place. No further audits would be added to the programme of work, although support would be provided when requested if additional assurance was required.

A number of areas had been added to the work programme since the last report, including work relating to Covid-19 such as a review of arrangements relating to supplier relief, post-assurance work on business grants paid out and the returns provided for the government's income compensation scheme. A number of other audits had been deferred including commissioning (within Children's Services), the housing delivery vehicle and public health. These audits would be considered along with other priorities for inclusion in the 2021/22 audit plan.

The Auditor clarified that the additional work related to Covid-19 work which was prioritised as a necessity. The work that was deferred was planned for quarter four and had not yet started and in discussion with senior officers it was agreed they were not a priority.

The Internal Auditors continued to prioritise financial system audits that were not completed in 2019/20 due to the Covid-19 pandemic. An audit of debtors had been finalised and other financial systems audits were either underway or were scheduled to commence soon.

A summary of work completed since the last report to this Committee, including the number of actions agreed and key issues identified, was included in Appendix 2 to the submitted report and a summary of the number of new actions agreed and implemented during 2020/21 was included at Appendix 3.

The Council approved a new Counter Fraud Policy, Counter Fraud and Corruption Strategy (with associated action plan), as well as considering an updated Fraud Risk Assessment in September 2020. Revised Whistleblowing and Anti-Money laundering policies were agreed in December 2020.

Councils had been given responsibility for the administration of Covid-19 grants to businesses across a number of schemes, e.g. Small Business Grant Fund, Local Authority Discretionary Grant Fund and Retail, Hospitality and Leisure Grant Fund.

These schemes had been targeted by organised criminals operating nationally and internationally, as well as false applications for grants by local businesses.

The Department for Business, Energy, and Industrial Strategy (BEIS) had required all councils administering grants to undertake an independent review of payments made during the first phase of lockdown. The counter fraud and internal audit teams would undertake this work for Middlesbrough Council. A 5% sample of payments would be taken, evidence scrutinised, and checks made with external data sources to identify potential fraud and error. From work already undertaken by the Auditor with various other Councils, it appeared that they had administered the grants correctly in a diligent way and it was expected that Middlesbrough would be no different in this respect.

The 2020/21 National Fraud Initiative (NFI) was underway and it would also examine Covid-19 payments this year. Grant payment data would be used to detect where businesses had erroneously or fraudulently accessed multiple grants, payments that may have been made to accounts linked to organised crime, and whether state aid thresholds have been breached.

A key objective for the counter fraud team was raising awareness of fraud with staff.

The team had met with key service areas to arrange fraud awareness sessions and has already delivered training to members of staff in the Human Resources department. Further work was planned to help promote and raise awareness of the Council's whistleblowing procedure.

AGREED that the information provided was received and noted.

20/65

UPDATE ON POLLING STATIONS AND OTHER ELECTION PROCESSES FOR 6 MAY 2021 ELECTIONS

A report of the Returning Officer was presented to update Members on recent government guidance and delivery plans for 6 May 2021 Elections and to advise of possible changes to the location of a number of polling stations as listed at Paragraph 4.6 of the submitted report, in response to further guidance that was recently issued to schools in respect of use of a school as a polling station.

The vast majority of electoral rules and procedures would remain as they were at the previous local, mayoral and Police and Crime Commissioner Elections, and other local elections and referendums, which took place between 2016 and March 2020. The UK Government did not support all-postal voting and it did not propose to introduce early voting or change the hours of polling. However, running elections during a pandemic posed a number procedural and operational issues for a Returning Officer and the Elections team.

The Government policy paper on the May 2021 polls delivery plan stated that given the importance of avoiding any further disruption to education, schools should not be used as polling stations, where alternative venues were available. The UK Government particularly discouraged the use of schools where this would result in closure and would provide support to Returning Officers to explore the use of other community or commercial facilities, to minimise disruption to schools.

Middlesbrough had 28 schools currently used as polling stations. In preparation for the elections due to take place on 6 May 2021, the premises previously agreed by Committee as polling stations were contacted. At present a number of schools had indicated that if their premises were to be used as a polling station, the school would need to be closed. In addition, some of the community venues that were used as polling stations had vulnerable people accessing the premises and had also expressed reticence/refusal for use.

As a consequence of the pandemic and the above guidance the Returning Officer, used

emergency delegated powers and requested the Elections Team find temporary alternative venues to be used for this election only. This included use of community or private venues and/or mobile stations. The availability of mobile stations to hire would also be a concern, since all other local authorities would be undertaking similar reviews.

A list of premises that the Council were unable to use for these elections, and the proposed alternative venue for each polling station was included at paragraph 4.6 of the submitted report. However, current and alternative polling station venues might still be subject to change.

The following update was provided at the meeting:

- St Edwards RC Primary School – new polling station confirmed: Aapna House (old Library site).
- Waiting Room, Berwick Hills Primary School – proposed new polling station: the Neptune Centre, to be confirmed following site visit.
- Pallister Park Primary School - new polling station confirmed: Old Middlebeck Social Club, Homerton Road.
- Kader Academy – new polling station confirmed: Kader Academy Nursery.
- Newham Bridge Primary School - replaced with Mobile Station.
- Captain Cook Primary School – proposed new polling station: Marton Library, to be confirmed following site visit.
- Hemlington Hall Academy - replaced with Mobile Station in car park.
- Otterhill Court Community Centre - replace with Mobile Station in the Phoenix car park at the rear of number 31, to be confirmed following site visit.
- Viewley Hill Academy – new polling station confirmed: Hemlington Children's Centre.
- Lingfield Primary School - Replaced with Mobile Station in car park.
- Glastonbury House - Replaced with Mobile Station in car park.
- Lingfield Ash Meeting Hall - Replaced with Mobile Station in car park.
- Bellamy Courts Residents' Lounge - replace with Mobile Station in car park, to be confirmed following site visit.
- The Avenue Primary School – new polling station: St Bernadette's Primary School: Mobile Station in car park, to be confirmed.
- The Brunton Suite – new polling station: land opposite the Avenue shops or Brunton Arms car park: Mobile Station, to be confirmed following a site visit.
- Macmillan College: Replaced with Mobile Station in car park.

The number of Mobile Stations being used had increased to 15 and potentially up to 17 from 7 at previous elections. All polling station venues had to be confirmed by 10 March 2021, when the data would be sent to printers to produce the poll cards.

In accordance with Government guidance it was confirmed that no Middlesbrough schools would be forced to close for the Combined Elections on 6 May 2021.

Details of arrangements for nominations, campaigning, and alterations to proxy arrangements were also included in the submitted report. Stockton Council were the lead authority for the direction and co-ordination of these regional elections and the compilation of the regional results. Due to social distancing requirements each authority would be conducting the verification and the Count for both elections in their own venues and submitting results electronically to Stockton who would announce the results.

The Council was conducting a social media campaign to try and encourage more electors to register for a postal vote. A leaflet advising on how to register for a postal vote would be delivered to every household at the same time as the poll cards.

Verification for both elections would take place after the close of Poll on Thursday 6 May and the Count for both elections would take place on Friday 7 May at Middlesbrough Sports Village. As the primary election, the Police and Crime Commissioner Count would take place first starting at 10.00 am, followed by the Tees Valley Combined Authority Mayoral election at approximately 2:00 pm.

Social distancing and other safety measures, such as marshalls, hand sanitiser, screens and distance markings would be in place at the Count venue and in polling stations.

An estimated £92 million of government grant funding would be provided to local authorities for the elections. £31 million of this funding was an uplift to directly address costs associated with making the elections COVID-19 secure. Increased costs of the Police and Crime Commissioner elections would be met by the UK Government. Additional costs in relation to the Tees Valley Combined Authority Mayoral election would be recharged to the TVCA.

Risk assessments had been developed for each aspect of the election and project teams were reviewing and amending procedures to ensure appropriate measures were in place and ensure the plans remain flexible to ensure delivery of a safe election. A request was made for all Councillors to receive an updated list of polling stations. It was highlighted that there was a postcode checker on the Council website to help people identify their polling station and the details would also be printed on poll cards.

It was confirmed that the old Middlebeck Social Club was no longer a licensed premises and was now a community venue.

Whilst electors were asked to wear face coverings, if they arrived to cast their vote without a face covering, and were able to wear one, a face covering would be provided by polling station staff.

A query was raised in relation to leafletting and whether parish councils and community councils were allowed to distribute leaflets under current Covid-19 restrictions. It was confirmed that the relaxation in restrictions on leafletting only applied when an election was taking place.

It was also confirmed that all the new polling stations had been visited and assessed against a checklist to ensure accessibility for all. Where possible, the use of Mobile Stations was avoided, but for the forthcoming elections they would need to be used where schools or alternative venues were not available. Staff were trained to take the ballot paper and box to any elector who was unable to access the polling station.

In terms of encouraging more people to vote in Middlesbrough, it was highlighted that promoting democracy was considered all year round. In the past events had taken place at the University and Middlesbrough College, school pupils had visited the Town Hall and taken place in Democracy Counts events and articles had been published in the Middlesbrough Football Club and LoveMiddlesbrough magazines.

AGREED as follows:

1. The Government's May 2021 Elections Delivery Plan, including guidance on proxy voting, campaigning, door knocking and leafletting during the current lockdown was received and noted.
2. Members' noted potential changes to polling stations in Middlesbrough as listed at paragraph 4.6 of the submitted report and updated at the meeting.
3. Once confirmed, a list of polling stations for the Combined Elections on 6 May 2021 would be circulated to all Councillors.

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ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

None.

Briefing Note of:	Charlotte Benjamin - Director of Legal and Governance Services Executive Member – Cllr Chris Hobson
Provided to:	Corporate Affairs and Audit Committee 29 th April 2021
Subject:	Update in regards to Legal Services progress in response to Ofsted Inspection of children's social care services

Summary

Purpose of the Briefing
To provide a briefing to the Committee giving an update on Legal Services in the response to the Ofsted Inspection of children's social care services

Background

1. Further to the Ofsted report of their Inspection of children's social care services (25th November 2019 to 6th December 2019), a briefing note was prepared for a meeting of this committee on 5th March 2020.
2. The briefing note set out the plan going forward for Legal Services response to the Ofsted Inspection of children's social care services. The purpose of this note is to provide an update in regards to the progress. A previous update was provided to this committee in December 2020.
3. The issues in relation to capacity remain, with case numbers continuing to remain at a high level. However, the numbers have decreased, with care cases currently at around 100, compared to 140 in December. At this stage we are not clear around the reason for the decrease as there has been a number of contributing factors, including changes to gateway panel, a more effective use of the PLO process, and Court increasing their hearings further to the covid issues, meaning more cases have concluded.
4. In terms of the resources to meet this demand, there have been some changes to the team since the last update.
5. The role of the Principal Legal Executive (People) has been changed to Head of Legal Services (People) and the interim postholder applied and was successful in securing the permanent position, bringing some stability to the team.

6. Further to the rolling advert for two permanent Solicitors, which has been live since July 2020, we have successfully recruited to these posts, with the new postholders due to start in March and April 21 further to the end of their notice period. These are good additions to the team, with a mix of qualities to bring to the role and to the team. This also means that we are able to end the contracts for the locum members of staff currently fulfilling their role, therefore reducing the pressure on the budget.
7. One of our permanent Solicitors is leaving us for another employer. A contributing factor is that due to the working from home adaptations that we and other employers have made people are able to consider positions outside of their normal geographical area. This can of course also work to our advantage and we are considering ways to make a post within Middlesbrough more attractive to a wider area as part of our recruitment and retention considerations.
8. In the interim, this post will be filled by one of the Trainee Solicitors whom has already completed her training 'seat' within the childrens team and therefore already has experience of the role. This trainee is due to qualify as a Solicitor in July/August this year and it is intended that the advert for the role will coincide with this period so that they are able to apply, therefore contributing to our 'Grow your Own' strategy. We have considered going out immediately to advert, but with the recruitment and notice period we could not have anyone in post sooner in any event.
9. We also have one Legal Assistant vacancy, for which we are currently recruiting. We have had no issues in the past recruiting to this post.
10. We have recently interviewed for the Court Progression Manager (CPM) that will sit within the Legal Services childrens team and will act as the lead officer, working closely with Legal and Children's services, to ensure the timely progression of cases in family court proceedings. We have offered the role to the successful candidate and at the time of writing are awaiting confirmation of acceptance. This role is a key part of the contribution to the improvement journey.
11. Based on the current staffing of 4.6FTE fee earners, plus the trainee Solicitor, the team could effectively manage around 75 active care cases. As the current active care cases are above this, we continue to have a number of cases being outsourced to a local Childrens Solicitors firm. We have recently been through a procurement process in order to ensure best value for this for the upcoming 21/22 financial year.
12. It is not the intention that this outsourcing continue long term, therefore there is a legal services review taking place to look at how we can better resource the service to meet the demands, and how we can better use our resources to the best advantage. The timescale for the completion of the review is July.
13. Since the last report legal have continued to contribute to the improvement journey for Children's Services in a number of ways, both strategically and operationally.
14. Further to the sample audits taking place, a decision was made to carry out monthly audits, with feedback continuing via the 1 to 1 sessions between individual team members and the Head of Legal Services with the objective to achieve a standard

and consistent practice across the board. This has seen an improvement in our practice, for example making sure that outcomes of hearings are communicated clearly to Social Workers so that they fully understand what is expected of them and by when.

15. The Head of Legal Services has been one of the leads in a project undertaken by a subsidiary of the Local Family Justice Boards, which was tasked at looking at Care Orders at home as this region is an outlier in terms of the care order at home numbers. This project took place by way of holding some working groups across a number of Local Authorities and their partner agencies to look at the reasons for this, and how we can change this. The feedback has been extremely positive and the leads will feedback to the Local Family Justice Board, and to the local Children's Services, about the learning points.

16. In March 2021 the report 'Recommendations to achieve best practice in the child protection and family justice systems' was published, by the Public Law Working Group. The PLWG was formed, prior to the COVID-19 pandemic, to investigate the steep rise in public law cases coming to the Family Court and to offer recommendations for improving the system's ability to address the needs of the children and families. The report has clear implications on the way that we work, both across Children's Care and within legal, with a number of themes highlighted.

17. The President of the Family Division was clear that he expects to see the changes implemented by July 2021. He particularly highlighted that the changes, guidance, templates, will be of particular use to services that are looking to improve their practice. In response to the report, and to the timescales set, a working group has been set up between legal and Children's services to look at:-

- Setting out the timescales – what can we implement straight away, what needs more thought/development
- Roll out of the templates/guidance
- How to amend our processes to include the new ways of working
- Culture changes

This evidences the improved working relationship between childrens and legal services and a push to work collaboratively to resolve the challenges.

Appendices

None.

Background papers

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

Contact: Ann-Marie Wilson (Head of Legal Services – People)

Email: annmarie_wilson@middlesbrough.gov.uk

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MIDDLESBROUGH COUNCIL	
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Report of:	Head of Strategy, Information and Governance
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Submitted to:	Corporate Audit and Affairs Committee, 29 April 2021
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Subject:	Annual Report of the Senior Information Risk Owner (SIRO)
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Summary

Proposed decision(s)

That the Committee notes the position in respect of information risk set out in the report, and proposes for consideration any further steps it may wish to see taken to promote good practice in information governance within the Council.

Report for:	Key decision:	Confidential:	Is the report urgent?
Information	No	No	No

Contribution to delivery of the 2021-24 Strategic Plan

People	Place	Business
Improved information governance will underpin the delivery of all strategic priorities.	Improved information governance will underpin the delivery of all strategic priorities.	The activity outlined in the main body of the report will result in significant improvements in the Council's information governance arrangements.

Ward(s) affected

None.

What is the purpose of this report?

1. To advise the Corporate Affairs and Audit Committee of arrangements in place to ensure the proper governance of information within the Council, progress made within the 2020 calendar year, risks and issues arising, and priorities for 2021.

Why does this report require a member decision?

2. This report provides assurance to the Committee that information governance (IG) policy and practice within the Council is in line with legal obligations, and consistent with the principles of good governance.

Report background

3. The Council must create, protect, manage, share and disclose information in line with a complex legal framework. This report deals principally with information governance arrangements relating to the following, and the risks arising therefrom:
 - Data Protection Act 2018 (DPA);
 - UK General Data Protection Regulation (GDPR);
 - Privacy and Electronic Communications Regulations 2003 (as amended);
 - Environmental Information Regulations 2004 (EIR);
 - Freedom of Information Act 2000 (FOI);
 - Regulation of Investigatory Powers Act 2000 (RIPA); and
 - Protection of Freedoms Act 2012 (PoFA).
4. The Council's activity in this area is largely regulated by the Information Commissioner's Office (ICO), with the Investigatory Powers Commissioner's Office (IPCO) acting as the regulatory body for RIPA and compliance with the Surveillance Camera Code of Practice and the relevant provisions of PoFA encouraged by the Biometrics and Surveillance Camera Commissioner.
5. The Head of Strategy, Information and Governance acts as the Council's Senior Information Risk Owner (SIRO) / Senior Responsible Officer (SRO) for these issues, and is the owner of the Council's Information Strategy. The SIRO advises the Chief Executive and the Council's management team on information risk, reporting quarterly to the internal risk management group and annually to CMT and to this Committee.

Compliance, issues and risks in 2020

Implementation of 2020 priorities

6. The last annual report to this Committee (6 February 2020) set out six key priorities to reduce information risk for the 2020 calendar year and beyond.
7. Shortly after this, the UK was locked down in response to the COVID-19 pandemic, and at the time of writing significant restrictions remain in place. As with all business areas, these restrictions resulted in delays to planned activity, as relevant employees were either re-directed to emergency response or otherwise unable to progress work e.g. due to the unavailability of the workplace.

8. As such, work on these, and other priorities identified during 2020 and set out within this report, will complete during 2021. Nevertheless, good progress was made in many areas during the year, as summarised below.

ICO consensual audit

9. The first priority for 2020 was to implement all actions arising from the ICO's consensual audit of the Council's data protection arrangements, which took place in late 2019.
10. This audit looked specifically at three crosscutting domains:
- governance and accountability;
 - security of personal data; and
 - requests for personal data and data portability.
11. The Committee will recall that the audit rated the Council as providing a 'reasonable' level of assurance (the second highest of the ICO's ratings, behind 'high') that the Council's arrangements are delivering data protection compliance across the above three domains. The ICO made sixty-three recommendations to reduce the Council's risk of non-compliance.
12. In December 2020, the ICO undertook a follow-up audit and its report is at Appendix 1. Overall, the ICO concluded that despite some recommendations still awaiting completion, the Council had made meaningful progress to mitigate the risk of non-compliance with:
- 40 recommendations implemented;
 - 20 in progress; and
 - three yet to start.
13. The ICO noted improvements in risk management and monitoring, specialised training in subject access request handling, and development and implementation of a revised secure working policy.
14. The main areas of outstanding risk identified by the ICO were:
- expansion of detailed procedures for completing subject access requests to all directorates;
 - completion of the project on the physical security environment and access control procedures; and
 - implementation of a policy acceptance approach for all staff for information governance policies.
15. The outstanding actions from this audit will be implemented during 2021, with timescales aligned to the reoccupation of office space as COVID-19 restrictions ease, where appropriate.

Subject access requests (SARs)

16. The second priority for 2020 was to clear the Council's backlog of subject access requests (which fall largely within Children's Services) and put in place arrangements

to ensure compliance for all information requests within statutory timescales in at least 90% of cases. Three of the four urgent recommendations made by the ICO in the 2019 audit related to SARs, and this matter was the joint highest risk in the information risk register at the end of 2019.

17. The data protection and information requests sections of this report provide detailed statistics on volumes of requests received during the year and compliance with statutory timescales. However, in brief, given the pandemic:
 - the volume of information requests received reduced in all of the main RFI categories, including subject access requests; and
 - timeliness of responses fell slightly for FOI and EIR requests, but increased for SARs, though remained some way from the 90% target.
18. This resulted in only minor reduction in the Council's backlog of SARs, which reduced from 32 at the end of 2019 to 26 at the end of 2020.
19. While legal requirements to respond to information requests did not change, the ICO relaxed its regulatory approach during the year in recognition that the pandemic response would impact on local authorities' ability to respond within timescales. However, the ICO has now resumed regulatory activity and local authorities are expected to have recovery plans in place to address responsiveness issues and / or backlogs.
20. In line with this the Council took action during the year to ensure that this issue is now fully addressed during 2021:
 - a new post was put in place from January 2020 to process historic SARs and has had a significant impact in reducing these;
 - a procedure for handling SARs within Children's Services was created and implemented;
 - a temporary post was established within Children's Services was established to address the backlog of requests; and
 - ongoing monitoring of progress continued, with senior management and requesters regularly updated.
21. While, given the above position, this therefore remains the greatest information risk to the Council at present, there can be some confidence that the matter will be resolved during 2021.

Physical access

22. The third priority was to review physical controls into and within the Council's buildings and make recommendations to improve information security within the current and future estate. This matter was an urgent recommendation from the ICO and the joint highest risk in the information risk register at the end of 2019.
23. Complying with the ICO's recommendation, the Council launched a project to review physical security in early 2020 and a security audit of premises was undertaken prior to the first national lockdown in March 2020. The outcomes of this audit were then used to develop a draft corporate physical security policy, setting out a number of proposed procedural improvements.

24. While completion of this work was again delayed by the pandemic, the risk of information from unauthorised access of buildings was also significantly reduced during this period, through the closure of most Council buildings to the public and the close monitoring of those who did attend, and the significant reduction in paper holdings through the enforcement of clear floor and desk policies (as outlined in the Information Security section of this report).
25. Work will be completed during 2021 and implemented in line with timescales for the reoccupation of office space, focusing in particular upon access rights (to and within buildings), how changes to these are efficiently notified and aligned with digital permissions, visitor procedure and standardisation of the access 'bundles' (co-tag, ID etc.). This will be coordinated with work to relocate the Council's headquarters to Fountain Court to ensure a 'data protection by design approach' is adopted within that project.

Information Governance Framework

26. The fourth priority was to launch the revised Information Governance Framework (IGF) to staff utilising the Council's new business change framework, achieving a level of 95% acceptance and trained.
27. The revised IGF has now been completed (as set out in the Information Strategy section of this report), however in view of the pandemic, completion of this priority was deferred to 2021, with training to be incorporated within the 'reinduction' package that employees will be required to complete before returning to the workplace following the relaxation of COVID-19 restrictions.

Email

28. The fifth priority was, in agreeing the revised email policy, to seek CMT approval for greater controls within email to reduce the risk of data breach and duplicate records (e.g. auto-deletion after agreed time period).
29. This matter was discussed in year and CMT is comfortable for controls to be applied to email in order to ensure proper records management. These will be implemented and communicated to @middlesbrough.gov.uk email users during 2021 in line with Council's transition to Microsoft Office 365.

CCTV

30. The sixth and final priority was to apply the Council's CCTV Code of Practice to all uses of CCTV and review adherence to the code across the Council's various CCTV schemes.
31. The Code of Practice was revised during the year, and significant operational changes have been made to the Council's community safety teams, including the appointment of a new Single Point of Contact (SPoC) for CCTV.
32. An internal audit of the Council's CCTV arrangements is underway at the time of writing and it is expected that the forthcoming Surveillance Policy (see the Surveillance section of this report) will recommend a number of significant changes the Council's arrangements that will be taken forward by the new SPoC.

Information strategy progress

33. In November 2018, LMT agreed an Information strategy for the Council for the period 2018-2022. The strategy vision is that the right information will be available to the right users, at any time, accessible from anywhere, underpinning the achievement of the Council's strategic objectives.
34. The strategy has three key themes:
- **Organise:** implement a streamlined and integrated information governance framework, responding to legislative changes, and providing a firm foundation for improvement;
 - **Collaborate:** maximise the quality and the value of our information through joint-working, both internally, with our partners, and with our citizens and customers; and
 - **Transform:** ensure that our information is improved in line with our strategic priorities, and used to support evidence-based approaches to strategy, policy and commissioning.
35. In the first two years of the strategy, the Council has focussed largely on the 'Organise' theme, updating and joining up its information governance framework (IGF). The IGF now comprises the following policies:

Policy	Last revision	Next revision
Data Protection Policy	2019	2022
Public Information and Requests Policy	2019	2021
Records Management Policy	2019	2021
Email Policy	2019	2021
Data Management Policy	2019	2022
RIPA Policy	2020	2021
CCTV Code of Practice	2020	2021
Secure Working Policy	2020	2023

36. As indicated above, the following policies were reviewed and updated during 2020:
- the RIPA Policy and CCTV Code of Practice were reviewed and updated in year as required (see the Surveillance section of this report for further detail); and
 - the Information Security Policy (now Secure Working Policy) was refreshed, integrating policies and procedures issued over recent years relating to agile working and the use of personal devices for work.
37. The following policies will be reviewed and updated where required during 2021:
- Public Information and Requests, Records Management and Email Policies (in line with the Council's transition to Office 365);
 - RIPA Policy (subsumed within a new Surveillance Policy (see Surveillance section of this report for further detail); and
 - CCTV Code of Practice (to align with the new Surveillance Policy).

Changes to information asset registers

38. Information asset registers (IARs) list all the information owned by services, in any format, quantifies these and sets out how they are managed across the lifecycle. IARs are owned by Information Asset Owners (Heads of Service).
39. The Council's information strategy uses IARs to present an overall view of the fitness-for-purpose of information across service areas on a RAG basis, taking into account the following criteria:
- Security
 - Confidentiality
 - Accuracy
 - Completeness
 - Timeliness
 - Relevance
 - Reliability
 - Validity
 - Availability
40. This information map was reviewed at the end of 2020, with the overall RAG as set out below.

RAG	Definition	%	Change from 2019
Red	Does not meet basic requirements	5.8%	-14%
Amber	Meets basic requirements but requires improvement	42.7%	+5%
Green	Fit for purpose	51.5%	-2%

41. There have been no major changes to IARs reported this year, and the position reflects ongoing improvements in the Council's information (movement from Red to Amber) and a greater understanding across services of what information is required for effective decision-making and delivery (movement from Green to Amber).
42. A data quality audit of Children's Services was undertaken by the Council's internal auditor during the year and yielded substantial assurance, illustrating the progress made in this area as part of the department's post-Ofsted improvement journey.
43. A significant amount of data sharing was undertaken during the year, particularly in relation to the pandemic response. This was swiftly and securely handled by all services, and should build confidence in data sharing going forward. The Council also signed the Great North Care Record - Information Sharing Agreement for Health Information Exchange: Clinical and Social Care data sets in January 2021.
44. IARs have been reconfigured into the revised management structure implemented in June 2020, and as part of the revised IGF, IAOs will be required to formally provide the SIRO with assurance on information assets and risks on an annual basis using a standard template.

Information security

45. COVID-19 has proved challenging for all of those working in information security, which is properly defined as activity designed to protect all appropriate data (print, electronic and other) from unauthorised persons, and rapidly changed the Council's information security risk profile.

Cyber security

46. The Committee should note that 2020 represented a significant escalation in global cyber security risk and the long-term implications of this for organisations worldwide remain unclear at this time.
47. Phishing, leading to a user's inadvertent downloading of malware and / or the exploitation of application vulnerabilities, is estimated to be responsible for 80%+ of cyber security breaches worldwide.
48. On 8 February 2020, Redcar and Cleveland Borough Council (RCBC) fell victim to a ransomware attack, resulting from a successful email phishing attempt. The ransomware used in this attack (RYUK) is sophisticated and the impact on RCBC, both in terms of the reduced ability to deliver public services for an extended period and financially, have been well-publicised.
49. The Council had a real stake in this matter as it shares a number of services with RCBC, some of which involve sharing ICT network connections. The Council's ICT Services therefore took immediate steps to remove any possible risk of infection from RCBC and to ensure that all preventative measures for RYUK were in place across the Council's estate.
50. In short, this review determined that it is almost certain that an attack of this nature on this Council would not have succeeded, due to precautions that the Council already had in place, and should it or a similar attack have succeeded, then the Council would have recovered much more rapidly due to its back-up arrangements. However, a number of improvements were implemented as a result of the review to further enhance the Council's security posture.
51. In the subsequent weeks, the Council assisted RCBC in several ways, notably by swiftly assuming responsibility for the joint Multi-Agency Children's Hub (MACH), and relocating it to Middlesbrough. During the course of the year the Council resumed responsibility for its own 'front door' into Children's Services, in line with its post-Ofsted improvement journey.
52. Senior management and services were kept fully-informed throughout this incident and a full lessons learned report was completed, with business continuity plans updated where appropriate.
53. Nevertheless, the Council must however remain vigilant. 2020 saw a step change in sophistication and targeting of phishing, including the use of fake histories, individuals' names in context, and so on, with several elected members and senior officers of this Council unsuccessfully targeted.
54. In addition to this, cyber attackers sought to take advantage of the disruption caused by the pandemic, instigating targeted hacks against organisations worldwide.
55. In December 2020, a major, likely state-sponsored, attack on the US federal government was discovered. From March 2020, attackers had exploited software from at least three US companies (Microsoft, SolarWinds and VMWare) to attack those companies' supply chains, affecting tens of thousands of organisations worldwide, including US federal departments and local governments. This was the

first time an attack of this nature had been successful, and given the sophistication of the attack it has been reported that it may take years for hackers to be completely evicted from some networks.

56. UK Government departments, many UK police forces and many organisations in the UK health sector are also known to be users of SolarWinds' compromised Orion platform, though no UK breaches have been confirmed to date.
57. In March 2021, Microsoft reported additional targeted attacks that took advantage of four 'zero-day' vulnerabilities in its Exchange Server to gain full access to email on customer systems, with tens of thousands of servers hacked worldwide as a result. This was also considered by the US Government to be a state-sponsored attack.
58. The above serves to demonstrate an increasing cyber security threat globally, and also that attacks can be equally effective on premises or in the Cloud.
59. Within that context, the Council continued to maintain a strong cyber security posture during 2020. No 'on premises' systems, services or information were compromised during the year, and all hardware and software continued to be supported, updated and patched in line with the Council's policies. No new threats requiring immediate intervention were identified during the year.
60. A number of the Council's websites are managed outside of ICT Services and the technical management of these will transfer to ICT during 2021 in order to ensure cyber security as part of an overall review of the Council's websites.
61. Almost 800 mobile devices have been rolled out to former desktop users during the pandemic to enable them to work from home, with new ways of communicating and collaborating with colleagues, partners and clients rapidly introduced e.g. video conferencing.
62. 1,176 access control changes were processed during 2020/21:
 - 592 new starters (employees and agency staff) had access rights established;
 - 72 movers had access rights updated; and
 - 512 leavers had access rights removed.
63. No end-of-life devices were destroyed by the Council's contractor during 2020 due to COVID-19 restrictions. All end-of-life devices are securely stored and will be destroyed during 2021, with appropriate destruction certificates supplied.
64. Following the decommissioning of the GCSX secure email system in 2019, unencrypted traffic had reduced to 2.33% and is expected to reach zero during 2021.
65. A number of important technical improvements were delivered during the year to enhance the Council's cyber security, including:
 - the Council's firewall cluster was refreshed one year ahead of schedule to support increased home working and to enable the deployment of enhanced cyber security measures;

- Domain Name Service (DNS) traffic has been separated from the corporate and guest Wi-Fi networks to ensure any threats quickly attributed to the correct source and addressed;
 - the corporate anti-virus solution was upgraded to provide improved protection, including against ransomware;
 - an intrusion prevention system has now been configured and enabled to allow the Council to better detect and prevent cyber attacks;
 - geo-location blocking will also be enabled during 2021, automatically blocking all traffic from territories known to be a cyber threat;
 - the Council's corporate password standard moved to a minimum length of 15 characters, in line with the latest guidance from the National Cyber Security Centre;
 - externals emails are now clearly marked as such to Council account users in order to promote vigilance around content and attachments;
 - threat emulation has been introduced to automatically detect and block malware from email content or downloaded files;
 - additional controls have been applied to end user devices to reduce the risk around the use of some applications;
 - use of Microsoft Edge browser was mandated to reduce patching vulnerabilities; and
 - end-of-life applications such as Adobe Flash Player have been removed from devices to reduce the risk of vulnerabilities from unsupported applications.
66. In September 2020, the annual test of the ICT Disaster Recovery Plan for its data centres was successfully undertaken, and identified a number of improvements to be implemented to further enhance resilience.
67. During the year, the Council used an external CHECK-approved assessor as part of its annual Public Services Network (PSN) compliance audit. This highlighted some areas for improvement, which were addressed in-year and the Council retained its PSN compliance certificate in November 2020.
68. The Council continues to subscribe to all appropriate international, national and regional cyber security networks and alert services.
69. The Council continues to participate in the Local Government Association's (LGA's) Cyber Security Stocktake (now bi-annual), and received an overall rating of 'Green' in 2018 with all recommendations from that stocktake now implemented. The LGA did not run the Stocktake in 2020 due to the pandemic but it is anticipated that this will resume in 2021.
70. The Council is seeking accreditation from the Government-backed Cyber Essentials scheme before June 2021 to provide further, external, assurance of the Council's preparedness for cyber-attacks.
71. ICT Services has implemented staffing changes during the year to improve oversight of and focus on cyber security, with monthly reviews in place. The resourcing of cyber security will be kept under regular review in line with the heightened risk in this area.

Records management

72. The closure due to the pandemic of Council buildings to the public and the majority of employees, with logging of those attending, reduced the risk to information from unauthorised access, albeit on a temporary basis.
73. At the same time the Council continued to reduce its use of paper and paper holdings through mandating clear floor and desk policies. 1,215,000 pieces of paper were removed from the Civic Centre during 2020, and a business case for archiving / digitising physical records was completed for consideration as part of the forthcoming move to new HQ accommodation.
74. Significant improvements were made to the Council's mail and print operation during the year, with controls around printing implemented and a 'mail from desktop' solution now in place.
75. A review of the Council's enterprise content management system was launched in line with the planned move to Microsoft Office 365 during 2021.

Data protection

76. 2020 represented the third year of the EU GDPR, which first came into force, together with the new DPA, at the end of May 2018. At the end of the EU transition period (31 December 2020), GDPR was transferred into UK law, with jurisdiction for enforcement of the UK regulatory regime now solely invested in the ICO.
77. While there have been some changes to rules protecting the international transfer of personal data outside of the UK, the Government has largely endorsed the EU's existing security measures, such as adequacy decisions of selected data protection regimes in overseas territories such as Canada.
78. When the UK left the European Economic Area it became a 'third country' for the purposes of EU data protection. During 2020, the Council completed an assessment of EU-based ICT suppliers that cloud-host its data and sought assurances that data flows would continue after the transition period.
79. The Trade and Security Agreement with the EU has provided for a six-month grace period to allow data flows to continue back to the UK. This position will be kept under review and it is still envisaged that the UK will receive its own adequacy decision from the European Commission.
80. Work in 2020 has focussed on continuing to meet the requirements of the Council's Data Protection Policy, which was set in 2018 and mandated the approach to compliance with statutory requirements.
81. This included strengthening staff training, assisting with development of procedures for subject access requests, the development of bespoke guidance, and significant improvements and additions to the Council's suite of privacy notices.
82. A number of data protection impact assessments have been undertaken to support decisions on new, high-risk data processing and no residual high risks were accepted by the SIRO through the Council's data privacy impact assessment process.

83. The Council was notified of a number of third party data processor issues during 2020 involving cyber security breaches suffered by suppliers, including one local authority. The UK GDPR places responsibility for such incidents on suppliers, an approach that was rebalanced after the previous Data Protection Act 1998 was repealed. The Council's Data Protection Officer was kept informed about these incidents by the suppliers and monitored these situation with the Council's procurement team. No significant impacts were reported on any Council's service users.
84. Poor compliance with the rights of the data subject, such as subject access requests, in some service areas has been stabilised. Although this has been documented in the Council's strategic risk register, new effective mitigations have been implemented to reverse trend, and the situation remains under close monitoring.
85. The immediate future focus of activities will include the next phase of training and development refresh for whole scale parts of the workforce and the commencement of dashboard performance reporting on training completions. This training is considered to be critical to ensure that the improvements realised in the decreased severity of personal data breaches (outlined below) are maintained.
86. Members are reminded of the importance of balancing modest investment in these measures against the risk of legal non-compliance which, in the worst scenarios, can lead to significant harm to service users, regulatory action including fines of up to £17.5million, and significant reputational damage.
87. The Council is also in the third year of the refreshed NHS Data Security and Protection Toolkit, the health and social care information governance standard. This new self-assessment approach has largely reduced the evidential burden on the Council to prove compliance through large amounts of documentary evidence, focussing efforts on the National Data Guardian Standards.
88. Incident statistics for 2020 show an increase overall and changes in the type of some incidents that are being reported. Incidents that resulted from disclosures in error increased (including those attributable to lack of 'golden records') and there was a slight increase in lost or stolen paperwork. Some of this is likely to be attributable to the very significant amount of new work required as part of the emergency response, involving personal data and multiple partners, increasing the risk of data breach through sheer volume and rapid turnaround.

Incident type	2018	Reported to ICO	2019	Reported to ICO	2020	% change in past year	Reported to ICO	% change in past year
Disclosed in error	40	3	52	2	84	+62%	0	-100%
Lost or stolen hardware	0	0	3	0	3	0%	0	0%
Lost or stolen paperwork	3	2	1	0	2	+100%	0	0%
Unauthorised access / disclosure	4	2	9	0	9	0%	0	0%
Corruption / inability to recover data	0	0	1	0	0	-100%	0	0%
Other – Breach of confidentiality	1	0	0	0	0	0%	0	0%
Other – Data quality leading to disclosure	1	0	0	0	0	0%	0	0%
Other – Building security	1	0	0	0	1	+100%	0	0%
Other – email sent to personal account	0	0	0	0	1	+100%	0	0%
Other – inappropriate use of staff portal	0	0	0	0	1	+100%	0	0%
Total	50	7	66	2	101	+53%	0	-100%

89. However, the key message within the incident statistics is the reduction in severity of impact from incidents due to quicker and more effective containment from timely responses and action by officers. This is also reflected in the fact that zero incidents were reported to the Information Commissioner's Office in 2020, which is a significant achievement.

Information Requests

90. The following table summarises statutory information requests received by the Council in 2020 and trends over the previous four years.

Request type	2016	2017	2018	2019	2020	% change in past year	% in time in 2020	% in time trend
Data Protection Act 2018								
Subject Access Requests	53	42	72	140	81	-42%	58%	Up
Disclosure – Crime or taxation	65	56	91	121	71	-70%	N/A	N/A
Disclosure – Immigration	0	0	0	8	20	+60%	N/A	N/A
Disclosure – Legal proceedings	10	10	12	55	6	-817%	N/A	N/A
Disclosure – Public protection	0	0	0	2	0	-100%	N/A	N/A
Disclosure – Regulatory	0	2	0	0	0	N/A	N/A	N/A
Disclosure CCTV – Crime	-	-	-	-	1,045	-	-	-
Disclosure CCTV – Legal proceedings	-	-	-	-	11	-	-	-
Freedom of Information Act 2000								
FOIA requests	1,229	1,266	1,343	1,360	1,032	-24%	73%	Down
Environmental Information Regulations 2004								
EIR requests	75	197	206	214	142	-34%	75%	Down
Appeals (FOIA and EIR)								
Requests to review initial responses	21	10	23	26	26	0%	77%	Up
Appeals to ICO	2	2	5	2	2	0%	50%	Down
% Appeals upheld in MBC's favour	0%	100%	50%	0%	50%	N/A	N/A	N/A
Total	1,455	1,585	1,752	1,928	2,436	+26.5%		

91. In summary, the number of information requests received by the Council grew by 26.5% per annum.
92. Growth during 2020 was however driven by CCTV disclosure requests, which have been added to the above statistics as a separate line following the transfer of the management of such requests from the corporate team to the CCTV unit.

93. In this and future reports, disclosures made under the 'CCTV – Crime' category will include footage that has been shared with law enforcement agencies, with those made under 'CCTV – Legal Proceedings' relating to requests from solicitors and claims handlers, largely for road traffic collisions. The significant increase in the former disclosures reflects increased joint working on crime and anti-social behaviour in line with the Mayor's strategic priority on this matter.
94. Numbers of SARs, FOI and EIR requests and fell during the year due to the pandemic, with timeliness also affected (as set out in the Implementation of 2020 priorities section of this report) but it is highly likely that these will begin to increase again during 2021.
95. During Quarter Two the Council launched the open data site, creating a single hub for all data published by the Council and accessible via the Council's website. Almost 1,000 datasets are currently available, and the Council will build on this significantly over time, looking at demand from members, customers, regulators and others.
96. The Council continues to receive a number of complex information requests regarding key programmes and projects and associated political decisions. Many requests also seek information for which elected members themselves are the data controller. During 2021, further training and guidance will be provided to members on these issues.

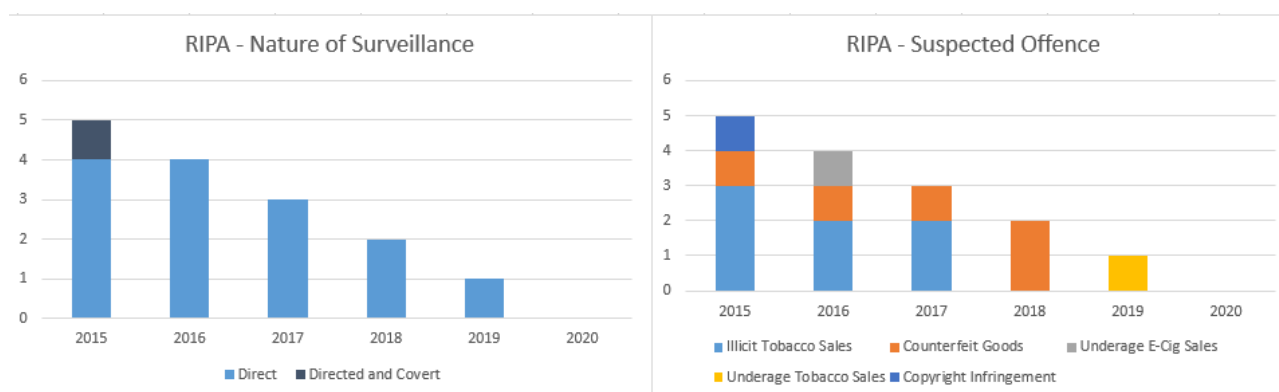
Surveillance

CCTV

97. The Implementation of 2020 priorities section of this report provides an update on the governance of CCTV.

RIPA

98. RIPA is the law governing the use of surveillance techniques by public authorities, including local authorities. RIPA requires that when public authorities need to use covert techniques to obtain private information about someone, they only do so if surveillance is necessary, proportionate, and compatible with human rights. Typically this relates to suspected criminal activity that is likely to result in a custodial sentence of six months or more.
99. In such instances, covert surveillance can be undertaken, subject to magistrate approval, if it is not possible to gather sufficient evidence to secure a prosecution without this.
100. The Council's use of RIPA has reduced annually since 2015, with no applications made in 2020. The charts below set out the number of applications made the Council in the past six years, the nature of the surveillance and the reasons why it was undertaken.



101. The RIPA policy is updated annually and was last approved by the Executive Member for Finance and Governance in February 2020. In late 2020 the Council was subject to a (periodic) inspection by the IPCO regarding its use of RIPA powers. The IPCO's conclusions are at Appendix 3.
102. The Council has agreed with the IPCO that from now on it will maintain an overarching Surveillance Policy, which will cover CCTV, RIPA, non-RIPA covert surveillance and the surveillance of employees. The first iteration of this policy will be presented to the Executive in June 2021 and from next year a separate annual report on surveillance will be presented to this Committee.

Assessment of information risk

103. During 2020, taking into account the impact of the COVID-19 pandemic, the Council continued to take positive steps to enhance information governance and minimise information risk across the organisation.
104. Taking into account progress in the past year and issues and risks emerging from the global and national situation and the ongoing monitoring of the Council's information governance practice
105. The revised short-form version of the Council's information risk register is attached at Appendix 3, with the risk RAG-rating amended where appropriate to reflect the revised Risk and Opportunity Management Policy approved by the Executive in February 2020.
106. In overall terms, the Council's risk profile is broadly stable, but (as set out within the report) the Council needs to maintain vigilance in relation to cyber security, as well completing activity to permanently mitigate risks relating to breach of data rights and unauthorised access, and compliance with surveillance law.
107. Deferred from 2020, a new approach to the monitoring and management of information risk will be introduced alongside the new IGF which will be reflected in the next annual report.

Priorities for 2021

108. Key priorities for 2021 to address the issues and risks outlined in this report are therefore as follows:

- continue monthly monitoring of the Council's cyber security posture and improvements and undertake a staff phishing exercise;
- implement the outstanding recommendations from the ICO Consensual Data Protection Audit;
- launch the Council's revised Information Governance Framework to staff as part of the post-pandemic reinduction process, and enhance elected member training on information governance;
- continue to improve the Council's responsiveness to information requests through the provision of real-time dashboards for senior managers;
- agree physical security policy and procedures for the Council's office estate, implementing changes for reinduction and advising on design of the Council's new HQ;
- agree a position in respect of digitising or rehousing the Council's historic papers records as part of the new HQ project;
- complete and implement the revised Surveillance Policy and actions from forthcoming audit of CCTV; and
- ensure that key ICT projects for 2021 including the migration to Microsoft Office 365 and the review of the Council's website are aligned with the Information Governance Framework and progress the aims of the Council's Information Strategy.

Key messages for staff

109. The following key messages will continue to be communicated to staff via reinduction, staff training, Information Asset Owners and other means in order to ensure improved information risk management:

- Always ensure that you have completed the latest training on data protection, cyber security and related information governance matters.
- Power off your machine at the end of every day and restart it for updates when prompted.
- Always read and implement advice and guidance provided by ICT Services.
- Do not attempt to install any software without authorisation from ICT Services.
- Be vigilant to the threat from phishing – read emails carefully and report any suspect emails to the ICT Service Desk.
- Never use your Council email address for personal reasons e.g. signing-up to a website not related to work.
- Never use the same password for different Council systems and do not use any work passwords on non-Council systems e.g. personal email or website accounts.
- Be careful in your personal use of social media that you do not make yourself vulnerable to identity fraud.
- Never use personal devices (including printers), accounts (such as email or cloud storage) to store or work on Council documents and data.
- Do not access records that you have no professional reason to view – this includes reading material that may have been accidentally left on desks or photocopiers.

- If you do not recognise someone who is trying to access employee only areas, and they are not wearing a Council ID / lanyard or appropriate visitor badge, do not simply hold the door open for them. If they appear lost, politely refer them to reception. If you are concerned, report the matter to reception or raise the matter with your manager straight away.
- Always leave your workspace clear of information and your computer screen locked when unattended – no documents or passwords should be left on desks or monitors, and drawers and filing cabinets should always be locked.
- Keep your use of paper to an absolute minimum – diaries, notebooks or correspondence – and never leave these unattended.
- Be careful when sending emails and letters that you take the time to make sure that you are using the correct, up-to-date, and full addresses.
- If you are sending documents electronically to a recipient, consider using Objective Connect for extra security and audit trails.
- Always transport devices and any information on paper (where taking this off-site is unavoidable) in the boot of your vehicle. However do not leave items unattended in your vehicle as these will not be deemed to be secured and you will be held responsible.
- If using paper to work at home, do not leave in a place where it can obviously be stolen (e.g. with your laptop in the hall) at night or when you are out of the house.

What decision(s) are being asked for?

110. That the Committee notes the position set out in the report, and proposes for consideration any further steps it may wish to see taken to promote good practice in information governance within the Council.

Why is this being recommended?

111. To support the Committee in discharging its responsibilities in relation to corporate governance, which includes information governance.

Other potential decisions and why these have not been recommended

112. Not applicable.

Impact(s) of recommended decision(s)

Legal

113. IG is governed by UK legislation, regulation, statutory guidance and case law. This report sets out, at a high level, the reasonable technical and organisational measures that the Council is taking and plans to take in order to ensure compliance with this legal framework and minimise information risk.

Financial

114. It is anticipated that all activity set out in this report is achievable within existing and planned budgets.

Policy Framework

115. Current and planned activity outlined is consistent with the direction of travel set out in the 'Business' section of the Strategic Plan.

Equality and Diversity

116. Not applicable.

Risk

117. This report sets out the Council's information risks and current arrangements and future plans for their management.

Actions to be taken to implement the decision(s)

118. Not applicable, as the report advises the Committee and seeks comment. The activity outlined in the main body of the report will result in significant improvements in the Council's information governance arrangements.

Appendices

- Appendix 1 ICO Follow-up data protection audit report
- Appendix 2 IPCO Inspection
- Appendix 3 Summary Information Risk Register at end 2020

Background papers

- | | | |
|----------|---------------------------------------|---------------------------|
| 08/02/18 | Corporate Audit and Affairs Committee | Annual Report of the SIRO |
| 07/02/19 | Corporate Audit and Affairs Committee | Annual Report of the SIRO |
| 06/02/20 | Corporate Audit and Affairs Committee | Annual Report of the SIRO |

Contact: Paul Stephens, Head of Strategy, Information and Governance
Email: paul_stephens@middlesbrough.gov.uk

Middlesbrough Council

Follow-up data protection audit report

December 2020

Executive summary



Background

The Information Commissioner is responsible for enforcing and promoting compliance with the General Data Protection Regulation (GDPR), the Data Protection Act 2018 (DPA18) and other data protection legislation. Section 146 of the DPA18 provides the Information Commissioner's Office (ICO) with the power to conduct compulsory audits through the issue of assessment notices. Section 129 of the DPA18 allows the ICO to carry out consensual audits. The ICO sees auditing as a constructive process with real benefits for controllers and so aims to establish a participative approach.

Following a registration of interest made by Middlesbrough Council to the ICO in June 2019 to engage in a consensual audit, the ICO agreed to conduct an audit of its processing of personal data. The original audit took place at Middlesbrough Council's premises in December 2019 and covered the following scope areas:

Scope Area	Description
Governance & Accountability	The extent to which information governance accountability, policies and procedures, performance measurement controls, and reporting mechanisms to monitor data protection compliance to both the GDPR and national data protection legislation are in place and in operation throughout the organisation.
Security of Personal Data	There are appropriate technical and organisational measures in place to ensure the confidentiality, integrity and availability of manually and electronically processed personal data.
Requests for Personal Data & Data Portability	There are appropriate procedures in operation for recognising and responding to individuals' requests for access to or to transfer their personal data.

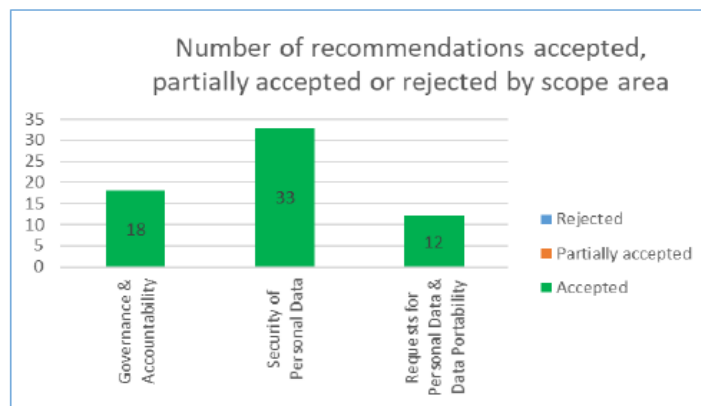
The audit was conducted following the Information Commissioner's data protection audit methodology. The key elements of this were a desk-based review of selected policies and procedures, on-site visits including interviews with selected staff, and an inspection of selected records.

Where weaknesses were identified recommendations were made, primarily around enhancing existing processes to facilitate compliance with the DPA.

63 recommendations were made in the original audit report. In order to assist Middlesbrough Council in implementing the recommendations each was assigned a priority rating based upon the risks that they were intended to address. The ratings were assigned based upon the ICO's assessment of the risks involved.

Middlesbrough Council responded to these recommendations positively, agreeing to formally document procedures and implement further compliance measures.

The below chart summarises Middlesbrough Council's response to the recommendations made.



Follow-up process

The objective of a follow-up audit assessment is to provide the ICO with a level of assurance that the agreed audit recommendations have been appropriately implemented to mitigate the identified risks and thereby support compliance with data protection legislation and implement good practice.

For all Urgent and High priority recommendations made in the original audit report, Middlesbrough Council are required to provide an update on the actions they have taken with supporting documentation to evidence progress.

For all Medium and Low priority recommendations made in the original audit report, Middlesbrough Council are required to provide an update on the actions they have taken.

The updated Action Plan should be signed off at Board Level.

Follow-up audit summary

A desk based follow-up took place in December 2020 to provide the ICO and Middlesbrough Council with a measure of the extent to which Middlesbrough Council had implemented the agreed recommendations. The following charts show a summary of progress to date.



Key follow-up audit findings

Main improvements include:

- Middlesbrough Council has increased its oversight of data protection matters by implementing new procedures such as standard risk management agenda items on meeting agendas, and increased monitoring and compliance checks on records management.
- Staff involved in responding to subject access requests have been provided with specialised training for their roles.
- A Secure Working Policy has been developed and implemented, and content from the historic Information Security Policy has been reviewed and captured within appropriate policies and procedures.

Main risk areas still outstanding:

- Procedures for the handling of Subject Access Requests (SARs) have only been created for Children's Services, which receives the majority of requests. Middlesbrough Council should continue to create procedures for its outstanding service areas to ensure that all staff have procedures to refer to in the event they receive a SAR.
- Middlesbrough Council have not completed its project to identify and manage risks associated with its current physical security environment and access control procedures. The Council should continue to work on this project as soon as possible so any physical security risks, particularly those relating to unauthorised access, are identified and controlled as appropriate.
- Action has not been taken to gather assurance from staff that they have read and understood the Council's data protection policies and procedures. Staff sign off processes should be implemented to gain assurance that policies and procedures have been read and understood.

Follow-up audit conclusion

The follow-up is now complete. Some outstanding actions exist, but meaningful progress is being made with the remaining actions to mitigate the risk of non-compliance.

Credits



ICO Auditor

Eve Wright – Lead Auditor

Thanks

The ICO would like to thank Michael Brearley (Data Protection Officer) for their help in the audit follow up engagement.

Distribution List

This report is for the attention of Paul Stevens (Head of Strategy Information and Governance) and Michael Brearley (Data Protection Officer).

Disclaimer

The matters arising in this report are only those that came to our attention during the course of the follow up audit and are not necessarily a comprehensive statement of all the areas requiring improvement.

The responsibility for ensuring that there are adequate risk management, governance and internal control arrangements in place rest with the management of Middlesbrough Council.

We take all reasonable care to ensure that our follow up audit report is fair and accurate but cannot accept any liability to any person or organisation, including any third party, for any loss or damage suffered or costs incurred by it arising out of, or in connection with, the use of this report, however such loss or damage is caused. We cannot accept liability for loss occasioned to any person or organisation, including any third party, acting or refraining from acting as a result of any information contained in this report.

This report is solely for the use of Middlesbrough Council. The scope areas and controls covered by the original audit were tailored to Middlesbrough Council and, as a result, this report is not intended to be used in comparison with other ICO follow up audit reports.

Appendix 3: IPCO Inspection of MBC

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IPCO

Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Mr. Tony Parkinson
Chief Executive
Middlesbrough Borough Council
PO Box 500
Middlesbrough
TS1 9FT
Claire_jones@middlesbrough.gov.uk

6 January 2021

Dear Mr. Parkinson,

Inspection of Middlesbrough Borough Council

Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.


Your Council was recently the subject of a telephone and desktop-based inspection by one of my Inspectors, Mr. Graham McCrory MBE. This has been facilitated through your Senior Responsible Officer (SRO), Head of Strategy, Information and Governance – Mr Paul Stephens and Deputy SRO, Governance and Information Manager – Ms. Anne-Marie Johnstone, both of whom were interviewed on the telephone. My Inspector is most grateful to Ms Johnstone for providing the supporting information required, as well as her professional approach to the inspection.

The information provided has demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection.

The last inspection was undertaken by IPCO Inspector, Mr Paul Donaldson, in January 2019. No recommendations were necessary on this occasion.


The authority has continued to develop strong compliance regimes under the leadership of Mr Stephens and Ms Johnstone.

Mandatory refresher training schedules have been created with 'E learning' modules completed by staff within enforcement and public protection roles. Units identified as requiring additional training or departments utilising social media, have received bespoke inputs and appropriate guidance.

 0207 389 8900

 info@ipco.org.uk

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Only one authorisation, for directed surveillance, has been undertaken since the last inspection. Whilst the Council is not a frequent user of the covert powers available it is recognised that staff, normally deployed on enforcement duties, have been concerned in dealing with matters relating to the current Covid-19 pandemic rather than developing covert operations.

Your RIPA policy has been refreshed, as is the case on an annual basis, with my Inspector offering to review forthcoming additions which outline procedures for the use of covert tactics in investigations which do not attract RIPA authorisation. The processes, discussed during the inspection, should give clear guidance to your staff and have been formed 'in the spirit' of RIPA with checks and balances in place to document events and decisions made.

Oversight takes place in the form of regular Risk Management Group (RMG) meetings to assess ongoing issues, with this group's findings feeding into the quarterly meeting of the Corporate Governance Group (CGG), attended by various Directors, including the Director of Legal Services.

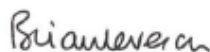
A specific focus for the inspection was the retention and destruction of data gathered whilst utilising the covert powers. I note that your SRO and his deputy are alive to this issue. Your Council has an Electronic Document Records Management System (EDRMS) which allows for the electronic audit of documents retained and the setting of review and destruction schedules. The application of this process, to review material gathered utilising covert powers, is an excellent advance and should allow your staff to comply with the safeguards as documented within the codes of practice for surveillance and CHIS. I trust you will find the details within my additional letter, sent to your SRO, of benefit. Ultimately, it will be for your SRO to ensure the requirements within the letter are addressed.

There is no doubt that your SRO and deputy SRO have been instrumental in developing a strong ethos of compliance within your Council. It is commendable that this has included regular training, oversight and updating of the relevant policies and procedures.

My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of this letter within two months.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Appendix 3: Summary Information Risk Register at end 2020

Category	Risk	Current score ¹	Trend	Target score
Internal	Breach of data rights due to untimely response to information requests	20	Same	10
Internal	REVISED Lack of employee and customer golden records	20	Up	6
Internal	Non-compliance with PoFA 2012 (CCTV provisions)	20	Up	5
Internal	REVISED Unauthorised access due to tailgating / break-in / inaccurate records	20	Same	3
Communication	Loss of sensitive data by human error	15	Same	6
External	Loss of personal data from cyber attack	14	Up	7
Internal	Non-compliance with information law, including GDPR	14	Same	7
Internal	Non-compliance with Baseline Personnel Security Standard	14	Same	7
Internal	Breach caused by third party processor	10	Down	10
Internal	Internal misuse of data	10	Down	10
Internal	Ineffective staff training	9	Same	6
Internal	NEW Misfiled historic records	9	-	3
Technical	Failure of disaster recovery	7	Same	6
Technical	Unauthorised access due to ICT not being notified of movers / leavers	6	Same	6
Internal	Non-compliance with Payment Card Industry standard	6	Same	3
External	NEW Interrupted data flows in to and from the European Union, post-Brexit	6	-	3
Internal	Non-compliance with NHS Data Security and Protection Toolkit	5	Same	5

¹ Scoring is in line with the Council's Risk Management Framework. Low risks = <5, Medium = 6-10, and High = >12.

Category	Risk	Current score	Trend	Target score
Internal	Insecure disposal of records	5	Same	5
Technical	Vulnerabilities in third party applications	5	Same	5
Technical	Unsupported infrastructure / applications	5	Same	5
Technical	Unauthorised access due to incorrect security settings	5	Same	5
Technical	Patching failure	5	Same	5
Internal	Non-compliance with PSN standard	5	Same	5
Internal	Non-compliance with RIPA 2000	5	Same	5
Technical	Encryption failure	2	Same	2
Technical	Insecure disposal of hardware	2	Same	2

Middlesbrough Council

Annual Audit Letter for the year
ended 31 March 2020

April 2021

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Agenda Item 6

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Section 7	Audit Fees

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

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

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



Section 1

Executive Summary

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Executive Summary

We are required to issue an annual audit letter to Middlesbrough Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for final, audited financial statements from 31 July 2020 to 30 November 2020 for all relevant authorities. Due to a number of factors relating to the pandemic, we completed our audit on 3 March 2021.
Impact on our risk assessment	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	<p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the Council due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> ► Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and ► Agreed IPE to scanned documents or other system screenshots.
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

Executive Summary (continued)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	
► Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2020 and of their expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
► Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources, except with regards to the provision of children's services.

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

Area of Work	Conclusion
Whole of Government Accounts (WGA):	
► Reporting to the National Audit Office (NAO) on our review of the Council's WGA return	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (continued)

As a result of the above we have:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Provisional Audit Results Report was issued on 24 November 2020 and our Final Audit Results Report was issued on 23 February 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 3 March 2021.

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

Section 2

Purpose and responsibilities

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Purpose

The Purpose of this Letter

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

We have already reported the detailed findings from our audit work in our 2019/20 Provisional Audit Results Reports presented to the 26 November 2020 meeting of the Corporate Affairs and Audit Committee, representing those charged with governance, and issued updated final reports on 23 February 2021.

We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Planning Report that we issued on 26 February 2020, including the subsequent addendum considering the impacts of Covid-19 on our audit issued on 22 July 2020, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

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

We undertake any other work specified by the Code of Audit Practice or Public Sector Audit Appointments Limited (PSAA).

Responsibilities of the Council

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

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

Section 3

Financial statement audit

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Financial statement audit

Key Issues

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

We audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 3 March 2021.

Our detailed findings were reported to the 26 November 2020 Corporate Affairs and Audit Committee, with an update on the matters outstanding at this point issued to members of the Committee on 23 February 2021.

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

Significant Risk	Conclusion
Misstatements due to fraud or error – Council and Pension Fund The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in International Standard on Auditing (UK) 240 (ISA 240), management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	What we did: We tested a sample of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements to ensure they were appropriate. Sample items were identified for testing based upon characteristics which could be indicative of management override. We reviewed accounting estimates for evidence of management bias. We evaluated the business rationale for any significant and/or unusual transactions. Our conclusions: We did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied. We did not identify any transactions during our audit which appeared unusual or outside of the Council's or the Pension Fund's normal course of business.

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition - Council only</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>What we did:</p> <p>We considered the income and expenditure streams of the Council and our assessment was that the risk is most prominent with regards to inappropriate recognition of capital grants and contributions against revenue expenditure, inappropriate capitalisation of revenue expenditure and the omission of expenditure from the financial statements.</p> <p>We tested a sample of capital grants and contributions to confirm that they had been recognised in accordance with agreed terms and conditions.</p> <p>We tested a sample of Revenue Expenditure Funded from Capital Under Statute (REFCUS) to confirm that it met the criteria set down in governing regulations.</p> <p>We tested a sample of capital additions to confirm they met the criteria for capitalisation set out in accounting standards.</p> <p>We tested samples of invoice postings and cash disbursements made after 1 April 2020 to confirm whether the expenditure to which they relate had been recorded in the correct reporting period.</p> <p>We reviewed minutes of Council, Cabinet and other key meetings to identify any potential accruals or provisions which may have been omitted from the financial statements.</p> <p>Our conclusions</p> <p>Our testing did not identify any misstatements arising from fraud in revenue and expenditure recognition, or other matters relating to this risk to bring to your attention.</p>

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Valuation of land and buildings – Council only</p> <p>The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's financial statements and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded on the balance sheet.</p> <p>Material impairment was recognised in the draft statements in respect of Centre Square and the Teesside Advanced Manufacturing Park (TAMP).</p>	<p>What we did:</p> <p>We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.</p> <p>We sample tested key asset information used by the valuer in performing their valuation (for example, floor plans to support valuations based on price per square metre).</p> <p>We considered the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme, as required by the Council's reporting framework. We also considered if there were any specific changes to assets that have occurred and whether these were communicated to the valuer, and reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated.</p> <p>We utilised EY Real Estates, our internal specialists on asset valuations, to review the valuations of both Centre Square and TAMP. We focused on these assets as they were constructed or acquired during 2019/20, are intended to generate rather than satisfy demand and did not have tenancy agreements in place at 31 March 2020.</p> <p>Our conclusions</p> <p>We concluded that the valuations of Centre Square and TAMP were within the expected ranges. We do however note that the Authority's valuer adopted cautious assumptions about future occupancy levels and this resulted in valuations which were towards the bottom end of our expected range.</p> <p>Whilst the valuations of these assets at 31 March 2020 were considered reasonable, we noted an £8.5 million overstatement of the in-year revaluation loss on the two Centre Square assets as a result of overstatement of the asset's cost on acquisition during the year. These assets were acquired under finance leases and there was a corresponding overstatement of finance lease liabilities.</p> <p>We reviewed the financial statement disclosure related to the fact valuations were prepared on the basis of a 'material valuation uncertainty' as a significant accounting judgement and concluded that the uncertainty in property valuations was adequately disclosed.</p> <p>This basis of valuation did not impact the assurance we were able to obtain over the valuation of property assets, and we are satisfied that land and buildings are not materially misstated.</p>

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Valuation of unquoted pooled investment vehicles - Pension Fund only</p> <p>The Fund's investments include unquoted pooled investment vehicles. Judgement is required from investment managers to value these investments as prices are not publicly available. The material nature of these investments means that any error in these judgements could result in a material valuation error.</p> <p>We identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.</p>	<p>What we did:</p> <p>We obtained third party confirmations of the valuation of unquoted pooled investments at the reporting date from the Fund's investment managers, including updated valuations where the original valuations were not fully revised as at 31 March 2020, and cross-checked these confirmations to the confirmation of assets held obtained from the Fund's custodian. We also reviewed the relevant investment manager and custodian controls' reports for qualifications or exceptions that may affect this audit risk.</p> <p>We also compared the movement in the valuation of investments in unquoted investment vehicles with the returns recognised as investment income per the investment manager confirmations, and investigated any unusual variances.</p> <p>Our conclusions</p> <p>We identified a number of differences between the amounts included within the financial statements and the confirmations provided by investment managers and the Fund's custodian, the aggregate impact of which was to overstate the assets of the Fund by £40 million. Our audit procedures covered 100% of the investments population.</p> <p>Management adjusted the financial statements in respect of identified differences with a net impact of £33.1 million, leaving uncorrected differences with a net impact of £6.9 million in the final financial statements. We are content these differences are immaterial to the Fund.</p> <p>We made a recommendation to management in respect of the Fund's processes for assuring the completeness and accuracy of information received from the Fund's custodian and the accounting treatment of timing differences as a result of these observations.</p> <p>Our review of the updated valuations obtained from investment managers did not identify any significant changes in valuations which required reflecting in the financial statements.</p>

Financial statement audit (continued)

Significant Risk	Conclusion
<p>Valuation of directly held property – Pension Fund only</p> <p>The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon the financial statements.</p> <p>In-line with guidance issued by the Royal Institution of Chartered Surveyors (RICS), the Fund's property valuer provided their valuation of the Fund's directly held property at 31 March 2020 on the assumption that there is a 'material valuation uncertainty' due to the impact of Covid-19 on the real estate market.</p>	<p>What we did:</p> <p>We obtained the valuation report provided by the Fund's external valuer and agreed the valuations included within the financial statements to this report. We also assessed the qualification and experience of the valuer to ensure it is appropriate to rely upon their work when preparing the financial statements.</p> <p>We reviewed the valuation of individual properties held by the Fund and identified 10 properties which we considered had characteristics which indicated an increased risk of misstatement, including due to the potential impacts on property valuations of the Covid-19 pandemic. We asked our EY Real Estate specialists to review the valuation of these properties.</p> <p>We reviewed the financial statement disclosures to ensure that the preparation of valuations on the basis of a 'material valuation uncertainty' had been appropriately disclosed.</p> <p>Our conclusions</p> <p>We noted that 5 of the 10 property valuations reviewed by our EY Real Estate specialists were at the upper end of the expected range, with the other 5 in the middle of the expected range. We are content that the valuations used are appropriate, but note that overall the Fund's property valuations are therefore towards the upper end of the expected range.</p> <p>We reviewed the financial statement disclosure of the fact valuations were prepared on the basis of a 'material valuation uncertainty' as a significant accounting judgement and concluded that the uncertainty in property valuations was adequately disclosed.</p> <p>This basis of valuation did not impact the assurance we were able to obtain over the valuation of property assets, and we are satisfied that property assets are not materially misstated.</p>

Financial statement audit (continued)

Other key findings	Conclusion
<p>Valuation of defined benefit pension liabilities - Council only</p> <p>Accounting for the participation in the Local Government Pension Scheme (LGPS) involves significant estimation and judgement, therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed in the financial statements is based on the IAS 19 report issued to the Council by the actuary.</p> <p>ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC as consulting actuaries commissioned by the National Audit Office for all Local Government sector auditors and the review of this work by our own EY actuarial team. We were able to conclude that the work of the actuary was appropriate.</p> <p>The Council's net pension liabilities were impacted by decreases in the valuation of pension assets in the fourth quarter of the year as a result of the Covid-19 pandemic. Our audit of the Council received assurance over these movements from our audit of the pension fund, however the Council's net pension liability was impacted by the overstatement of the Pension Fund's assets noted on page 14. Management estimated the impact on the Council's pension liability to be £4.7 million, an assessment we are reviewed and consider reasonable, and the financial statements were adjusted by this amount.</p> <p>On 16 July 2020, the Ministry for Housing, Communities and Local Government (MHCLG) published the proposed remedies for removing age discrimination from the LGPS. The proposed remedy is very similar to the basis of valuation used in the financial statements for active members, but includes additional liabilities in respect of deferred and pensioner members. We have used our EY actuarial team to confirm these additional liabilities would not be material to the Council.</p>

Financial statement audit (continued)

Other key findings	Conclusion
<p>Going concern and associated disclosures - Council only</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires that the financial statements of Local Authorities are prepared on a going concern basis, unless there is an intention by government that the services provided by the authority will no longer be provided.</p> <p>Due to the unpredictability of the current environment, there was a need for additional disclosures to be made by the Council in the financial statements, that detail the full financial and operational impact of Covid-19 in 2020/21 and beyond.</p>	<p>On 2 September 2020, the Council approved the transfer of the £4.9 million balance on the Authority's Investment Fund Contingency Reserve into the General Fund to cover the estimated £4.4 million impact of the Covid-19 pandemic on the Authority's 2020/21 budget. Our review of management's estimation of the impact of the pandemic on the Authority's 2020/21 budget has not identified any issues with this estimate.</p> <p>The Authority has sufficient reserves to absorb management's estimate of the impact on the 2020/21 budget, but will need to agree a budget for 2021/22 which balances after allowance for the impact of Covid-19 as further reserves are not available for transfer.</p> <p>Our review of management's cashflow forecasts to 31 March 2022 also did not identify any matters to report. The Authority has sufficient liquidity, including from planned borrowing, to support management's forecast cashflows over the period to 31 March 2022.</p> <p>The financial statement disclosures in respect of going concern have been expanded as a result of audit challenge on the extent of disclosures, and we are content the disclosures within the final statements are adequate and appropriate,</p>

Financial statement audit (continued)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality for the Council's financial statements to be £8 million (2019: £9 million), which is 1.8% of the gross expenditure on the provision of services reported in the financial statements.</p> <p>We consider the gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council</p> <p>We determined planning materiality for the Pension Fund financial statements to be £37.4 million (2019: £40.8 million), which is 1% of the net assets of the Fund.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £0.4 million (2019: £0.4 million) for the Council and all audit differences in excess of £1.9 million (2019: £2 million) for the Pension Fund.</p>

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

Section 4

Value for money

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Value for Money

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

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

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

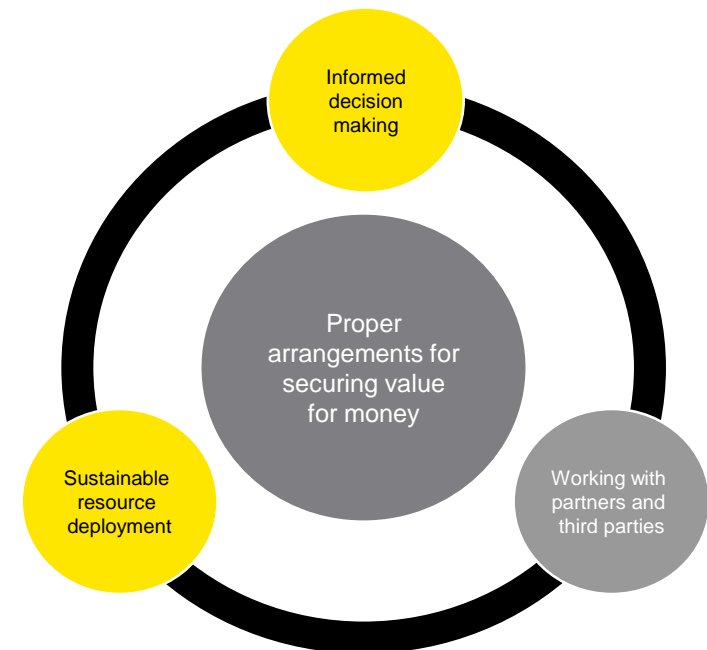
On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider the local authority's response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified two significant risks in relation to these arrangements. The table below presents the findings of our work in response to the risk identified.

We have performed the procedures outlined in our audit plan.

In light of the observations and conclusions set out in the Ofsted report of January 2020, we are unable to conclude that the Council had proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people within its children's social care services during 2019/20. We have therefore qualified our value for money opinion in respect of the provision of children's social care services, further details of which are provided on the next pages.

Other than in respect of children's social care services, we did not identify any significant weaknesses in the Council's arrangements.



Value for Money (continued)

Significant Risk	Conclusion
<p>Financial sustainability</p> <p>The Council operates in a challenging financial environment. Reduced central government funding, increased reliance on locally raised taxes and increased demand for services are all putting pressure on the Council's budget and the financial sustainability of its services. In particular the Council has faced pressures within Children's Services during 2019-20, with an overspend anticipated against budget for most of the year.</p> <p>Management have developed a Medium Term Financial Plan which includes the need for significant savings. Detailed plans have been developed by management to deliver on these savings, however the delivery of these plans is not certain.</p> <p>The Council may also face additional cost pressures, not reflected in the most recent Medium Term Financial Plan, in responding to the findings of the Ofsted inspection.</p>	<p>We have reviewed the financial outturn of the Authority against budget and note that the Authority's revenue activities were overbudget by £6.6 million for 2019/20. As a result, the Authority's general fund balance at 31 March 2020 was down to the minimum level prescribed by the Section 151 Officer. The overspend in 2019/20 was driven by children's services, which as a directorate overspent by £7.2 million with all other parts of the Authority delivering a net underspend of £0.6 million.</p> <p>We made enquiries of management and reviewed the assumptions used in the 2020/21 budget, which was set prior to the Covid-19 pandemic, to confirm they were reasonable. We note that the budget includes an additional £3.5 million of funding for children's services to mitigate demand pressures in that service, in addition to more general inflationary pressures. Despite these challenges, we note that the Authority had identified schemes for the full £6.4 million of required savings to achieve a balanced budget in 2020/21 without utilising reserves.</p> <p>We also made enquiries of management and reviewed assumptions used to quantify the impact of the Covid-19 pandemic on the 2020/21 budget. Management estimate that they will need to utilise £4.4 million of reserves in 2020/21 due to additional cost pressures and lost income as a result of the pandemic, after allowing for additional funding. The Authority has insufficient reserves within the general fund to accommodate this impact, therefore management has proposed to release the £4.9 million set aside in the Investment Fund Contingency Reserve to maintain the general fund above the minimum prescribed level of £9.4 million.</p> <p>Management therefore have arrangements in place to manage the impact of the Covid-19 pandemic on the Authority for 2020/21, however future budgets will need to address the longer term impacts of the pandemic without ongoing reliance on reserves.</p>

Value for Money (continued)

Significant Risk	Conclusion
<p>Provision of children's services</p> <p>On 24 January 2020, the Office for Standards in Education, Children's Services and Skills (Ofsted) released the results of its inspection of the Council's children's social care services performed between 25 November 2019 and 6 December 2019. The report concluded that the quality of the Council's children's services had deteriorated since the previous inspection in 2015 and are now inadequate.</p> <p>Under Auditor Guidance Note 3: Auditor's Work on Value for Money (VFM) Arrangements, published by the National Audit Office, we are required to consider the findings of external inspectorates, such as Ofsted, as part of our value for money considerations.</p> <p>Given the significance of children's services to the Council's activities and the nature of the conclusions reached by Ofsted, we considered it appropriate to recognise a significant value for money risk in respect of the Council's delivery of children's services.</p>	<p>Following publication of the Ofsted report, management developed an Improvement Plan to address the findings raised by Ofsted. Given its wide reaching scope, it took time for management to implement the Improvement Plan and, due to the relatively late stage of the year at which the Ofsted report was released, this was still in progress at the year-end.</p> <p>On 4 June 2020, the Secretary of State appointed Commissioner for Children's Services in Middlesbrough published a follow-up report which concluded that the Council should be "commended" for its response to the Ofsted report and that "there is sufficient confidence in the changes being made to indicate that this is not a Local Authority where we should move quickly to consider alternative delivery mechanisms".</p> <p>On 23 September 2020, Ofsted performed their first monitoring visit to the Authority since their report. The final report from Ofsted on the monitoring visit has not been released as of the completion of our audit, however we have reviewed the draft version provided to management. We note it identifies several areas of children's social care services where the Authority has made improvements since the original report, however it also highlights the significant work still to be done by the Authority to bring the quality of other parts of the service up to the required standard.</p> <p>Whilst the original Ofsted inspection took place between 25 November 2019 and 6 December 2019, the nature of the issues raised are such that the report's findings are indicative of the effectiveness of the Council's children's social care services for the period between 1 April 2019 and the dates of inspection.</p> <p>The reports of the appointed Commissioner for Children's Services in Middlesbrough and the Ofsted monitoring visit support that the Authority has since put in place appropriate governance structures to respond to the Ofsted findings, and we note management's understanding of the performance of the service in particular is highlighted as an area of improvement.</p> <p>The majority of these structures were however implemented very late in, or after, the period under audit. We are therefore unable to conclude that the Council had proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people within its children's social care services during 2019/20. Accordingly, we have qualified our value for money opinion for 2019/20 with regards to the provision of children's social care services.</p> <p>We expect that we will continue to monitor management's implementation of the Improvement Plan, including any further assessments by external parties, as part of our 2020/21 audit.</p>

Section 5

Other reporting issues

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Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council was below the specified audit thresholds for 2019/20, therefore no audit procedures were performed in respect of the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Provisional Audit Results Report to the Corporate Affairs and Audit Committee on 26 November 2020 and reconfirmed this in our Final Audit Results Report issued to Committee members on 23 February 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Other Reporting Issues (continued)

Control Themes and Observations

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

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Management review of information provided by the Pension Fund's custodian Management rely on information provided by the Fund's custodian when preparing the financial statements. Our audit procedures identified a number of issues with this information, the absolute value of which was material to the financial statements. The aggregate net impact of all misstatements identified during the audit, including those relating to the information provided by the Fund's custodian, was also material to the financial statements.	<p>We consider there to be a risk of material misstatement arising from errors in the information provided by the Fund's custodian remaining uncorrected and being utilised in the production of the financial statements.</p> <p>We therefore recommend that management review the processes in place for assuring the information provided by the Fund's custodian is accurate and complete. Where timing differences are known to exist, management should ensure that they have processes in place to determine the impact on the financial statements and, where appropriate, the information provided by the custodian should be adjusted prior to inclusion within the financial statements.</p>

Section 6

Focused on your future

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Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>Originally intended to be applicable for local authority accounts from the 2020/21 financial year, the adoption of the new standard has been deferred to avoid placing additional pressure on local authority finance teams during the Covid-19 pandemic. It is current proposed that IFRS 16 will be applicable for local authority accounts from the 2022/23 financial year.</p> <p>The main impact of the new standard is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset recognised on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals recognised as expenditure in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.</p> <p>For local authorities who lease a large number of assets the new standard will have a significant impact, with the majority of current leases likely to be included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2022/23 Accounting Code of Practice for Local Authorities will not be issued for some time yet, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2022/23 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 7

Audit fees

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Audit Fees

Our fee for 2019/20 is set out in the table below and is in-line with the amounts communicated in our Audit Planning Report and Audit Results Reports:

Description	Final Planned Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Base Audit Fee - Code Work (Council) [note 1]	88,578	88,578	88,578
Base Audit Fee - Code Work (Pension Fund) [note 1]	21,972	21,972	21,972
Changes in work required to address professional and regulatory requirements and scope associated with risk (Council) [note 2]	64,381	-	-
Changes in work required to address professional and regulatory requirements and scope associated with risk (Pension Fund) [note 2]	33,602	-	-
Revised Proposed Scale Fee	208,533	110,550	110,550
IAS 19 Procedures - Code Work (Pension Fund) [note 3]	6,000	-	-
IAS 19 Procedures - Non-Code Work (Pension Fund) [note 4]	2,000	2,000	2,000
Revised Proposed Scale Fee (inc. IAS 19 Procedures)	216,533	112,550	112,550
Additional specific one-off considerations requiring additional work (Council) [notes 5, 6]	24,750	-	2,500
Additional specific one-off considerations requiring additional work (Pension Fund) [note 5]	12,455	-	-
Total Audit Fee	253,738	112,550	115,050
Non-Audit Fee - Housing Benefit Certification Work	12,800	12,800	10,500
Non-Audit Fee - Teachers' Pension Certification Work	5,000	5,000	4,500
Total Fees	271,538	130,350	130,050

See notes on next page.

When undertaking non-audit work, we have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Audit Fees

Notes:

- 1) The base audit fees reflect the amounts determined by Public Sector Audit Appointments Limited (PSAA) in March 2019.
- 2) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. Our Audit Planning Report presented to the Audit Committee on 5 March 2020 highlighted that we would be having further discussions with management to agree a scale fee variation for 2019/20 and set out some of the factors informing this discussion. We have not been able to agree a scale fee variation with management and have therefore asked PSAA to make a determination as to the scale fee variation to be applied. PSAA have not yet made this determination. The table on the previous page reflects the amount we have submitted to PSAA as our assessment of the additional fee required to reflect changes in the level of work required to address professional and regulatory requirements and scope associated with risk.
- 3) As part of our audit of the Pension Fund we undertake additional procedures to enable us to report to the auditors of scheduled bodies that are subject to the NAO Code of Audit Practice. These procedures are additional to the procedures we must complete to support our opinion on the financial statements of the Pension Fund. We have not previously charged for this work, however the increasing costs of delivering our audit of the Pension Fund mean we are no longer able to absorb these costs. This fee has been agreed with management and management may opt to recharge this fee to the relevant member bodies.
- 4) The fee for the provision of IAS 19 assurances to the auditor of the Care Quality Commission (CQC), which is not subject to the NAO Code of Audit Practice, is covered by a separate engagement agreement between ourselves and the Fund. Management may opt to recharge such fees to the Care Quality Commission.
- 5) We have had to perform additional procedures, over what we planned at the start of our audit, to respond to the impacts of the Covid-19 pandemic on the financial statements. This has included additional consultations on the form of our audit opinion and additional procedures to review and challenge management's assessment of the impact of Covid-19 on asset valuations. The amounts on the previous page represent the additional fees we have determined as commensurate with the additional work undertaken. We have not been able to agree these impacts on our fee with management and have therefore asked PSAA to make a determination as to the additional fee to be applied. PSAA have not yet made this determination.
- 6) The additional one-off considerations in the prior year related to first-time adoption of new accounting standards and consideration of the impact on the Local Government Pension Scheme liability of recent court judgements on age discrimination (McCloud) and the Guaranteed Minimum Pension (GMP).

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Report of:	Director of Legal and Governance – Charlotte Benjamin
Submitted to:	Corporate Affairs and Audit Committee – 29 th April 2021
Subject:	HR Assurance Report – Health and Wellbeing

Summary

Proposed decision(s)
Corporate Affairs and Audit Committee to note the report.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Information and discussion	The decision could affect all wards within Middlesbrough Council	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
		Development of Health and Wellbeing Plans is an effective tool in driving business efficiencies whilst supporting staff and demonstrating the council's commitment to Health and Wellbeing.

Ward(s) affected
All wards in Middlesbrough Council could be directly affected by the proposals set out in this report.

What is the purpose of this report?

1. The aim of this report is to provide the Corporate Affairs and Audit Committee with an annual review of the corporate approach to the management of Health and Wellbeing within the Council. It will also provide details of the actions in the year ahead.
2. The previous report was postponed in 2020 due to the pandemic and resources were reallocated to support staff during that difficult period. However, a presentation was provided to Corporate Affairs and Audit Committee in September 2020 to update on actions throughout the pandemic.

Why does this report require a Member decision?

3. The role of the Corporate Affairs and Audit Committee is to oversee corporate governance within the Council. This Annual Assurance Report supports this process and provides details of the actions that have taken place previously and plans to improve the Council's health and wellbeing arrangements moving forward.

Report Background

Health and Wellbeing Offer

4. The Council is currently offering the following health and wellbeing services to employees:
 - Employee Assistance Programme – this is a telephone access service that provides counselling support, legal and financial information, health advice and access to more online resources as well as the ability to speak in confidence to a third party.
 - Face to Face Counselling – this can be accessed via a manager and is a completely confidential service currently provided by Alliance Psychological Services. This service was introduced in the second half of the year in response to the pandemic.
 - MRI scanning – this can be provided if recommended by GP or Specialist Medical Practitioner and there is undue delay via the NHS. This service is currently provided by Alliance Medical.
 - Occupational Health Services which are currently delivered by Medacs. The majority of appointments have been provided over the telephone due to the pandemic but face-to-face appointments are available when required.
 - Annual Flu Vaccination programme which targets 'front-line' workers in Adult Social Care and Children's Services.
5. As an employer, the Council achieved the 'Maintaining Excellence standard in the North East Better Health at Work Awards in 2019/20. This was an increase from

‘Continuing Excellence’ in 2018/19. This was due to be reassessed in 2020 but assessment was deferred due to the pandemic.

Health & Wellbeing Activities Delivered in 2020/21

6. The planned Health & Wellbeing activities in 2020/21 were significantly disrupted and had to be adapted to deal with restrictions imposed by the pandemic:

- Flu vaccines - 222 council employees were vaccinated and we facilitated vaccinations for 274 staff from maintained schools.
- 75 trained Mental Health First Aiders continued to support fellow employees and managers offering a listening and signposting service in the workplace.
- 1 day Mental Health First Aid training had to be suspended and the North East Better Health At Work ‘Maintaining Excellence’ assessment deferred.
- Health Champions/Advocates continued to provide support as best they could under the pandemic restrictions. The Council currently has a network of 25 Health Advocates.
- Induction converted to online and the HR team continued to attend (Market Place events) alongside MHFA and Health Advocates/Champions to share support available with new employees.
- Greater use was made of internal Employee Facebook page to promote services to staff.

Specific Support because of the Pandemic;

- Keyworker Letters - providing access to travel and priority for accessing food/services to stay healthy
- Financial wellbeing – provided payments to casual Workers based on average earnings to support staff and their families
- Provided equipment such as chairs and screens (delivered to home) or access to equipment (through the working From Home payment)
- In collaboration with Public Health ‘Stretch Well’ short videos were commissioned and promoted to help staff keep fit and active whilst working from home.
- Implementation of Shielding for staff
- Working from Home online Newsletters developed to engage and support staff.
- Supporting managers to support their staff via People Matters managers newsletter.

- Amendments to HR Policies to take account of the pandemic – Managing Attendance Policy and Reviews, Consultation and Redundancy Policy.

Health & Wellbeing 2021/22

7. Historically the highest reason for absence is stress and mental health related issues and it is highly likely to be exacerbated by the pandemic. The Royal College of Psychiatrists have stated that issues could get a lot worse due to delays in support and that people have had to access emergency care.
8. In recognition of the impending mental health 'crisis' referred to by health professionals funding has been secured for a full time HR Business Partner for 12 months. The post will specifically focus on the health and wellbeing of staff, and deal with the predicted fallout of mental health issues because of Covid and develop a longer-term strategy for ongoing support.
9. The post holder will assess and research potential impacts, working with staff and managers; they will design/deliver/commission appropriate services working with our existing partners as well as developing new relationships.
10. They will explore digital opportunities for different types of longer-term support and will help develop a culture of wellbeing in the organisation including reviewing our current accreditations.
11. A further report with more detailed actions be brought back to committee once the post is appointed to and assessment of need has been carried out.
12. The following activities are planned to continue:-
 - Maintain the current number of Mental Health First Aiders (as a minimum of 60) and continue to hold quarterly network meetings to encourage participation.
 - Review the Mental Health First Aid (1 Day Session) for the remaining cohort of Middlesbrough Managers who have not received this training and deliver online.

What decision(s) are being asked for?

13. That Corporate Affairs and Audit Committee note the report.

Why is this being recommended?

14. In order that Human Resources can continue to provide the Council with guidance and continue to provide health and wellbeing advice and support to Managers and Employees tailored to their needs.

Other potential decisions and why these have not been recommended

N/A

Impact(s) of recommended decision(s)

Legal

N/A

Financial

15. There are no direct financial implications of this report. Funding has already been secured for a temporary HR Business Partner post and associated costs.

Policy Framework

N/A

Equality and Diversity

N/A

Risk

16. If the Council does not have an effective health and wellbeing plan this could result in high levels of sickness and absence resulting in inefficiencies and inability to deliver strategic priorities (08-026). By supporting staff and looking after their wellbeing, the Council aims to reduce the risk of stress and retain staff within the organisation (08-029).

Actions to be taken to implement the decision(s)

17. Human Resources will continue with the work outlined in the report and bring a further report with a detailed action plan once the new post is appointed to and the post holder has had time to assess needs.

Appendices

N/A

Background papers

No background papers were used in the preparation of this report

Contact: Nicola Finnegan, Head of Human Resources

Email: Nicola_finnegan@middlesbrough.gov.uk

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