



# AUDIT COMMITTEE

Monday, 26th June, 2017

at 6.30 pm

Room 102, Hackney Town Hall, Mare Street,  
London E8 1EA

## Committee Membership

Cllr Brian Bell (Vice-Chair)  
Cllr Robert Chapman  
Cllr Michelle Gregory  
Cllr Sem Moema  
Cllr Nick Sharman (Chair)  
Cllr Carole Williams

**Tim Shields**  
Chief Executive

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The press and public are welcome to attend this meeting

# **AGENDA**

## **Monday, 26th June, 2017**

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If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

# ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to all Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Director, Legal;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

## 1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

You will have a disclosable pecuniary interest in a matter if it:

- i. relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;
- ii. relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or
- iii. affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

## 2. If you have a disclosable pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).
- ii. You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.
- iii. If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

### 3. Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

- i. It relates to an external body that you have been appointed to as a Member or in another capacity; or
- ii. It relates to an organisation or individual which you have actively engaged in supporting.

### 4. If you have other non-pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

### Further Information

Advice can be obtained from Yinka Owa Director of Legal on 020 8356 6234 or email [Yinka.Owa@hackney.gov.uk](mailto:Yinka.Owa@hackney.gov.uk)



FS 566728



## AUDIT COMMITTEE

THURSDAY, 20TH APRIL, 2017

**Present:** Cllr Nick Sharman in the Chair  
Cllr Robert Chapman, Cllr Michelle Gregory and  
Cllr Carole Williams

**Officers:** Anne Canning, Ian Williams, Michael Honeysett, Tracy Barnett, Bruce Devile, Rob Miller, Matt Powell Patricia Narebor

### APOLOGIES FOR ABSENCE

1.1 Apologies for absence were submitted on behalf of Councillor Brian Bell.

### **1** DECLARATIONS OF INTEREST

2.1 Councillor Robert Chapman declared that he was a trustee of 'Friends of the Elderly.' He confirmed that this was a non-pecuniary interest.

### **3** MINUTES OF THE PREVIOUS MEETING

3.1 The minutes of the meeting held on 18<sup>th</sup> January 2017 were agreed as a correct record.

#### **Matters Arising:**

#### **Treasury Management Strategy 2017/18 – Training Session on Financial Risks**

Michael Honeysett would circulate a detailed update on options around training on financial risk. It was envisaged that a statement would be submitted to the July meeting of the Committee.

#### **Directorate Risk Register – Review of Housing and Neighbourhoods.**

Noted the figures on staff vacancies by the divisions of Housing, Regeneration and Public Realm.

#### **Measuring the success of the Olympic Games**

The chair stressed the need to clarify responsibility for measuring the success for the Borough of the Olympics.

### **4** EXTERNAL AUDIT OPINION PLAN 2016/17

4.1 Jennifer Townsend (KPMG) introduced the External Audit Plan 2016/17 setting out the arrangements for the audit of the Council's annual statement of accounts and the Pension Fund accounts as required by the relevant legislation and related

Accounts and Audit Regulations. Materiality had been set at £15M for 2016/17 for the Authority and £23M for the Pensions Fund. Jennifer Townsend confirmed the obligation to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to those charged with governance and that this had been set at £750k for the Authority and the Pensions Fund. Jennifer Townsend went on to refer the Committee to the 4 significant risks at page 2 of the report and emphasised the obligation to identify significant risk. She told the Committee that the planned audit fee for 2016-17 was £226,320 for the authority and £21k for the Pension Fund. This was the same audit fee as in the prior year. She confirmed that the Local Authority had a responsibility to have proper arrangements for securing economy, efficiency and effectiveness in its use of resources. She referred the Committee to that part of the report on value for money arrangements work planning.

4.2 Councillor Gregory asked about the procedure for the management of contracts and the response that the Council was looking at how contracts were being novated over and that this would be discussed with contract owners. The Chair stressed the need for an extension of VfM oversight, together with a system of robust monitoring of performance measures and oversight of the capital expenditure and audit oversight of joint authority expenditure.

**RESOLVED:**

To note the contents of the report from KPMG, the Council's external auditor.

**5 DIRECTORATE RISK REGISTER REVIEW - CHILDREN, ADULTS AND COMMUNITY SERVICES**

5.1 The Chair thanked Anne Canning for an excellent report. Anne Canning introduced the report updating members on the corporate risks for the Children's Adults and Community Health Services Directorate as at March 2017. The report identified how risks within the Directorate were identified and managed throughout the year and the Department's approach to embedding risk management. Anne Canning told the Committee that there had been some additional risks added to the register this year, as follows:

- The impact of the Education White Paper Educational Excellence Everywhere
- Escalating SEND Spend
- Safeguarding concerns for those pupils not attending a registered school

The Ofsted inspection had rated the Council's Children's Social Care service as 'good'. The Council's Youth Justice Service was also inspected by the HMIP and there had been no major areas for improvement. SEND, in which there had seen an increase in expenditure was soon to be inspected. Anne Canning referred to the fact that there were also unexpected risks in this service and that this area of Council business was high risk. The Committee noted the new red rated risk, recognising the severity of the potential risks of a safeguarding failure.

5.2 Anne Canning told the Committee that Adult Social Care had more recently come under her management. There were risks in the provider market which was considered fragile and expensive. She emphasised that this service required a stable workforce. In response to a question from Councillor Williams on staffing she told the Committee that successful work had been carried out with Human Resources in filling posts in the service. She told the Committee that the service had more agency staff



than elsewhere in the Directorate but that those agency staff of the right standard could apply for permanent posts within the Council. Adult Safeguarding remained as a risk on the register. The Committee noted that a Head of Adult Safeguarding had recently been appointed.

5.3 Councillor Chapman asked about risks around the high demand for SEND and whether there would be an impact on this year's Budget. In response Anne Canning told the Committee that bi-monthly meetings were being held to discuss and monitor high risk areas of the service to manage increases in demand against existing resources. The Committee noted the risks of an increase in population and in age ranges and the very high cost pressures associated with providing individual care. Lobbying central government continued to secure increased funding.

5.4 Anne Canning told the Committee that Sexual Health remained as a high risk and this service was being recommissioned. In relation to integrated commissioning with the CCG she confirmed to the Board that at present the risk in this area remained with the host authority. Risks were to be reported to the Integrated Commissioning Board. Ian Williams confirmed that a more detailed report on this matter would be reported to the June meeting of the Committee.

**ACTION: Ian Williams**

5.5 In response to a question from Councillor Chapman, Anne Canning confirmed that any unforeseen events would be dealt with through a contingency fund through the CCG. Councillor Gregory asked what measures were in place for children who had been in temporary accommodation in the Borough as they grow up. Anne Canning reported that there was partial data on these young people and that this was being considered. She told the Committee that there were checks and balances in the system, that services were now more aligned and that good practice was being built into service provision. Further, there were improved relations with service providers. In response to a further question from Councillor Gregory whether there would be benefit from increased internal provision of home care services Anne Canning told the Committee that the mixed economy was considered to be advantageous for service provision, including in relation to risk management. She confirmed that although this was a high risk area it was very well supported across the service.

**RESOLVED:**

(1) To note the contents of the report and the attached risk registers and controls in place.

(2) That the Committee receive regular updates on the high risk areas identified in the report.

**6 DIRECTORATE RISK REGISTER REVIEW - FINANCE AND CORPORATE RESOURCES**

6.1 The Committee noted the report updating on the current Finance and Corporate Resources Directorate Risk Register of the Council as at April 2017. The report identified how risks within the Council were identified and managed throughout the financial year and the Council's approach to embedding risk management.

6.2 In response to a question from Cllr Chapman about pensions and housing scheme risks Ian Williams told the Committee that the Corporate Risk Register needed to be updated to incorporate these areas. In response to the chair's question about poor membership data, Michael Honeysett told the Committee that there had been a rise in inaccurate data from employers and payroll providers. This had been reported to the Pensions board who were monitoring the situation. He reported that there had been a change to the Local Government Pension Scheme with a consequent requirement for more complex data. He told the Committee that a new payroll system was being put in place. However, difficulties in securing accurate data would continue for a further year but a manual override had been put in place to help rectify this problem.

**RESOLVED:**

To note the contents of the report and the attached registers and controls in place.

**7 IT STRATEGY UPDATE - VERBAL**

7.1 Rob Miller updated the Committee on ICT services. He referred the Committee to the document 'User survey findings and the Road Ahead.' He referred to the fact that satisfaction levels were lower than expected which he considered reflected past issues with the service. Home workers had a more positive opinion. Feedback indicated demand for a more personal service and positive work was being carried out around this. He reported that new initiatives were being explored, including automatic intelligence. In response to a question from Councillor Chapman he told the Committee that a lot of groundwork had been carried out on information data including on information sharing, retention and how it is used to inform policy. Hackney now had a modern desktop computing service which was accessible from any desk and home and personal PCs. He reported that teams were spending time with residents to target areas for improvement. Rob Miller emphasised that the work to deliver digital services for Hackney would be accelerated. In response to a question from Councillor Williams around risks of for instance robotics, Rob Miller confirmed that such risks were to be explored. Experience and lessons learned at other local authorities would be looked at.

7.2 Cllr Gregory said that there had been good work in the Housing Department. She considered that in relation to Housing Repairs there was a need for a project management tracking system to be in place.

**RESOLVED:**

To note the update on the IT strategy

**8 TREASURY MANAGEMENT UPDATE REPORT**

8.1 The Committee noted the fourth of the treasury relating to the financial year 2016/17 for the Audit Committee, setting out the background for treasury management activity from January 2017 to March 2017 and the action taken during this period.

**RESOLVED:**

To note the report.

## **9 AUDIT AND ANTI-FRAUD QUARTERLY REPORT**

9.1 Tracy Barnett introduced the report on the performance of the Audit & Anti-Fraud Service up to the end of March 2017, the areas of work undertaken, and the information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation team. Tracy Barnett referred the Committee to the fact that many of the KPIs had improved including that the percentage of 'High' level recommendations implemented within timeframe had now reached 98%. The Committee congratulated Tracy for these improvements.

9.2 The Committee noted that Tracy Barnett was leaving the Council and that this was to be her last meeting. The Committee thanked Tracy for all her hard work at the Council. Tracy told the Committee that she had enjoyed her time with Hackney and thanked the Committee for its support. A new Head of Audit would start at the Council on 22 May and Michael Sheffield would take over her role.

### **RESOLVED:**

To note the Audit and Anti fraud's progress report and performance to March 2017.

## **10 REVIEW OF WHISTLEBLOWING**

10.1 Michael Sheffield introduced the report summarising the Council's corporate arrangements for whistleblowing and providing members with an update on the cases received in 2016/17. In response to Councillor William's question Michael Sheffield confirmed that whistleblowing is specifically relevant to staff and other Council workers, other reporting arrangements are in place to allow members of the public to report their concerns (including dedicated fraud reporting hotlines and the complaints process). The Chair emphasised the need for increased publicity for these arrangements.

### **RESOLVED:**

To note the report.

## **11 INTERNAL AUDIT ANNUAL PLAN**

11.1 Tracy Barnett introduced the report asking the Committee to approve the proposed Internal Audit Annual Plan for 2017/18 as part of its role in overseeing corporate governance. Councillor Chapman emphasised the need to report regularly on corporate risk analysis. Tracy Barnett told the Committee of linking the different risk registers.

### **RESOLVED:**

To approve the proposed internal Audit Annual Plan which includes the key performance measures 2017/18.

## **12 PERFORMANCE OVERVIEW**

12.1 The Committee considered the draft set of performance indicators that are to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's health.

**RESOLVED:**

(1) To note the current capital monitoring arrangements and arrangements for reporting to the Committee on a regular basis in the future.

**13 ANNUAL REPORT OF AUDIT COMMITTEE 2016/17**

13.1 Tracy Barnett introduced the report summarising the key activities and achievements in 2016/17 that demonstrate how the Committee has fulfilled its role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements. The report had been noted by Council at its meeting on a March 2017.

**RESOLVED:**

To note the report.

**14 WORK PROGRAMME 2017/18**

14.1 Tracy Barnett introduced the report outlining the Committee's work programme for 2017/18.

**RESOLVED:**

To note the report.

**15 ANY OTHER BUSINESS THAT IN THE OPTION OF OF THE CHAIR IS URGENT**

15.1 There was no any other business.

**Duration of the meeting:** 6:30 – 9:00

Chair at the meeting on  
Thursday, 20 April 2017



**CORPORATE STRATEGIC RISK REGISTER CHIEF EXECUTIVE'S  
DIRECTORATE**

**AUDIT COMMITTEE MEETING DATE  
2017/18**

**26 June 2017**

**CLASSIFICATION:**

**Open**

**If exempt, the reason will be listed in  
the main body of the report.**

**WARD(S) AFFECTED**

**All Wards**

**Tim Shields, Chief Executive**

## **1. CORPORATE DIRECTOR'S INTRODUCTION**

- 1.1 This report advises the Committee of the key risks facing the Chief Executive's Directorate in 2017/18 and the actions being taken to reduce the likelihood and impact of those risks. This is all part of the Committee's role in overseeing Corporate Governance.
- 1.2 An end of year review of the risk environment and management actions that the Directorate has lead responsibility for has been undertaken. This will inform the review of the highest level Corporate risk register which is underway and will be presented to this Corporate Committee.
- 1.3 This report is presented for information and comment.

## **2. RECOMMENDATION(S)**

- 2.1 The Audit Committee is recommended to note the contents of this report and the Chief Executive's Directorate Risk Register attached at Appendix 1 and, if appropriate, provide feedback on the management of risks that the Directorate has lead responsibility for.

## **3. REASONS FOR DECISION**

- 3.1 There are no decisions associated with this report.

## **4. BACKGROUND**

- 4.1 The Council is exposed to a wide number of risks in its ordinary activities. This report focuses on the key risks within the Chief Executive's Directorate, which includes the following service areas: HR and OD, Legal, Employment and Skills, Communications & Consultation and Policy. Governance and Business Intelligence, the Mayor's Office and the Executive Support Service are also part of the directorate but no risks relating to these areas have been escalated to the directorate level register. Risks relating to the Economic Regeneration service will be included in the Neighbourhoods and Housing Directorate register.
- 4.2 The changing risk environment and progress in managing down risks have been assessed by the Chief Executive's Management Team at its annual year-end review. The team take individual responsibility for managing and reporting on their associated risks, in line with their overall remit within the Council and this work has informed the review.

## **5. SUMMARY OF KEY RISKS**

### **5.1 CORPORATE STRATEGY**

- 5.1.1. Previous risks relating to the continued delivery of 2012 Legacy benefits and the wider portfolio of regeneration delivery have been subsumed into a new risk

relating to the council's objectives around Economic and Community Development. The main control for this area is the Economic and Community Development board and the delivery groups that sit below it. This governance structure enables a more strategic and joined up approach to this agenda across the council.

- 5.1.2. The risk around business relationships illustrates the importance of businesses to the council as stakeholders, service users, and as a means for the council to generate income through business rates. The importance of strong relationships with the business community is a key tenet of the Economic and Community Development Strategy and will be reflected in the new Sustainable Community Strategy (forthcoming).
- 5.1.3. In the area of Employment and Skills, there are several external risks that could increase the level of need in the borough and compromise the council's ability to deliver on priorities including Welfare Reform, the impact of Brexit on EU funding streams and increasing demand for high skill levels in the local labour market.
- 5.1.4. There is a new high profile risk concerning safety and securing at the council's employment hubs. Ways into Work (Hackney Works) is a key front-line service for vulnerable residents and the location of hubs and outreach work places staff and other service users at risk which requires effective management – particularly in context of increasing pressures on personal finances (in the context of welfare reform) as well as wider UK security issues

## 5.2 POLICY

- 5.5.1. The Council are in the process of developing a new set of strategic priorities and objectives to replace and build on the Sustainable Community Strategy (2008-2018). The new strategy will link to and complement the existing Economic and Community Development Strategy. The main identified risk is that external factors limit our potential to deliver on priorities and that this presents strategic and reputational risks. The likelihood of this happening remains high because of the pace of economic and demographic change in Hackney, coupled with the pace of institutional and fiscal change.
- 5.5.2. The management of risks associated with key partnerships focus on the priorities of the Council's Sustainable Community Strategy and on the risk that partners' plans diverge from these priorities. A review of formal partnership working was agreed in 2016/17 and will be put into place in 2017/18. This places emphasis on formal partnership providing leadership and strategic direction so that all partners are working towards a coherent, shared vision for the local area, as articulated in a Community Strategy.
- 5.5.3. There is also an additional risk that the value of the voluntary and community sector (VCS) is not maximised because we fail to maintain effective partnership working. This risk remains the same in terms of likelihood and impact. Even though the Grants Review and Compact Refresh have been completed and

these were designed to control these risks, the pace of institutional change is such that the risks remain. The VCS may not understand the reasons for institutional change or service redesign and this might affect partnership working.

### 5.3 COMMUNICATIONS

5.3.1. A main communications risk is reputation management. This risk is relevant to all directorates and is included in the Corporate Risk Register. The risk has decreased slightly due to positive progress but controlling the risk remains a high priority. This risk is controlled firstly by a proactive communications campaign to address budget setting and council priorities and secondly, by communications associated with changes to specific services.

5.3.2. The risk concerning DCLG's legal challenge to Hackney Today remains ongoing. The Council has put forward a strong legal challenge and, given the scale of the potential impact of closure, a contingency plan is being prepared to deal with this possibility.

### 5.4 HR

5.4.1. The main HR risk is in relation to HR systems, due to the current replacement of the core HR and payroll system and agency staff contract and system, both of which are key to the operation of the Division and the Council as a whole.

### 5.5 LEGAL

5.5.1. The key risk facing legal services remains ensuring directorates seek timely legal advice.

5.6 Full details on the key risks facing the Chief Executive's Directorate and associated controls are detailed in Appendix 1. As Directorate Risk Champion, it is the role of the Head of Corporate Strategy to ensure that there is appropriate focus and support on risk management through a range of ongoing work. This includes; robust risk management across all major programmes and projects, a quarterly review of the risk environment, and dedicated task groups to tackle major risk. This work will be done in conjunction with the Corporate Risk Team.

## **5. Policy Context**

5.1 The Directorate's management of risk reflects the Council's framework for managing risk.

## **6. Equality Impact Assessment**

6.1 This report is for information only and as such does not require an Equality Impact Assessment.



## 7. Sustainability

7.1 This report contains no new impacts on the physical and social environment.

## 8 Consultations

8.1 This report is for information only and as such does not require any consultation.

## 9 Risk Assessment

9.1 This report deals with the overarching management of risk in the Chief Executive's Directorate.

## 10 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

10.1. Whilst consideration of the risk register has no direct financial impact, many of the risks identified therein would have financial impact if they were realised. They therefore continue to be monitored to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

## 11 COMMENTS OF THE DIRECTOR OF LEGAL SERVICES

11.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.

11.2 There are no immediate legal implications arising from this report.

## APPENDICES

Appendix 1- Chief Executives Directorate Risk Register (June 2017)

## BACKGROUND PAPERS

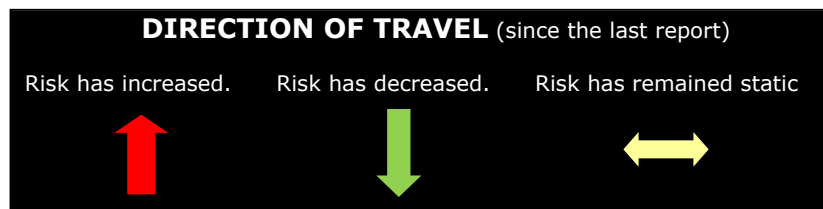
None

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<b>Comments of the Director of Legal</b>	Patricia Narebor 020 8356 2029 Patricia.narebor@hackney.gov.uk

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# Appendix 1: Chief Executive's Directorate Risks May 2017

Report Type: Risks Report  
Generated on: June 2017



## CORPORATE STRATEGY

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 13  CE CS 001 Local Economic Development	<p>The Economic and Community Development Board is charged with strategically overseeing a range of actions to enable the economic success of the local community (both residents and local businesses) and ensuring that neither local residents nor local businesses are "left behind".</p> <p>The risk is that the Board fails to identify and respond fully and effectively to the opportunities and challenges associated with its strategic objectives, with some potential for reputational damage. It is moderately likely that it will encounter issues that it struggles to find suitable responses to, although the impact would be moderate, as the Board has only capability to shape and influence economic development, rather than determine it.</p>	Chief Executive's (with operational links to the Regeneration Division in Neighbourhoods and Housing)		New risk 2017 – builds on previous risk relating to Regeneration Delivery CE RD 1314 001 and delivery of Legacy Benefits CE 2012 001

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CS 001a Local Economic Development	The Board is informing its work through a variety of channels – review of academic base, monitoring of key local economic data and the development of strategic metrics and close attention to relevant performance metrics. It has identified a challenging programme of work that will better align work across the organisation. Its work will also be informed by the work of the Working in Hackney Scrutiny	Tim Shields	Paul Horobin	Sep-17	Control reviewed June 2017

	Commission.				
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CS 002 Business Relationships	<p>The Business Relationships Delivery Group of the EDC Board is charged with ensuring that the Council aligns its work and relates effectively to local businesses to secure their economic success, whilst maximising the benefits (and minimising dis-benefits) to residents and other local businesses.</p> <p>The risk is that relationships with local businesses fail to meet these objectives, that work is not aligned and that businesses develop a negative perception of the Council and this impacts whilst their role as a key local stakeholder expands through business rate retention. It is not very likely that relationships will deteriorate, as services are generally well-managed, but the impact on the organisation will be significant if it is seen as indifferent or hostile to local businesses.</p>	Chief Executive's		New risk - 2017

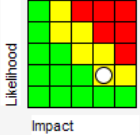
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CS 002a Business Relationships	The Delivery Group has identified a programme of work that will improve relationships, both through more accessible and better co-ordinated services and better information and support to new and growing businesses. This work will be delivered on the basis of significant engagement with local businesses to ensure that their needs are being met. The work will involve the delivery of some early improvements.	Polly Cziok	Paul Horobin	Oct-17	Control reviewed June 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CS 003 Employment & Skills - External risks	<p>The Hackney Works service delivers employment advice, support and signposting to residents who are unemployed or underemployed. The wider Employment and Skills service works with businesses to broker a range of opportunities as well as developing new opportunities in house, for example, through the Corporate Apprenticeship Programme.</p> <p>There a number of external risks that could have a significant impact both in terms of increasing the level of need in the borough and compromising the service's ability to deliver. These include:</p>	Chief Executive's		New risk - 2017

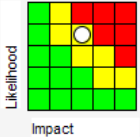
	<ul style="list-style-type: none"> <li>Welfare Reform. Continued changes to the benefits system resulting in further reduction to the welfare 'safety net' likely to significantly increase demands for employment &amp; skills services.</li> <li>The impact of Brexit on available funding. Traditionally EU funding – particularly ESF – has been a key funding source of revenue for employment &amp; skills. This will no longer be available post Brexit. This reduction in resource needs to be seen alongside the ongoing lack of government funding for local authority led employment and skills programmes since 2010.</li> <li>Skill levels: Local/regional employers are increasingly demanding around skills levels of employees, this is related to pressures on improving productivity and decreased investment in in work training. The increased divergence of skill levels of Hackney residents may result in a lack of access to opportunity for certain cohorts. This is compounded by ongoing cuts to FE and ACL budgets.</li> </ul>			
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CS 003a Employment & Skills - External risks	<ul style="list-style-type: none"> <li>A new management structure of Employment &amp; Skills Service is currently being implemented. This will provide strategic oversight and managerial support for the service.</li> <li>A new Welfare Reform employment adviser post is being introduced to ensure we can support clients affected by the introduction of Universal Credit.</li> <li>An overarching funding strategy for service is currently in development.</li> <li>Work is underway to improve the training and developmental offer of the Hackney Works service to address the need for upskilling – this will include better integration with Hackney Learning Trust's Adult Community Learning's offer.</li> </ul>	Stephen Haynes	Andrew Munk	Dec-17	Control reviewed June 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>CE CS 004 Employment &amp; Skills - Safety and security</p>	<p>Hackney Works is a key front-line service for vulnerable residents. Service delivery is from 3 'Opportunity Hubs'; through outreach in locations including voluntary sector organisations, youth hubs, job centres, housing estates; and in schools/colleges.</p> <p>This places staff and other service users at risk which requires effective management – particularly in context of increasing pressures on personal finances (in the context of welfare reform) as well as wider UK security issues.</p>	<p>Chief Executive's</p>		<p>New risk - 2017</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>CE CS 004a Employment &amp; Skills - Safety and security</p>	<ul style="list-style-type: none"> <li>A risk assessment's will be carried out at each hub on annual basis</li> <li>A risk management plan is being put in place for each hub.</li> <li>A training plan will be put in place for all staff delivering front-line service, to include dealing with emergency situations, abusive customers and safeguarding issues.</li> <li>A Business Continuity Plan is being put in place for whole Employment &amp; Skills service.</li> </ul>	<p>Stephen Haynes</p>	<p>Andrew Munk</p>	<p>September - 17</p>	<p>Control reviewed June 2017</p>

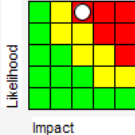

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>CE CS 005 Change for Everyone</p>	<p>HMT have initiated a programme of "people-based" work to improve the culture and staff organisational processes, to improve delegation, engagement and efficiency, and to secure the recruitment and retention of highly-able staff.</p> <p>This is a complex programme, where the links between deliverables and benefits are unproven and where the impact needs to be far-reaching and sustained. The risk is that objectives are not met, with the potential for demotivation, inefficient use of resources and loss of talent.</p>	<p>Chief Executive's</p>		<p>New risk - 2017</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CS 005a Change for Everyone	The programme of work has been developed from a high level of stakeholder engagement, with a robust approach to diagnostics. Potential solutions are based on input from relevant professionals and engaged managers from across the organisation. The work is carefully monitored by HMT, the Chief Executive and a steering group of senior officers. Programme controls are applied to ensure that is being delivered to time and quality.	Tim Shields	Paul Horobin	Oct-17	Control reviewed June 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CS 006 National Graduate Development Programme June 17	<p>The National Graduate Development Programme is a scheme to attract talented graduates to the Council, to provide them with development opportunities whilst they deliver pieces of work demanding of high intelligence, and to retain in established roles those who display high levels of ability.</p> <p>The risk is that the programme does not meet its objectives and resource is not well-used, with an additional risk that the reputation of the Council is damaged by a highly inexperienced graduate not fully appreciating the parameters of an assigned task and making a significant mistake.</p>	Chief Executive's		New risk – June 2017

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CS 006a National Graduate Development Programme	The programme is continuously reviewed and improvements made – in recruitment, in induction, in probation, in placement organisation and in the managing of the final stages to ensure that objectives are met. New graduates are given a thorough induction and probation, and are initially managed within the Corporate Programmes Team until they are sufficiently experienced and knowledgeable to operate elsewhere within the Council.	Stephen Haynes	Paul Horobin	Sept-17	Control reviewed June 2017

## POLICY AND PARTNERSHIPS; COMMUNICATIONS AND CONSULTATION

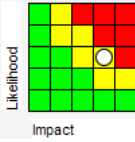
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE PS 0910 0004 A range of key external factors that have the potential to undermine our ability to deliver against the priorities of our Sustainable Community Strategy.	<p>Due to the complexity of the wider environment, there are external factors which 'blow off course' the delivery of the Sustainable Communities Strategy and key recommendations identified through SCS Review. This includes;</p> <p>Population growth and change, economic growth and change and housing affordability could undermine community cohesion and increase community tension.</p> <p>Continued and substantial funding reductions beyond 2016/17.</p> <p>Major National Policy agendas including Welfare Reform.</p> <p>Uncertainty caused by Brexit and the General Election 2017.</p> <p>Local response to recent terrorism in the UK taking time and focus.</p>	Chief Executive's		<p style="text-align: center;"></p> <p>Updated June 2017–Risk remaining the same but high due to external context and our reduced control and capacity (the later associated with continuing reductions in settlement) on key external factors including housing affordability, education and development.</p>

Page 18

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CEPS 0809 0004 Analysis and proactive forward planning to support the management of the increased complexity of the external environment.	<p>Develop a new community strategy, informed by the 2015 resident engagement (Hackney a Place for Everyone). This began with a scenario planning exercise to help us shape new priorities based on a consideration of the longer term context. Through this process we have drawn together a refreshed evidence base about population and economic growth and change, a community profile and the likely future direction for public service. A Community Strategy draft has been developed with extensive internal dialogue, and will be consulted on between July and September including partners' engagement.</p> <p>We will also continue to: Monitor impact of policy and funding reform on vulnerable groups and develop a new single equality scheme to ensure focus on equality and cohesion.</p> <p>Deliver cross cutting programmes on employment and child poverty.</p> <p>Clearly articulate what is within local authority control and what we</p>	Joanna Sumner	Sonia Khan	November 2017	Updated June 2017



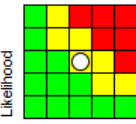

	<p>can deliver and what is outside our control and what we need to influence.</p> <p>Maintain a Community Tensions Group which: Provides strategic oversight of cohesion and community tension issues.</p>				
<p>CEPS 1314 0004b Focus of CE support to manage the impact and opportunities associated with reduced resources.</p> <p>Page 19</p>	<p>The directorate capacity is now even more closely aligned to supporting HMT to identify and deliver solutions to manage the impact of reduced funding.</p> <p>The CE directorate restructure (which came into effect 1 April 2016) set out a series of clear principles to guide the work of the services within the directorate. These principles align to the context of this identified risk.</p> <p>In addition, the programmes and projects function has moved into the new Corporate Strategy service. Corporate Programmes work is now directly aligned to HMT priorities. Work is currently underway to ensure the CS function – in collaboration with the range of services that sit within the ACE’s division - is able to effectively support the CE and HMT in this area.</p> <p>Furthermore, there is now an established CE directorate management team (comprising the post 1 April functions) to corporately manage and monitor impacts and opportunities.</p>	Joanna Sumner	Stephen Haynes	December 2016	Updated June 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>CE PS 0910 0001 Value of Hackney’s Voluntary and Community Sector (VCS) and associated opportunities is not maximised.</p>	<p>Failure to support delivery of the Sustainable Community Strategy objectives through an investment into and partnership working with the VCS.</p> <p>Intense period of public sector funding and policy reform and institutional change if not carefully managed could lead to a failure to maintain effective partnerships with the voluntary sector to enable delivery of the Sustainable Community Strategy objectives.</p>	Chief Executive's		<p style="text-align: center;">↔</p> <p>Updated June 2017 – Risk is the same level in terms of likelihood and impact. Even though the Grants Review and Compact Refresh have been completed and these were designed to control these risks, the pace of institutional change is such that the risks remain. The VCS may not understand the reasons for institutional change or service redesign and this might affect partnership working.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE PS 0809 0001 Hackney VCS Grants Allocation and partnership working.  Page 20	<p>A new strategic agreement (Compact) with the voluntary and community sector was agreed by Cabinet in June 2015.</p> <p>A review of voluntary sector grant investment was also completed during 2015 which is intended to ensure that grant investment continues to contribute to strategic priorities by redefining our approach in order to:</p> <ul style="list-style-type: none"> <li>- enable a strong and diverse voluntary sector which can build its resilience and response to the current economic challenges;</li> <li>- reduce dependency on Council funding as a means for organisations to remain sustainable;</li> <li>- increase the emphasis on the VCS to secure funding from external sources;</li> <li>- position the sector to provide more local services on a contractual basis; and</li> <li>- develop social capital.</li> </ul> <p>In 2017/18 we are delivering a change and transformation programme with the voluntary sector, which redefines our relationship with voluntary sector. This will inform a new voluntary sector strategy to be adopted by Cabinet in November 2017. It will also inform specialist grant investment from 2018, so that our redefined relationship is reflected in funding arrangements with key umbrella organisations. It will inform open competitive grant priorities from 2019.</p>	Joanna Sumner	Sonia Khan	November 2017	Updated June 2017  The control description has been amended.

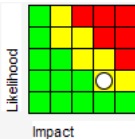
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE PS 0910 0002 Key LB Hackney partners' strategies and implementation plans diverge from agreed Sustainable Communities Strategy and/or do not evolve in a way that assures the best use of collective resources.	<p>LB Hackney partners strategies and implementation plans diverge from the agreed approaches leading to a failure to deliver Sustainable Communities Strategy.</p> <p>This includes a commitment to make the best use of collective resources and integrating services, creating ladders of opportunities for residents and communities in most need and working together on preventative strategies.</p>	Chief Executive's		<p>Updated May 2017 - Risk is the same level</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CEPS 0809 0002a Ensuring the LSP and associated partnerships continue to focus agreed Sustainable Communities Strategy priorities and mature to assure the best use of collective resources.	A review of formal partnership working was agreed in 2016/17 and will be put into place in 2017/18. This places emphasis on formal partnership providing leadership and strategic direction so that all partners are working towards a coherent, shared vision for the local area, as articulated in a Community Strategy.	Joanna Sumner	Sonia Khan	December 2017	Updated May 2017 - Control amended

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 21 CF CC 0910 0001 Reputation Management: uncertainty regarding perceptions of the Council performance/image which do not reflect the relative levels of performance / service improvements and efforts being made to deliver services with reduced funding.  (SRCR 0009 on Corporate Register)	Risk that (through press / media) perceptions about the Council's performance/image do not reflect relative levels of performance and the huge service improvements leading to public dissatisfaction or misunderstanding about the progress actually being made. Essentially, this risk is about not capitalising on the opportunity that the Council's positive progress presents us with.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing	 <p>Likelihood Impact</p>	 <p>May 2017 – Risk has decreased slightly due to positive progress made.</p> <p>Although the scale of continuing funding reductions announced in the 15/16 settlement is sizeable, the risk has not increased due to careful mitigation. Impact remains steady, benefitted by an (external) website and (internal) intranet refresh. However, past MORI results and continued positive media coverage, prestigious events and other awards illustrate that this risk is being managed. Earlier in 2016, the Council was awarded the prize by the LGC for 'Best Council of the past 20 years". This clearly indicates positive progress. The latest MORI staff survey closed on November 11<sup>th</sup> 2016, with results pending.</p>

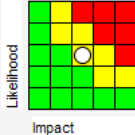

				Also, more generally, the Olympics (and now their legacy) are an excellent example of something very major being communicated in a positive and effective way (an example of a risk - for things <i>could</i> have gone wrong - being turned into an opportunity). The Risk applies to all Directorates, but is centrally managed by Communications.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CECC 0910 0001 Communications strategy, individual strategies and forward plans	Key ongoing activities include active press engagement, key stakeholders involvement, MORI and active media coverage. Corporate Communications are very proactive in managing this and always quick to respond to any issues. Media monitoring is carried out quarterly and this examines coverage of Hackney as a Council and a Borough. Analysis of this informs communication work plans. Collection and use of robust performance and customer intelligence. A two pronged approach is taken to the specific risks associated with reduced funding: firstly communications associated with overarching budget setting and secondly communications associated with major changes to specific services. There is also a 6 weekly forward public affairs forward plan circulated to senior management and members.	Joanna Sumner	Polly Cziok	30-Oct-2017	May 2017 - ongoing. Controls continue to be applied. Latest MORI survey was completed at end of 2016.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CC 0910 0003 New technologies: failure to keep up with developments in communications technology	Communications is not fully up to speed with developments in new technology and residents, service users and stakeholders do not receive the information they need.	Chief Executive's		<p style="text-align: center;">↓</p> <p>Updated June 2017 – Risk remains low due to successful developments in this area.</p> <p>There was an intranet and external website refresh in 2016. Electronic newsletters for residents have been introduced. A fresh channel review is in progress.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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CECC 0910 0003 Communications Channel Strategy	Communications and consultation strategy is up to date and fit for the digital age.	Joanna Sumner	Polly Cziok	June 2018.	Updated June 2017
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CC 0910 0004 Involvement: uncertainty regarding residents feeling involved in Council key projects and view on achieving the goals of the community strategy.	Consultation and community engagement activity not providing relevant information and/or not reaching or getting feedback from a wide and diverse range of people in Hackney. People do not feel listened to and cannot relate their views, priorities and interests to work being delivered to deliver the goals of the community strategy and do not feel that the local growth and change in the borough is benefiting them.	Chief Executive's		 Updated June 2017 – Risk is stable This risk is ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CECC 0910 0004 Consultation and community engagement strategy and individual consultation and engagement plans	<p>Sustainable Community Strategy is a key driver of the Communications Strategy alongside Council Corporate Plan; all consultation adheres to the standards of the Council's consultation charter and community engagement plans align with corporate priorities.</p> <p>Communications strategy is be informed by a community insight gathering and engagement, which considers the priorities and interests of Hackney's diverse communities. This includes regular surveys and engagement work by the Council and with partners. The Hackney A Place For Everyone resident's survey has been a major exercise to engage with local people about the key benefits and opportunities arising from growth and how these can be maximised. This exercise provides the basis for the council's long term engagement strategy.</p>	Joanna Sumner	Polly Cziok	June 2018	Updated June 2017 Community Insight Group continues to feed into partnership priorities and strategies.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE CC 1415 0005 DCLG wins case to force closure of Hackney Today.	<p>DCLG have forced a legal challenge against a number of London Councils including Hackney to close Hackney Today as they consider it is in breach of statutory directives on promoting political interests and value for money.</p> <p>Hackney has put forward a strong case that the publication provides the best value solution for statutory notices, meets the information needs of the borough and is apolitical.</p> <p>If DCLG win the case the business model of the Communications Service will require a radical shift with financial and major workforce implications.</p>	Chief Executive's		<p style="text-align: center;">↔</p> <p>Updated June 2017 – This is an ongoing risk. We continue to correspond with the DCLG on this</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE CC 1415 0005a Legal Challenge to DCLG Directive	Closely monitor progress and prepare contingency plan to support closure should this be required.	Joanna Sumner			May 2017 - ongoing

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## HUMAN RESOURCES

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
LR HR 1516 001 HR Systems	Failure of HR systems. HR and payroll systems are critical to the operation of the Council. If these were to fail, the consequences would be severe.	Legal, HR & Regulatory Services		This risk is the one that the team are currently focussed upon – update June 2017.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR HR 1718 001 A	Implementation of a new HR and Payroll system and agency	Dan Paul / Rob	Lorraine Robinson /	August 2017	

HR systems	contract is ongoing in conjunction with ICT. There is a detailed plan in place	Miller	Ewa Glowacka		
LR HR 1718 001 B HR systems	There is ongoing monitoring of system speed, resource issues and support issues by ICT	Rob Miller	Ewa Glowaka	On-going	
LR HR 1718 001 C HR systems	Additional temporary resources have been assigned to payroll and recruitment	Dan Paul	Lorraine Robinson / Stuart Thorn	ongoing	Additional resources have been assigned temporarily to implement the new system, and one additional resource on a permanent basis
LR HR 1718 001 D HR systems	A new recruitment system is being procured	Dan Paul	Lorraine Robinson	April 2018	Business case currently in production

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 25 LR HR 1516 002 Equalities	Equalities risks in the pay, grading and terms and conditions structure lead to grievances and/or claims alleging equal pay, equal value and/or discrimination	Legal, HR & Regulatory Services		This is of particular relevance as LBH has two sets of employees and policies, managed separately but all still employed by LBH (HLT is the second organisation). Updated June 2017.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR HR 1516 002 C Equalities	The legal landscape and equality in the pay and grading structure continue to be monitored ongoing	Dan Paul	Meryl Wade	Ongoing	This is a continuing activity
LR HR 1718 002 D Equalities	A control and monitoring system has been implemented for market supplements	Dan Paul	Meryl Wade	Ongoing	This is a continuing activity

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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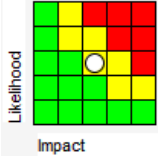

LR HR 1516 003 Breach of Statutory Requirements on Elections and Electoral Registration	Non-compliance with the Statutory Requirements for Elections may lead to invalid processes resulting in legal action and the need to re-hold elections incurring additional costs and reputational damage.	Legal, HR & Regulatory Services		 Any breaches or problems will impact severely on the authority and Returning Officer. Risk score remains static (updated June 2017).
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR HR 1516 003 A Breach of Statutory Requirements on Elections and Electoral Registration	Electoral Services to monitor and maintain procedures for all Electoral Requirements to ensure compliance with new and existing processes using appropriate advice and guidance. Regular review of systems and infrastructure particularly with future legislative electoral changes in the next 3 years.	Dan Paul	Dan Paul	ongoing	This work is ongoing following a change in management in the service.
LR HR 1516 003 C Breach of Statutory Requirements on Elections and Electoral Registration	Regular review of systems and infrastructure for both electoral registration and elections	Dan Paul	Dan Paul	ongoing	A new system has been implemented to assist with the implementation of this control
LR HR 1516 003 E Breach of Statutory Requirements on Elections and Electoral Registration	Additional resources have been put into the team in light of the significant additional burden that IER creates	Dan Paul	Dan Paul	complete	The team successfully delivered 7 elections in 2016. The team structure will continue to be monitored. Additional staff will be brought in at election times.

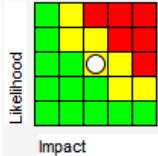

## **LEGAL SERVICES**

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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LR LS 0809 0016 No Legal Advice Sought or Given	Directorates and services fail to seek timely advice on the right decision-making process and to seek legal advice on contracts or litigation resulting in adverse court rulings and increased costs or compensation.	Legal		 The likelihood has reduced following regular client training, client liaison meetings and quarterly team updates being given to clients (updated June 2017).
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR LS 0809 0016 Legal Advice Sought or Given 27	<p>Governance training for Legal Services and Directorates. Urgent decision making procedure note prepared and provided to clients and staff; regular advice provided to clients on governance and decision making; close management and monitoring of urgent decision making requests to the Mayor on late reports.</p> <p>Consider and review team training, including reporting and authority limits and accuracy checks on high risk activities and briefings of arrangements to other directorates. Training on procurement procedures to mitigate the risk of service departments following the incorrect procedure. Also ensure effective communication is carried out between teams, and effective templates are distributed by Legal Services.</p>	Yinka Owa	Patricia Narebor / Stephen Rix	01-Jan-2018	Control on-going

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
LR LS 0809 0019 Litigation	Failure in litigation processes or outcomes which expose the council to potential delays, increased costs and reputational risks due to increased workloads from clients in certain areas.	Legal		 This continues to be a risk with caseloads in some areas increasing – January 2017

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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LR LS 0809 0019 Litigation	Monitoring workloads, regular client liaison to review numbers of likely cases to be referred, review staff resources as necessary	Yinka Owa	Patricia Narebor / Stephen Rix	01-Jan-2018	Workloads and cases are being monitored closely. The High profile case list is carefully monitored – January 2017
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**TITLE OF REPORT** TREASURY MANAGEMENT UPDATE

<b>AUDIT COMMITTEE</b> <b>MEETING DATE</b> 2017/2018  26 June 2017	<b>CLASSIFICATION:</b>  Open  If exempt, the reason will be listed in the main body of this report.
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**WARD(S) AFFECTED**  
  
All Wards

**GROUP DIRECTOR**  
  
Ian Williams, Group Director Finance and Corporate Resources

## **1. INTRODUCTION AND PURPOSE**

- 1.1 This report, at Appendix 1, introduces the treasury management outturn report and the actual prudential indicators for 2016/17 for the Audit Committee setting out the background for treasury management activity over the year and confirming compliance with treasury limits and prudential indicators.
- 1.2 It goes on in Appendix 2 to provide an update on treasury management activity for the first 2 months of 2017/18.

## **2. RECOMMENDATION(S)**

### **The Audit Committee is recommended to:**

- Note the report

## **3. BACKGROUND**

### **3.1 Policy Context**

Treasury management and ensuring that the function is governed effectively means that it is essential for those charged with governance to review the operations of treasury management on a regular basis. This report sets out the prior year's outturn and forms part of the regular reporting cycle for Audit Committee along with the first of the in-year quarterly updates for the current financial year

### **3.2 Equality Impact Assessment**

There are no equality impact issues arising from this report.

### **3.3 Sustainability**

There are no sustainability issues arising from this report.

### **3.4 Consultations**

No consultations are required in respect of this report.

### **3.5 Risk Assessment**

There are no risks arising from this report as it reports on past events. Clearly though the treasury management function is a significant area of potential risk for the Council if the function were not properly carried out and monitored by

those charged with responsibility for oversight. Regular reporting on treasury management ensures that the Committee is kept informed.

#### 4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

There are no direct financial consequences arising from this report as it reflects past performance through 2016/17 and the first two months of 2017/18. The information contained in this report will also assist Members of this Committee in monitoring the treasury management activities and enable better understanding of such operations.

#### 5. COMMENTS OF THE DIRECTOR OF LEGAL

5.1 The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. In addition, the Council within its Annual Treasury Management Strategy has agreed to comply with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.

5.2 There are no immediate legal implications arising from the report.

#### 6. BACKGROUND PAPERS

6.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

6.2 The Authority's Treasury Management Strategy for 2016/17 was approved by full Council on 2<sup>nd</sup> March 2016 which can be accessed on the Council website:

<http://mginternet.hackney.gov.uk/documents/s47820/Appendix%204%20TMS%20201617%20to%20201819%2029022016%20Cabinet.pdf>

6.3 The Authority's Treasury Management Strategy for 2017/18 was approved by full Council on 1<sup>st</sup> March 2017 which can be accessed on the Council website:

<http://mginternet.hackney.gov.uk/documents/s53578/Appendix4201718%20202017%20Cabinet.pdf>

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**Comments of the Head  
of Legal**

Patricia Narebor ☎ 020-8356 2029

## APPENDIX 1: Annual Treasury Management Outturn Report 2016/17

### 1. External Context

1.1 **Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45<sup>th</sup> President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29<sup>th</sup> March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

1.2 **Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23<sup>rd</sup> June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and

1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31<sup>st</sup> March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

- 1.3 **Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios.

## 2 The Borrowing Requirement and Debt Management

- 21 The Council currently had one £3.6m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.
- 2.2 The LEEF loan is an EIP (Equal Instalment of Principle) loan where each payment includes an equal amount in respect of loan principle throughout the duration of the loan. Therefore the interest due with each payment reduces as the principle is eroded, and so the total amount reduces with each instalment. Consequently, part of the loan is short term in duration, the amount which will be paid via instalments within one year with the remainder of loan maturing beyond 1 year (long term).



- 2.3 In addition, the Council borrowed £85m as short term borrowing from local authorities to fund the Hackney Walk Deal and this will be repaid within first six months of 2017-18.

Table 1: Capital Financing Requirement (CFR) & Total External Debt

	<b>Balance as at 31/03/16 £'000</b>	<b>New Borrowing £'000</b>	<b>Debt Maturing £'000</b>	<b>Debt Repaid £'000</b>	<b>Balance as at 31/03/17 £'000</b>	<b>Average Rate %</b>
CFR	227,688				328,968	
Short Term Borrowing*	5,400	85,000	400	5,000	85,000	0.49%
Long Term Borrowing	3,600	-	-	-	3,600	1.9%
<b>TOTAL BORROWING</b>	<b>9,000</b>	<b>85,000</b>	<b>400</b>	<b>5,000</b>	<b>88,600</b>	
Other Long Term Liabilities	16,850	-	-	-	15,080	
<b>TOTAL EXTERNAL DEBT</b>	<b>25,850</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>103,680</b>	

- 2.4 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/03/2017 was £328.968m.
- 2.5 Internal Borrowing - Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding capital expenditure where other resources are not available. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this net position is expected to continue in 2017/18, it is not likely to be sustainable over the medium to longer term as demands on the capital programme continues to grow.

### 3. Investment Activity

- 3.1 CLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.
- 3.2 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its

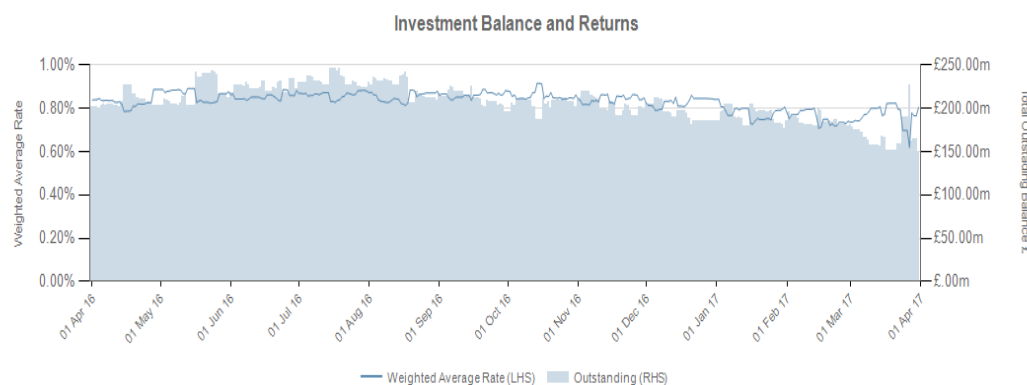
Treasury Management Strategy Statement for 2016/17 Investments during the year included:

- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Investments in AAA-rated Variable Net Asset Value Cash Enhanced Money Market Funds
- Call accounts, deposits, Certificate of Deposits and Covered Bonds with Banks and Building Societies systemically important to each country's banking system (UK, Australia, Canada, Finland, France, Germany, Netherlands, Singapore, Switzerland and the US).
- High quality Bank, Corporate and Covered bonds

Table 2: Investment Balances

Investments	Balance as at 31/03/16 £'000	Average Rate %	Balance as at 31/03/17 £'000	Average Rate %
Short Term Investments	136,554		43,104	
Long Term Investments	28,000		31,500	
Covered Bonds	8,822		7,874	
Corporate Bonds	10,121		12,125	
Housing Associations	-		15,000	
Investments in VNAV MMF's (Money Market Funds)	8,000		3,000	
Investments in CNAV MMF's (Money Market Funds)	10,625		36,660	
<b>TOTAL INVESTMENTS</b>	<b>202,122</b>	<b>0.83</b>	<b>149,263</b>	<b>0.81</b>

3.3 The Council's investment balance reduced by £52m to £149,263m at the end of the financial year with weighted average rate (investment return) of 0.81%. The Council is forecasting a further downward trend in cash balances as the Council progresses a number of major capital schemes requiring forward funding. The movement of cash balances (thick grey block) and yield (thin blue line) throughout the year is represented in the graph below:



- 3.4 Credit Risk- Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2016/17 treasury strategy was BBB-across rating agencies Fitch, S&P and Moody's.

Table 3: Credit Score Analysis

*Scoring: - Aim = AA- or higher credit rating, with a score of 4 or lower, to reflect current investment*

<b>Date</b>	<b>Value Weighted Average Credit Risk Score</b>	<b>Value Weighted Average Credit Rating</b>	<b>Time Weighted Average Credit Risk Score</b>	<b>Time Weighted Average Credit Rating</b>
<b>31/03/2016</b>	3.43	AA	3.08	AA
<b>30/06/2016</b>	3.21	AA	3.87	AA
<b>30/09/2016</b>	3.37	AA	3.83	AA
<b>31/12/2016</b>	3.17	AA	3.64	AA
<b>31/03/2017</b>	4.05	AA-	3.64	AA-

*approach with main focus on security*

*-Value weighted average reflects the credit quality of investments according to the size of the deposit*

*-Time weighted average reflects the credit quality of investments according to the maturity of the deposit*

*-AAA = highest credit quality = 1*

*- D = lowest credit quality = 15*

- 3.5 Liquidity - In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts.
- 3.6 Yield - The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.25% through the year.

## **4. Compliance**

- 4.1 The Council can confirm that it has complied with its Prudential Indicators for 2016/17, which were approved on 2<sup>nd</sup> March 2016 as part of the Council's Treasury Management Strategy Statement
- 4.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2016/17. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.
- 4.3 The Authority can confirm that during 2016/17 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

## **5. Prudential Indicators**

### **5.1 Capital Financing Requirement (CFR)**

Estimates of the Council's cumulative maximum external borrowing requirement for 2015/16 to 2017/18 are shown in the table below:

	<b>31/03/16 Approved £'000</b>	<b>31/03/16 Actual £'000</b>	<b>31/03/17 Actual £'000</b>	<b>31/03/18 Estimate £'000</b>
Gross CFR	217,608	227,688	328,968	428,968
Less: Other Long Term Liabilities	19,482	16,850	14,822	14,112
<b>Borrowing CFR</b>	<b>198,126</b>	<b>210,838</b>	<b>314,146</b>	<b>414,856</b>
Less: Existing Profile of Borrowing	4,000	9,000	88,600	3,200
<b>Gross Borrowing Requirement/Internal Borrowing</b>	<b>194,126</b>	<b>201,838</b>	<b>225,546</b>	<b>411,656</b>
Usable Reserves	209,000	180,000	100,000	100,000
<b>Net Borrowing Requirement/(Investm ent Capacity)</b>	<b>(14,874)</b>	<b>21,838</b>	<b>115,546</b>	<b>311,656</b>

In the Prudential Code Amendment (November 2012), it states that the Chief Finance Officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	<b>2015/16 Approved £'000</b>	<b>2015/16 Actual £'000</b>	<b>2016/17 Actual £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>
Gross Debt	23,482	25,850	103,422	117,712	167,712
CFR	217,608	227,688	328,968	428,968	478,968
<b>Borrowed in excess of CFR? (Y/N)</b>	N	N	N	N	N

## 5.2 Prudential Indicator Compliance

### (a) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

- The Group Director of Finance and Corporate Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	<b>Operational Boundary (Approved) as at 31/03/17 £'000</b>	<b>Authorised Limit (Approved) as at 31/03/17 £'000</b>	<b>Actual External Debt as at 31/03/17 £'000</b>
Borrowing	337,319	365,319	88,600
Other Long-term Liabilities	18,000	19,000	14,822
<b>Total</b>	<b>355,319</b>	<b>384,319</b>	<b>103,422</b>

### (b) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
<b>Capital Expenditure</b>					
Housing	107,990	185,990	247,341	275,517	112,320
Non-Housing	160,009	212,060	115,754	58,314	75,193
<b>Total spend</b>	<b>267,999</b>	<b>398,050</b>	<b>363,095</b>	<b>333,831</b>	<b>187,513</b>

Capital expenditure has been and will be financed or funded as follows:

<b>Capital Financing</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Prudential Borrowing	107,518	141,078	85,649	9,008	0
S106	3,620	2,508	0	0	0
Capital receipts	80,212	110,291	206,281	248,588	126,513
Grants	25,388	30,667	7,043	16,985	6,000
Reserves	15,415	60,792	15,422	8,250	5,000
RCCO	35,846	52,714	48,700	51,000	50,000
<b>Total Financing</b>	<b>267,999</b>	<b>398,050</b>	<b>363,095</b>	<b>333,831</b>	<b>187,513</b>

The table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than borrowing.

### (c) Ratio of Financing Costs to Net Revenue Stream

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2016/17 Approved</b>	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>
Non-HRA	2.51%	1.74%	3.65%	5.21%	5.55%
HRA	2.99%	2.34%	1.96%	2.31%	1.75%

### (d) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice via approval of the CIPFA Treasury Management Code

### (e) HRA Limit on Indebtedness

<b>HRA Limit on Indebtedness</b>	<b>2016/17 Approved £m</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>
HRA CFR	106.118	100.080	159.600	184.674	193,682
HRA Debt Cap (as prescribed by CLG)	178.353	178.353	178.353	178.353	178.353
Difference - Additional Borrowing Capacity for the HRA	72.235	78.273	18.753	(6.321)	(15,239)

The Group Director, Finance and Corporate Resources confirms that the Council's HRA Capital Financing Requirement did not exceed the HRA Debt Cap in 2016/17 and measures will be taken to ensure that the projected breach in 2018/19 and 2019/20 set out in the table above are rectified through financing decisions or a restriction on the overall HRA related capital program.

## Appendix 2 – Quarterly Treasury Management Update Report

### Treasury Management Activities from April to May 2017

#### 1. Economic Highlights

**1.1 Growth:** The second estimate of Q1 GDP released in May by the ONS confirmed the UK economy expanded by 0.2% over the quarter and 2.0% year-on-year. Both the quarter estimate and year-on-year figure were revised downwards by 0.1 percentage points.

**1.2 Inflation:** The Office for National Statistics' new main measure of inflation, the Consumer Price Index including owner occupiers housing costs (CPIH), rose by 2.6% in the year to April 2017, up from 2.3% in March 2017. This figure met market expectations and continues to represent the highest CPIH rate since June 2013.

**1.3 Labour Market:** The latest statistics released by the ONS for the three months to March 2017 show that the number of people in work increased and both the number of unemployed and economically inactive people fell. The unemployment rate fell to 4.6% and the employment rate increased to a new high of 74.8%, the highest since records began in 1971. Nominal wages increased by 2.4% including bonuses and by 2.1% excluding bonuses but with CPI increasing to 2.7% real wage growth has fallen to a negative of -0.3%.

#### 2. Borrowing & Debt Activity

2.1 The Authority currently has £88.6m in external borrowing. This is made up as a single LEEF loan from the European Investment Bank to fund housing regeneration £3.6m and £85m short-term borrowing from Local Authorities to fund the recent Hackney Walk deal.

#### 3. Investment Policy and Activity

3.1 The Council held average cash balances of £179 million during the reported period, compared to an average £213 million for the same period last financial year.

#### Movement in Investment Balances 01/04/17 to 31/05/17

	<b>Balance as at 01/04/2017 £'000</b>	<b>Average Rate of Interest %</b>	<b>Balance as at 31/05/2017 £'000</b>	<b>Average Rate of Interest %</b>
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Short Term Investments	43,104	-	43,158	-
Long Term Investments	31,500	-	24,500	-
Covered Bonds	7,874	-	7,703	-
Corporate Bonds	12,125	-	11,935	-
Housing Associations	15,000	-	15,000	-
Investments in VNAV MMF's (Money Market Funds)	3,000	-	3,000	-
Investments in CNAV MMF's (Money Market Funds)	36,660	-	77,990	-
	<b>149,263</b>	<b>0.81</b>	<b>183,286</b>	<b>0.66</b>

3.2 Due to the volatility of available creditworthy counterparties, longer term investments have been placed in highly rated UK Government institutions, thus ensuring creditworthiness of investments.

#### 4. Counterparty Update

4.1 Arlingclose, the Council's Treasury Advisors, currently hold a fairly neutral stance on the credit quality of our recommended counterparties. In March the UK Banks had all released their annual results which showed that most of the banks have marginally improved their capital adequacy and seen improving profit levels since 2015. Once again, RBS' full year profits were disappointing as significantly deeper losses than 2015 were experienced. The RBS Group continues to face costs associated with restructuring and charges for ongoing litigation and conduct issues.

4.2 In May Arlingclose reduced their recommended duration of Bank of Scotland, HSBC Bank and Lloyds Banks from 13 months to 6 months. This was due to the uncertainty on which part of the new ring fenced banks LA deposits would sit. Ring-fencing requires the larger UK banks to separate their core retail banking activity from the rest of their business. The deadline for ring-fencing is 1st January 2019 but we expect the majority of the new 'retail' banks to hold higher credit ratings and to be less exposed to bail-in than their 'investment' bank counterparts when the changes eventually come into play.

4.3 Last week's General Election resulted in a hung parliament with no individual party commanding a majority in the House of Commons. The political situation clearly involves an enhanced level of uncertainty with a fluid position subject to change. We and our advisors will continue to monitor events and adjust our activities accordingly as required.

4.4 Whilst the ongoing investment strategy remained cautious counterparty credit quality remains relatively strong, as can be demonstrated by the Credit Score Analysis summarised below:

5. Credit Score Analysis

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating Score	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating Score
30/04/2017	4.1	AA-	3.6	AA-
31/05/2017	4.2	AA-	3.6	AA-

*Scoring:*

*-Value weighted average reflects the credit quality of investments according to the size of the deposit*

*-Time weighted average reflects the credit quality of investments according to the maturity of the deposit*

*-AAA = highest credit quality = 1*

*- D = lowest credit quality = 27*

*-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security*

5.1 The Council continues to utilise AAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances. This type of investment vehicle has continued to provide very good security and liquidity, although yield suffers as a result.

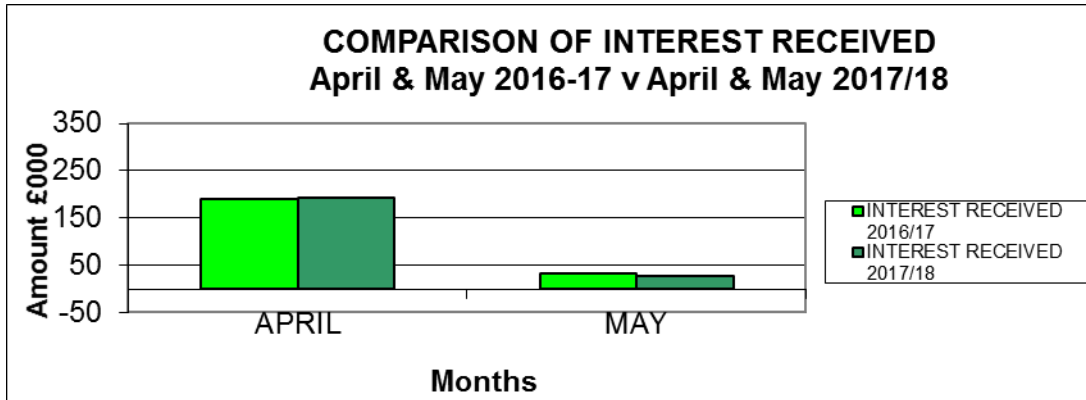
5.2 In light of legislative changes and bail-in risk for unsecured bank deposits, as set out in previous monitoring reports, the Council continues to invest in high quality corporate bonds. This investment vehicle offers good level of security and increases diversification for the Council’s portfolio whilst achieving a reasonable yield.

**6. Comparison of Interest Earnings**

6.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, longer term investments have been placed in highly rated UK Government institutions or Covered (secured) Bonds, thus ensuring creditworthiness whilst increasing yield’s through the duration of the deposits.

6.2 The graph below provides a comparison of interest earnings for April 17 and May 17 against the same period for 2016/17. The graph highlights that the Council’s longer term investment approach is paying dividends with high levels on interest received when taking into account the investment market environment.

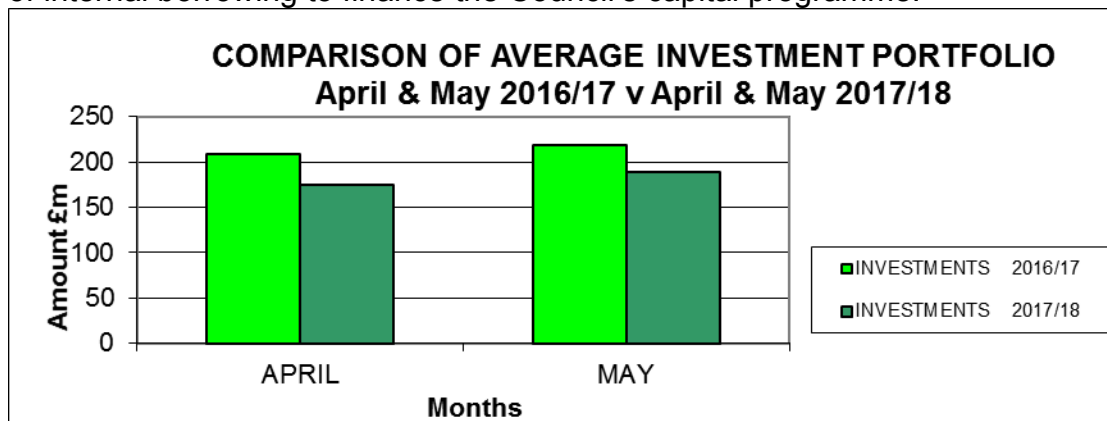
6.3 Average interest received for the period April to May 2017 was £111k compared to £112k for the same period last financial year.



**7. Movement in Investment Portfolio**

7.1

Investment levels have decreased to £183 million at the end of May in comparison to the end of May last year of £218 million. The decrease in the investment balance year on year is the result of the continued approach of maintaining borrowing and investments below their underlying levels i.e. use of internal borrowing to finance the Council's capital programme.







**CORPORATE RISK REGISTER JUNE 2017**

**AUDIT COMMITTEE  
MEETING DATE 2017/2018**

**June 26<sup>th</sup>, 2017**

**CLASSIFICATION:**

**Open**

**If exempt, the reason will be listed in the  
main body of this report.**

**WARD(S) AFFECTED**

**ALL WARDS**

**GROUP DIRECTOR**

**IAN WILLIAMS , GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES.**

## **1. INTRODUCTION AND PURPOSE**

- 1.1 This report updates members on the current Corporate Risk Register of the Council as at June 2017 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

## **2. RECOMMENDATION(S)**

The Audit Committee is recommended:

- 2.1 To note the contents of this report and the attached risk registers and controls in place.

## **3. REASONS FOR DECISION**

- 3.1 Risk management is fundamental to effective business management and it is vitally important that we know, understand and monitor the key risks and opportunities of the Council. Officers and members are then able to consider the potential impact of such risks and take appropriate actions to mitigate these as far as possible. Some risks are beyond the control of the Council but we nevertheless need to manage the potential impact or likelihood to ensure we deliver our key objectives to the best of our ability. For other risks, we might decide to accept that we are exposed to a small level of risk because to reduce that risk to nil is either impossible or too expensive. The risk management process helps us to make such judgements, and as such it is important that Audit Committee is aware of this.

## **4. BACKGROUND**

The current Council risk profile was reviewed and ratified by the Hackney Management Team (HMT) on 13 June 2017. In discussions and meetings with Directorate Risk Champions, various Heads of Service/Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to HMT. Numerous risks have changed or now exist in different circumstances compared to when last reviewed by Committee in September 2016.

### **4.1 Policy Context**

All risk related reporting is in line with the Council's Risk Policy, ratified biennially by Audit Committee, and also fully supports the framework and ideology set out in the Risk Strategy.

### **4.2 Equality Impact Assessment**

For the purposes of this report, an Equality Impact Assessment is not applicable, although in the course of Risk Management (and associated duties) all work is carried out in adherence to the Council's Equality policies.

### 4.3 Sustainability

This report contains no new impacts on the physical and social environment.

### 4.4 Consultations

In order for Risk Registers to progress to Committee, they will already have been reviewed by the relevant Senior Management Team within the corresponding Directorate, or at overall Council level. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

### 4.5 Risk Assessment

The relevant Risk Register is attached in Appendix one.

## 5. CORPORATE RISK REVIEW

5.1 The Corporate Risk Register comprises risks that cut across the Council's Directorates, which could potentially impact on overall strategic objectives.

5.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Council – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an opportunity connected with a potential risk where an upside can be exploited. This is referred to explicitly in the Council's Risk Strategy where it is stated: *"if we focus on opportunities when assessing the merits of different possible solutions, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks."* In the case of the Council, there have been situations (as referred to in the Risk Register) where potentially negative events like funding cuts have occurred, or new legislation has been issued. In fact, this has often led to improved efficiencies, and has served as an opportunity to sometimes streamline services, and encourage new and more effective approaches to an area of work. It should be stressed that the Council, in managing risks, strives to look for this positive angle within risk management.

5.3 The main changes to note from last year's register are:

- Risk 1 – National and International Economic Downturn  
This risk has now evolved quite significantly since it was first included on the Corporate Risk Register, but it remains critical.

The Conservative Government (and the coalition one before that) have put in place a series of measures that it feels will position the UK economy strongly to mitigate the impact of the current financial problems. It is unclear (pre Queen's Speech) how the June 2017 election may affect these ongoing measures. The Council have a further £10/15m of efficiency savings to achieve by 2019/20 and this presents a significant challenge. The EU Referendum decision in favour of Brexit (and subsequent triggering of Article 50) and post (June 8<sup>th</sup>) election uncertainty have introduced further risks of a negative financial impact (which is already materialising, particularly due to the current weakness of the pound).

- Risk 1b – Impact of BREXIT vote  
This is a decision of such national consequence, that it was immediately escalated to the Corporate Register last year (along with an accompanying register dedicated to it). The climate is no less volatile today than in the immediate aftermath, so the score / risks remain high. The EU Referendum result also influences a number of other

risks on this register, such as the impact of New Legislation and also Pensions (and the financial impact Brexit may have on them).

- Risks 6 & 7 – Regeneration and New Government policies affecting Housing.  
This is a new iteration of the regeneration risk, just updated by the Director of Regeneration, and particularly important in the light of the Council's plans for future development work (particularly a project like Britannia) and the formation of Hackney Sales. Clearly this will involve considerable borrowing and an exposure to external influences in the future. Also, the impact of the Housing and Planning Act 2016 is thought to constitute a separate risk in itself.
- Risk 13 – New Legislation (cross Council).  
The (previous) Coalition Government announced a number of organisational change proposals when in power, which continued under the Conservative Government (still in power of sorts, following the June 8 election). The Care Act 2014 continues to impact clearly on work within CACH, whilst last year's Housing and Planning Act 2016 will clearly affect future service delivery. There was also serious potential for upheaval with the proposed Education Bill last year. However, this was scrapped although further proposals are anticipated. As of June 23 2016 (and then the triggering of Article 50 on 29 March 2017), the results of the EU Referendum introduce a new area of legislative uncertainty. The future following the Queen's speech remains uncertain but is sure to include some legislative upheaval.
- Risk 18 & 18b– Workforce and recruitment  
Another risk resulting from austerity measures is the impact it is having on staffing levels and accompanying restructures. This could clearly impact on efficiency levels. In the last year, there continue to be changes and restructures around the Council, including the Senior Management one completed in April 2016 (with final, interim arrangements ending in April 2017). In addition, to meet the financial challenges ahead it will be necessary for the Council to have a more agile workforce and not one constrained by traditional custom and practices. The Council will also need to compete with other organisations to get the best candidates so pressure will be put on increasing salaries (or offering salary supplements like ICT) and other work benefits. There has been continued pressure to successfully recruit, especially in some specific areas like ICT, Social Care and Highway Engineers. There is also a risk of a loss of knowledge, as a large number of long serving staff take redundancies.
- Risk 20b – Corporate Resilience  
This is a new iteration of the risk previously more about Business Continuity, emphasising the importance of the Council being suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly, failure to do this would impact massively on our ability to effectively deliver services and HMT decided this should be escalated to Corporate level.
- Risk 21 – ICT Security  
The Director of ICT has escalated a number of new versions of risks to the Corporate register. The Information Security risk (and controls to mitigate its potential impact) is of particular importance, especially in the light of the recent NHS cyber-attacks and the problems affecting BA, and amended descriptions reflect this.



- Risk 23 - Person suffers significant harm  
This risk related to child welfare initially but after discussion at HMT was broadened to encompass all persons at risk in the Borough (including Council staff), and the safeguarding steps the Directorates are taking to protect them.
- Risk 24 – Devolution  
Initially, in early 2016 HMT raised the risk relating to the increased devolutionary powers the Government was proposing and the risks that that may create. Since then, the dust has settled a little and this risk has clearly evolved into something of an opportunity, So much so, that the Council has shown intentions to embrace it by its recent commitment to Integrated Commissioning (with the joint Board with the CCG now set up, having been signed off by Cabinet).
- Risk 25 – Contract Management (and the potential of fraud)  
This risk has evolved in the last year, with investigations ongoing but Housing Services are also implementing increasingly robust controls to manage contract related risks. The actual score has decreased reflecting the considerable work undertaken in this area in the last year.
- Risk 27,28 & 29 – Learning Trust related risks  
Last year, HMT requested inclusion of a risk relating to the proposals within the Education Bill, which eventually did not materialise, However, since then numerous new risks have evolved and been escalated for HMT’s consideration at Corporate level. This is an area of critical importance to the Council, and so areas such as the academisation of schools, SEND funding and the problem of unregistered schools have been suggested to be considered at Corporate level.
- Risk 30 – Temporary Accommodation.  
HMT requested a specific risk relating to Temporary Accommodation, and the pressures it was putting on finances between the subsidies provided and the actual costs of meeting the need.

## **6. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 6.1 Effective risk management is a key requirement for good financial management and stability. This becomes more significant as funds available to the Council are reduced and budget reductions are made.
- 6.2 Whilst consideration of the risk register has no direct financial impact, many of the risks identified therein would have financial impact if they were realised. They therefore continue to be monitored to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

## **7. COMMENTS OF THE DIRECTOR, LEGAL SERVICES**

- 7.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
- 7.2 There are no immediate legal implications arising from this report.

## APPENDICES

Appendix one - Hackney's Corporate, Strategic risk register.

### BACKGROUND PAPERS

**Publication of Background Papers used in the preparation of reports is required**

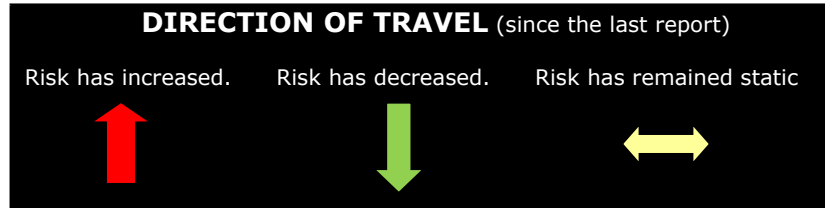
None

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# Hackney Corporate Risks June 2017

Report Type: Risks Report

Generated on: 15 June 2017



Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 53</p> <p><b>SRCR 0001</b> National and International Economic Downturn <b>EXTERNAL RISK</b> <b>CURRENT &amp; FUTURE RISK</b></p>	<p>There is an ongoing risk to the Council's finances arising from austerity measures that the Government are continuing to take. This is now likely to be compounded by the effects of the impending Brexit (and another general election in June 2017). There is the challenge of finding around a further £10/15m of efficiency savings up to 2019/20 and possibly more beyond that time. This poses a risk that as a result of reductions made to services and overall funding, the quality and outcome of work impacts adversely on stakeholders, leading to local dissatisfaction and damage to the Council's reputation. Tighter finances result in less capital, repossessions, and potential developments frozen, affecting potential economic development and social infrastructure. This all contributes to a risk of real poverty and inequality emerging in areas of the Borough.</p>	<p>Chief Executive's; Children, Adults &amp; Community Health; Finance &amp; Corporate Resources; Neighbourhoods &amp; Housing</p>		<p style="text-align: center;"></p> <p>May 2017. Risk ongoing due to continuing and proposed cuts by the government. Recent revenue budgets and Capital Programmes have been put together against the backdrop of some of the most significant reductions in Central Government support to Local Government since World War Two. The result of the EU Referendum on June 23rd 2016 and the subsequent plans for Brexit (cemented by triggering Article 50 on 29/3/17), is already proving to have a negative financial impact, although not perhaps as severe as some economists predicted.</p> <p>2016/17 Central Government cuts mean that Hackney must work with £110 million less a year than in 2010, while rising costs and increased demand for services have added a further £42 million of expenditure for the Council to find each year. In fact local authority core funding has reduced by 35% over the period 2010/11 to 2016/17. The total budget for 2016/17 was £1091.85 million, down £2 million on the previous year. All these points illustrate the undeniably challenging financial predicament of the Council.</p> <p>Clearly, this risk is ongoing and the need for efficiency savings will not diminish in the foreseeable future (especially with Brexit). Therefore this will have an impact on the Council</p>

				which needs to be carefully managed. Proposals are being developed to manage an expected further reduction in resources of approximately £10/15m by 2019/20. This is underway with the Senior Management restructure, taking effect in April 2016. Score remains at 20 with no movement due to the extremely high impact of the financial consequences.
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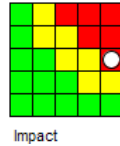

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>SRCR 0001B</b> National and International Economic Downturn	There is a need to ensure that the Medium Term Financial Plan accurately reflects best estimates of future funding levels. Financial planning will be constantly diligent and reflect the changing circumstances of budgets available. Also, controls from other related risks are relevant, e.g. Regeneration projects and Recruitment and Retention [increasing access routes into the Council's employ].	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Oct-2017	May 2017 - action ongoing. Progress made in various areas should provide assurance that even in challenging circumstances, the Council is well placed to manage its duties.
<b>SRCR 0001A</b> National and International Economic Downturn	Whilst the overall risk is external and largely beyond control of the Council, there is a clear need to identify, implement, monitor and resource the delivery of significant reductions in expenditure and to ensure the services that continue to be provided are resourced adequately. Also, Officer's advice to members needs to be explicitly clear as to what can and cannot be delivered including the organisations ability to deliver and implement the commitments contained within the local manifesto.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Oct-2017	May 2017 - action ongoing.
<b>SRCR 0001D</b> National and International Economic Downturn	Savings proposals were developed and agreed with members in order to bridge the forecast reduction in resources in 2017/2018 and subsequent financial years. At the same time, the capital programme is subject to review to ensure that available resources are used to deliver Council priorities. Several measures, including reduction in the use of agency staff and the introduction of a Corporate VR scheme have been used to reduce overall expenditure levels across the Council. As of April 2016, a Senior Management restructure had been finalised and then implemented. This is already resulting in considerable savings to help mitigate the risk of funding cuts.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Oct-2017	May 2017 - ongoing. The Senior Management restructure has now been completed and the final transitional arrangements came to an end in April 2017.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0001A</b> Brexit Implications <b>EXTERNAL RISK</b> <b>CURRENT &amp; FUTURE RISK</b>	Following on from the UK's vote in favour of leaving the EU in June 2016, the fallout from this is likely to produce some serious risks to the Council and country as a whole. Financial issues (external to the Council) could impact massively on income levels, spending ability, and general resources across all areas. Also risk of hate crime occurring.  Stock markets could fall significantly resulting in a serious impact to	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods		<p>May 2017 – Article 50 was triggered on March 29<sup>th</sup> 2017, formally commencing the exit process. Risk has increased since last review a few months ago, as the process has become a reality</p>

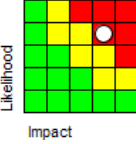

	<p>the Council's pension funds. The likelihood of an increased triennial valuation is much higher, and the risk of the need for increased general contributions emerges. Also with reduced interest rates, Brexit could continue to impact on treasury investments.</p> <p>The impact of Brexit on exchange rates for Sterling means that there is a risk of material cost increases due to the direct and indirect impact on pricing for software and hardware (the Council may see price rises as suppliers pass on increased costs affecting their own ICT services).</p>	& Housing		<p>and problems such as the pound's weakness have caused the Council some clear losses in purchasing (especially ICT equipment which is bought in dollars).</p> <p>In the immediate aftermath of Brexit, some of the more pessimistic outlooks were not realised, with the markets remaining steady, but economists suggest the outlook looks gloomy. Also an atmosphere of political unrest (especially with another forthcoming election) is present especially in areas like Hackney which were predominately in favour of remain. Thankfully, in Hackney, hate crime has not been an issue as yet (Safer Communities would monitor this).</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>SRCR 0001A</b> Brexit Implications	A separate Brexit Risk Register has been produced and all relevant parties have contributed to it. This is addressing the range of risks that have come about as a result of this referendum.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All	12-Sept-2017	Ongoing
<b>FR DR 0007</b> Consider potential pricing fluctuations when planning purchases.	<p>The uncertainty of global currency markets and supplier responses to fluctuations means that it is extremely difficult to mitigate this risk. Where possible consideration will be given to the potential of pricing fluctuation when planning purchases and commissioning.</p> <p>This will be an ongoing activity (no fixed end date).</p>	Rob Miller	Glen Poulley	Ongoing	Updated May 2017
<b>FR DR 0007b</b> Brexit impact on Treasury and Pensions	Ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/investment consultants. Additionally, there has been ongoing monitoring of financial markets and regular communication with treasury advisers. Monitoring of both interest rates/ yields as well as the impact on the credit risk of potential investment counterparties, especially UK based institutions.	Ian Williams; Michael Honeysett	Rachel Cowburn, Pradeep Waddon	Ongoing	<p>Following the leave vote, the Pension team was in immediate contact with fund managers and Investment consultants, receiving commentary from each fund.</p> <p>Pension Committee has received numerous updates and reports and, following the advice of the investment consultants, agreed not to take any immediate action and to monitor the impact on an ongoing basis.</p> <p>Also, UK gilts yields have already reached a record low and a reduction in UK base rate occurred last July.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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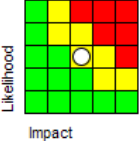

<p><b>SRCR 0002</b> Management of Capital Programmes / Schemes <b>EXTERNAL RISK</b> <b>FUTURE RISK</b></p>	<p>From a financial perspective, as a result of substantial external borrowing to fund the ambitious capital programme, the Council moves from a debt free position and become more vulnerable to changes in the market (potential volatility of the housing market affecting sales volumes / value and increasing building costs as a result of weaker GBP against other currencies). This could lead to financial pressures as unexpected costs of borrowing would be incurred. Additionally, Major Capital Schemes may not be managed or targeted effectively to maximise use of resources available and ensure delivery according to expectations. This poses a risk to the successful completion of such schemes, incurring losses and dissatisfied stakeholders.</p>	<p>Chief Executive's; Children, Adults &amp; Community Health; Finance &amp; Corporate Resources; Neighbourhoods &amp; Housing</p>		<p style="text-align: center;"></p> <p>May 2017 - This risk is ongoing and intensifying somewhat in light of the quantity of high level programmes across the Council. Particularly in regards to property development, the ambitious capital programme requires forward funding, pending future sales of private residential units on completion of regeneration and other mixed use development schemes.</p> <p>This risk earlier in 2017 was scored as a 4 x 4. Because of the increased quantities of forward funding here the impact has had to rise to a 5, however the likelihood can drop to a 3 – as the Controls (and previous experience) should provide assurance that the Council is well positioned to manage this risk. Overall however, this means the overall score for this risk decreases from a 16 to a 15.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>Page 56 <b>0809 SRCR 0002A</b> Management of Capital Programmes / Schemes</p>	<p>All capital schemes are subject to review via capital budget monitoring process. Slippages can be identified via this process and appropriate action taken. The quarterly monitoring that is included in the regular Overall Financial Position (OFP) Report to Cabinet will also be included in future performance review report to Audit Committee. The Capital Monitoring Reports will include more discrete data regarding the actual delivery of the capital programme.</p>	<p>Tim Shields; Ian Williams; Kim Wright; Anne Canning</p>	<p>Michael Honeysett</p>	<p>31-Oct-2017</p>	<p>May 2017 – ongoing. The February Capital Programme monitoring report for the year 2016/17 shows that the revised capital programme for 2016/17 as at £214,265,000. Such regular report should provide increased assurance that everything is being astutely managed.</p>
<p><b>0809 SRCR 0002B</b> Management of Major Capital Schemes</p>	<p>Major schemes are managed via project boards to ensure appropriate actions are taken to ensure delivery of scheme to expected standards</p>	<p>Tim Shields; Ian Williams; Kim Wright; Anne Canning</p>	<p>Michael Honeysett</p>	<p>31-Oct-2017</p>	<p>May 2017 - ongoing.</p>
<p><b>0809 SRCR 0002C</b> Management of Major Capital Schemes</p>	<p>The Capital programme is currently subject to overall review in order to reduce the overall call on available resources and to ensure their use is prioritised in line with member decisions.</p>	<p>Tim Shields; Ian Williams; Kim Wright; Anne Canning</p>	<p>Michael Honeysett</p>	<p>31-Oct-2017</p>	<p>May 2017 - ongoing.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0003</b> Regeneration Programmes <b>EXTERNAL RISK</b> <b>CURRENT &amp; FUTURE RISK</b>	<p>There are a number of key risks which require careful management between Regeneration and a range of services across the Council, including finance, procurement and planning. Major risks are associated with:</p> <ul style="list-style-type: none"> <li>Risks around certainty of future funding, and the need to contain borrowing within the HRA Debt Cap. If this is not contained, there will be serious financial consequences.</li> <li>Procurement and performance related risks with developer/contractor partners</li> <li>Falls in property values could impact the viability of schemes.</li> <li>Managing increased risks to social cohesion associated with potential increased polarisation, greater transience and reduced housing affordability.</li> </ul> <p>An uncertain economic environment, particularly as a result of Brexit, poses risks to projects that rely mainly or partly on disposal of assets or the subsequent sale of newly developed properties.</p>	Neighbourhoods & Housing		 <p>April 2017 - There are significant regeneration projects ongoing within the borough (including the nationally significant Woodberry Down programme), the borough-wide Estate Regeneration &amp; Housing Supply Programme and the development of Hackney Sales with significant borrowing requirements which, if not carefully project managed, could adversely impact the Council's overall financial position. The plans for Britannia of course, go beyond Housing, which makes this scheme all the more important.</p>

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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 006a Regeneration Programmes	Application of sound programme and project management methodology for delivery of complex programmes and projects including reporting where agreed tolerances have been exceeded, and finance assessment of business cases including those that need to be revised.	Kim Wright	John Lumley	Ongoing	April 2017 - Risk reviewed and updated.
NH DR 006b Regeneration Programmes	Robust programme management and governance procedures in place for key capital projects and programmes with project sponsorship at Director Level. Major schemes are managed via project boards to ensure reputational issues managed and project/programme outcomes delivered to required standard, on time and within budget.	Kim Wright	John Lumley	Ongoing	April 2017 - Risk reviewed and updated.
NH DR 006c Britannia Programme	Britannia benefits from having a commercial lead on its senior Management Team and has contracted Arcadis to provide construction cost advice on the School, and financial viability advice for the project, and CoreFive to provide construction cost advice on the leisure centre and residential aspects of the project. This will provide greater financial certainty to Britannia, enabling more informed decision making by the Officer Steering Group and Project Board established to govern it.	Ian Williams	Michael Coleman	Ongoing	June 2017 – Risks reviewed and updated

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0004</b> New Government policies affecting housing <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	As a result of the new policies affecting housing (mainly contained within the Housing & Planning Act 2016), the Council's financial position may be adversely affected, constraining its ability to invest in the development of new affordable homes. Many of these policies could also have damaging consequences for the local community and many people currently living in Hackney.	Neighbourhoods and Housing.	 <p>Likelihood</p> <p>Impact</p>	<div style="text-align: center;">  </div> <p>May 2017- The Government is introducing a number of policies affecting housing, mainly through the Housing &amp; Planning Act 2016 and secondary legislation</p> <p>. Those likely to pose the greatest risk to the Council include:</p> <ul style="list-style-type: none"> <li>- An annual 1% reduction must be applied to social housing rents up to 2020. This will have an impact in terms of the income that the Council receives to fund its housing activities and the level of housing management service offered, along with repairs and maintenance of our stock - for example potentially affecting the level of investment that can be made in building new homes.</li> <li>- Starter Homes: The Government is planning to relax its proscription on local planning authorities to promote the provision of Starter Homes on new housing developments. The proposed quota of 20 per cent of homes on all sites has also been replaced with a lesser requirement that 10 per cent of homes be built for 'affordable home ownership'. Starter Homes will be valued at a discount of 20% on local market values, but can be up to £450,000 in London. Eligibility for Starter Homes has now been restricted to those with an annual income of £90,000 or lower in London and cash buyers will not now be eligible. Buyers will not be able to sell their home on at full value for a period of 15 years. Given extremely high house prices in Hackney, the Council's view is that Starter Homes should not be defined as 'affordable housing' as, if they are, there could be a high risk that these could squeeze out the provision of genuinely affordable homes such as social housing and shared ownership on new developments.</li> </ul> <p>The risk matrix will be updated as soon as further details of the Government's policies are known, and analysis of the impact has been completed. Post-election, there is even more uncertainty here, and a lot of dependent on the Queen's Speech.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH RG 008a New Government policies affecting housing	Detailed analysis is being carried out regarding the likely impact of these policies, both internally and with other boroughs and representative organisations. In the case of the Forced Sales levy, this analysis is currently hampered by having few details about how the scheme will operate. However an assessment of the potential impacts is being carried out on a range of assumptions and scenarios.  Individually and with other boroughs, the Council continues to actively making the case to Government for	John Lumley	Nigel Minto	08-Nov-2017	Updated April 2017



Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 59	<p>flexibilities to mitigate the adverse effects of these policies.</p> <p>Once the detailed Statutory Instruments have been published (timescales still unclear), the likely impacts of the various policies can be more accurately be assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents.</p> <p><i>1% reduction in rents:</i> The current HRA savings plan delivers a fully resourced HRA business plan and keeps HRA borrowing below the debt cap. The HRA business plan is monitored annually as part of the budget setting process, taking into account arising cost pressures, changes in government policy and legislation, and any service changes.</p> <p><i>Forced Sales Levy:</i> To mitigate the impact of this policy, the Council intends to develop a disposal and investment strategy that:</p> <ul style="list-style-type: none"> <li>- minimises the impact on mixed communities and meets the highest priority housing needs; and</li> <li>- raises the funds necessary to both pay the levy and provide genuinely affordable replacements.</li> </ul> <p><i>Starter Homes:</i> The Council has made and continues to make the case to Government that Starter Homes should not be included within the definition of 'affordable housing' in Hackney. We will work with the London Mayor to help make the case for a workable implementation of the initiative in London and, though the Local Plan review, ensure that this is addressed in local planning policy.</p> <p><i>Homelessness Reduction Bill:</i> The Homelessness Reduction Bill has been agreed by Parliament and is awaiting Royal Assent. The Council is awaiting a date for implementation but this is expected to be later in 2017. The impact of the Bill will be significant for the Council taking into account the impact of the 56 day 'nowhere safe to stay' duty, changes to s21 notices, the additional reviews anticipated and the additional resources required to carry out assessments and manage the necessary additional temporary accommodation. The total cost could amount to up to £11.4m in year 1, as well as placing significant additional strain on the Council's temporary accommodation estate.</p>				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0009</b> Reputation Management <b>INTERNAL RISK</b> <b>FUTURE RISK</b>	Risk that (through press / media) perceptions about the Council's performance/image do not reflect relative levels of performance and the huge service improvements leading to public dissatisfaction or misunderstanding about the progress actually being made. Essentially, this risk is about not capitalising on the opportunity that the Council's positive progress presents us with.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p>May 2017 – Risk has decreased slightly due to positive progress made.</p> <p>Although the scale of continuing funding reductions announced in the 15/16 settlement is sizeable, the risk has not increased due to careful mitigation. Impact remains steady, benefitted by an (external) website and (internal) intranet</p>

				<p>refresh. However, past MORI results and continued positive media coverage, prestigious events and other awards illustrate that this risk is being managed. Earlier in 2016, the Council was awarded the prize by the LGC for 'Best Council of the past 20 years". This clearly indicates positive progress. The latest MORI staff survey closed on November 11<sup>th</sup> 2016, with results pending.</p> <p>Also, more generally, the Olympics (and now their legacy) are an excellent example of something very major being communicated in a positive and effective way (an example of a risk - for things <i>could</i> have gone wrong - being turned into an opportunity). The Risk applies to all Directorates, but is centrally managed by Communications.</p>
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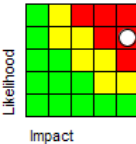

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 55 <b>RCR 0009A</b> Reputation Management	<p>Key ongoing activities include active press engagement, key stakeholders involvement, MORI and active media coverage. Corporate Communications are very proactive in managing this and always quick to respond to any issues. Media monitoring is carried out quarterly and examines coverage of Hackney as a Council and a Borough. Analysis of this informs communication work plans. Collection and use of robust performance and customer intelligence.</p> <p>A two pronged approach is taken to the specific risks associated with reduced funding: firstly communications associated with overarching budget setting and secondly communications associated with major changes to specific services. There is also a 6 weekly forward public affairs forward plan circulated to senior management and members.</p>	Tim Shields	Polly Cziok	30-Oct-2017	May 2017 - ongoing. Controls continue to be applied. Latest MORI survey was completed at end of 2016.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0010</b> Pension Fund <b>EXTERNAL RISK</b> <b>CURRENT &amp; FUTURE RISK</b>	<p>General market volatility (especially resulting from the aftermath of the Brexit vote), and recent legislative changes (eg- the proposals for 'Freedom and Choice') poses risk to investment returns which underpin Fund performance and ability to meet future liabilities without additional financial burdens on taxpayer. If investment returns are poor with a post Brexit plummeting of stock markets, or the outflow of resources is much larger than expected, this will have serious financial implications for the Pension Fund and ultimately add cost pressures to the Council's budget via employer's pension</p>	Finance & Corporate Resources		<p style="text-align: center;">↓</p> <p>May 2017 - Risk ongoing. Risk remains high and ranked red, although likelihood has decreased from 4 to 3 due to the markets remaining relatively stable and therefore not impacting too much on increased liabilities. The impending Brexit continues to pose risks in</p>

	contributions.		<p>the future about meeting liabilities. In its immediate aftermath (June 2016), the initial impact on the markets was negative, but steadied in the following weeks, and has steadily gained strength since. The impact on the strength of the pound has been clearly negative however. In light of this, the economic climate remains very volatile.</p> <p>In Oct 2015, the Government called for the assets of the 89 LGPS funds in England and Wales to be pooled into 6 pools of approximately £25bn+ of assets. These proposals could clearly incur transition risks, as well as overall strategic ones so the whole process is being managed carefully, although the overall aim is to make efficiencies in investment costs.</p> <p>Also, the 'Freedom and Choice' in Pensions (available post LGPS 2014 reforms) offers the potential for scheme members to transfer all their benefits to a defined contributions (DC) scheme in order to access all their savings. This could result in a significant outflow of resources from the Council's fund and therefore have notable financial implications. This risk has not materialised though, at this stage. Further assurance supplied by recent (and favourable) internal audits on Pensions related work.</p> <p>Of course, an increase in the UK's interest rates could represent an opportunity of sorts for the Council, and Asset Pooling may lead to greater saving and efficiencies. All is being monitored closely.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>SRCR 0010D</b> Pension Fund	The funding of the Pension Fund liabilities continues to be monitored although the 2016 actuarial valuation saw an overall increase in funding level and a decrease in the Council's employer contributions rates.	Michael Honeysett; Ian Williams	Rachel Cowburn	31-Oct-2017	May 2017 - ongoing
<b>FRFSV 0052D</b> Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position. Regarding proposed (asset pooling) changes, all consultations and guidance from the Government are being monitored, and responded to where appropriate.	Michael Honeysett	Rachel Cowburn	31-Oct-2017	Updated May 2017 - ongoing
<b>FRFSV 0053B</b>	Triennial Valuation assesses the funding position, intervaluation	Michael Honeysett	Rachel	31-Oct-2017	Updated May 2017 - ongoing.

Pension - Valuation Monitoring	monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.		Cowburn		
<b>FRFSV 0053C</b> Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible. Also regarding future Asset Pooling, planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Michael Honeysett	Rachel Cowburn	31-Oct-2017	Updated May 2017 - ongoing.
<b>FRFSV 0042D</b> Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund. There is ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/consultants.	Michael Honeysett	Rachel Cowburn/ Pradeep Waddon	31-Oct-2017	May 2017 - In the wake of the BREXIT leave vote, the Pension team was in immediate contact with fund managers and investment consultants, receiving commentary from each fund. Subsequently, detailed reports have been taken to Pensions Committee at regular interval providing them with assurance that risks are being managed.

Task Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>Page 62</b>  <b>SRCR 0013</b> Impact of New Legislation (and Welfare Reforms) <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	<p>The Council may not be able to respond to external influences on legislation and updated policies, thus risking the efficiency and effectiveness of service provision. Also if requirements of any new act are not met, there would be an adverse impact on the Council's legal and reputational standing.</p> <p>Additionally, the impact of new legislation - seen in areas such as Welfare Reform - could result in an increase in rent, service charge, arrears, higher legal costs, increased evictions and pressure on the vulnerable.</p> <p>Further effects of new legislation could be financial, legislative (with a failure to understand the breadth of responsibility) and reputational, directly affecting the local community. There could also be issues amongst the local community in terms of dissatisfaction, lack of understanding and increased financial difficulties.</p>	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		 <p>May 2017 - in the light of the recent EU Referendum, this risk is more relevant than ever and the overall score has increased due to the extremely high impacts of the consequences resulting from these changes. However, although Article 50 has been triggered (on 29/3/17) to commence the exit, Brexit will not stop the General Data Protection Regulation (GDPR) becoming the new reality for all in the UK in 2018. The changes within the Education Bill have not materialised as it was scrapped, however further legislative changes are anticipated in this area in the future.</p> <p>The Housing and Planning Act 2016 has introduced numerous changes to housing policy / planning and changed the current set up regarding social housing and the right to buy (enabling the</p>

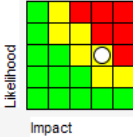

				<p>potential sale of higher value houses). This looks set to be a sensitive area in the borough so will need to be managed carefully.</p> <p>The 2014 Care Act introduced serious changes and new responsibilities for local authorities with broad changes in social care and delivery in tight timescales. Although the introduction of the cap on care costs has been deferred until 2020, the introduction of the national eligibility criteria is widening the responsibility of the Council in respect of care and support and increasing demand for services. Potential consequences of this risk could include a major adverse impact on the Council's financial health and Adult Social Care savings delivery plan. Additionally there would be a strong additional demand on services. Also if requirements of any new Act are not met, there would be an adverse impact on the Council's legal and reputational standing.</p> <p>Furthermore there are other forthcoming examples of proposed legislation that could impact on the carrying out of Council functions, and the risk that needs to be managed is the implementation process and the financial and human resources that may be required. This needs to be kept under review as each legislation is passed and implemented. Regarding welfare, the proposed tax credit changes were retracted.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>SRCR 0013</b> Impact of New Legislation	The Council continues to monitor and respond to consultations regarding service delivery and other innovations to ensure that it is fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation. There is a monthly Corporate Law Update outlining all the latest legal developments and their potential impact on the Council.	Tim Shields	Yinka Owa	31-Oct-2017	May 2017 - ongoing.
<b>SRCR 0013B</b> Care Act 2014	This Act has reformed the law relating to care and support for adults and the law relating to support for carers. Detailed work has been undertaken to ensure its effective implementation, and clear timescales and budgets which need to be adhered to. Adult Social Care managers have a robust monitoring system in place to track the impact of the Care Act which will inform service and financial planning.	Anne Canning		31-Oct-2017	Ongoing

<b>SRCR 0013C</b> BREXIT	A separate / stand-alone risk register has been developed specifically on the impacts of Brexit and this will look at the consequences of new legislation etc.	Ian Williams	Michael Sheffield	31-Oct-2017	May 2017 - This has been developed and is ongoing with the contents changing over time.
<b>FR RV 1213</b> Impact of new Welfare Reforms	The risks have been / are being managed by detailed programmes of training and briefings for staff, DHP training for frontline staff, and letters explaining any changes. There has been a communication strategy specifically developed for this so that the public have everything explained and broken down as comprehensively as possible. Resident's briefings, 'surgeries', and online explanations are also further contributing to making transitions as smooth as possible.	Ian Williams	Kay Brown	31-Oct-2017	Control updated May 2017. Welfare Reforms (introduced in recent years and still continuing) include benefit caps, new rules on under occupancy, and changes to DLA, Council Tax Support and also Universal Credits. All these reforms could result in an increase in arrears, higher legal costs, increased evictions and pressure on the vulnerable.


Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
Page 5 <b>SRCR 0018</b> Workforce <b>INTERNAL RISK</b> <b>FUTURE RISK</b>	The Risk that amidst an atmosphere of financial reductions and redundancies, the Hackney workforce become demotivated, leading to a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also that restructures may cause temporary loss in efficiency as officers are unsure of how new reporting arrangements, responsibilities and service provisions are put into practice. Knowledge could be lost with a large number of experienced staff taking redundancies.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing			
May 2017 – Risk has reduced with likelihood going down. A major (Senior Management) restructure was completed in April 2016 (with final interim arrangements ending in April 2017) whilst further ones have occurred (or are continuing) due to ongoing Council cuts to funding. However, the new changes have generally been embedded effectively, so the likelihood of negative impacts to service delivery have reduced. Procedures are documented so arrangement in place not to lose knowledge.					
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>SRCR 0018</b> Staff Motivation / Commitment	There are detailed HR procedures and processes to deal with all HR areas (including problems/instability created by restructures) and these are carefully adhered to by teams involved. All communication is regular and carefully considered.	Tim Shields	Dan Paul	31-Oct-2017	May 2017 - ongoing. Brexit is further adding to the instability of the environment.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p><b>SRCR 0018B</b> Recruitment and Retention <b>INTERNAL RISK</b> <b>CURRENT RISK</b></p>	<p>Services across the Council struggle to effectively and successfully recruit for certain positions, leading to a negative impact on service delivery.</p> <p>Also, with the Council needing an increasingly agile workforce (not constrained by traditional customs and practises), it may struggle to compete with other organisations to get the best candidates.</p>	<p>Chief Executive's; Children, Adults &amp; Community Health; Finance &amp; Corporate Resources; Neighbourhoods &amp; Housing</p>		<p style="text-align: center;"></p> <p>May 2017 - Risk was recently broadened across the Council by HMT (from having been focused on ICT). Remains static, scored at 12, but hasn't escalated since last time.</p> <p>In a competitive market for skills the Council has experienced difficulties recruiting to a range of roles essential to delivery of services and planned service improvements (including ICT, Adult Social Care, Quantity Surveyors and Highway Engineers). This could impact seriously on the ability to develop and maintain effective service delivery due to difficulties with recruitment and retention.</p> <p>The recruitment risk is particularly acute within ICT. In a competitive market for technology skills the Council has experienced difficulties recruiting to a range of ICT roles essential to delivery of services and planned service improvements (including delivery of digital services). This is exacerbated by the imminent changes to IR35, which is having the effect of driving skilled specialist workers to the private sector (as many ICT skills are transferable across sectors). Risk ongoing with more positions needing to be filled and a cause for growing concern.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p><b>SRCR 0018B</b> Recruitment and Retention</p>	<p>Service are continuing to work with HR / OD to carry out the following suggested mitigations:</p> <ul style="list-style-type: none"> <li>- review recruitment strategy and identify other measures which can be taken to promote Hackney Council as a great place to work in technology and attract high quality candidates</li> <li>- review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent</li> <li>- review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.</li> </ul>	<p>Tim Shields; Ian Williams; Kim Wright; Anne Canning</p>	<p>All Service Managers</p>	<p>20-Nov-2017</p>	<p>May 2017 – This has been ongoing in ICT, and through the development of their restructure, these proposed controls are being implemented. The recent update to the Council's salary supplement scheme reflects the requirements of the ICT service.</p> <p>The design of the restructure proposals is on track for the planned start of consultation at the end of May 2017. This includes review of salary levels to ensure that Hackney is able to compete</p>

					for high quality ICT talent.
<b>FR DR 007 A</b> Training and development	Training and development needs for all staff have been captured from yearly appraisals and 1-2-1 documents. All HR procedures are followed correctly to ensure staff are valued and treated appropriately whilst at work. Where possible acting up and secondment opportunities are made available to staff. This helps contribute to an improved experience of working at Hackney and to an extent, mitigates the risks of absences and departures.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All managers	28-Oct-2017	Control reviewed and amended May 2017. If all these processes are followed, (with staff having opportunity for improved professional development) that should lead to a greater assurance that this risk won't materialise.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>FR CR 0021</b> Information Security <b>EXTERNAL RISK</b> <b>POTENTIAL RISK</b>	There is a risk that the security of Council's systems, network and devices could be compromised which could have very damaging, widespread implications.	Finance and Corporate Resources		 May 2017: The (global) cyber-attacks which occurred in May impacted primarily on the NHS and created serious problems. In light of this, moving the likelihood up one level is sensible. The way that this vulnerability became known and the fact that Windows 7 was the most widely affected version of Windows does suggest that we should increase the assessment of the level of risk.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0006a Ensure compliance with the PSN Code of Connection and other applicable standards (including the ICT security requirements for compliance with the NHS IGSoc).	Ensure that good security practice is reflected in the Council's technical architecture and operational practices, including annual PSN Code of Connection compliance assessment (supported by IT health check)  This will be an ongoing annual activity (no fixed end date).	Rob Miller	[TBC]	Ongoing - annual	Updated May 2017
FR IT 0006b Ensure that all users of the Council's systems and data take appropriate measures to protect these.	Ensure that the Council has effective policies, guidance, training and measures to enforce compliance for all users (including Members).	Rob Miller	[TBC]	Ongoing	Following the attacks which were reported, a reminder was issued to all



	This will be an ongoing activity (no fixed end date).				staff about the need to take care when clicking on links in emails and we have checked our systems to make sure that the specific patch which closes this vulnerability has been applied – May 2017.
FR IT 0006c Ensure that all hardware and software is supported for security updates.	Ensure that infrastructure and application lifecycle management practices are in place and functioning effectively so that the Council's systems remain supported.  This will be an ongoing activity (no fixed end date).	Rob Miller	[TBC]	Ongoing	Updated May 2017
FR IT 0006d Plan for upgrade required to end use of Windows 7 ahead of the end of Microsoft support (January 2020).	Upgrading the Council's desktop environment is a major activity and this will require careful planning and preparation, as well as significant allocation of funding.	Rob Miller	[TBC]	14-Jan-2020	Updated May 2017

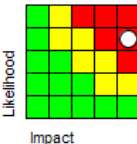
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0019</b> Information Assets <b>INTERNAL RISK</b> <b>POTENTIAL RISK</b>	<p>The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the forthcoming General Data Protection Regulation (which comes into effect from May 2018).</p> <p>It is also essential that the Council is able to use these information assets effectively to commission and deliver high quality services, reduce costs and work in partnership with other agencies and providers. Failure to do so will result in negative impacts.</p>	Finance & Corporate Resources		<p>April 2017: Mitigation of this risk, and harnessing the most of the significant opportunity presented by effective information management, is a joint responsibility across each service directorate and the corporate ICT service. At Hackney, these risks are currently overseen by the Information Governance Group (which meets quarterly).</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management	Ensure effective information management policy and processes are in place so that the Council meets the	Ian Williams	Rob Miller	02-Oct-2017	Ongoing April 2017

	<p>requirements of the Data Protection Act / other legal and regulatory compliance arrangements.</p> <p>Ensure that the Council's information assets are managed robustly and used effectively to provide insight and to integrate Council and partner services, and deliver the maximum benefit to residents and businesses.</p> <p>This will be an ongoing activity (no fixed end date).</p>				
FR IT 0001b Compliance	<p>IGSoC: compliance with the NHS IG Toolkit. Ensure that the Council meets the compliance requirements for the NHS IG Toolkit to enable information sharing and partnership working with the NHS.</p> <p>This will include requirements for services across Public Health and Social Care.</p> <p>This will be an annual activity (no fixed end date).</p>	Ian Williams	Rob Miller	02-Nov-2017	Ongoing April 2017
FR IT 0001c EU General Data Protection Regulation: preparing for compliance from May 2018	<p>Establish a programme of preparatory activity to support Hackney's compliance with the GDPR in good time for its introduction in May 2018. This will include changes to the Council's information management arrangements, data retention, privacy provisions and practise across all Council teams who handle people's personal information.</p>	Ian Williams	Rob Miller	1 May 2018	Ongoing April 2017
FR IT 0001d Third party information sharing	<p>Ensure that we can do business efficiently and seamlessly by having appropriate data sharing agreements in place with our external partners.</p> <p>It will be critical to ensure that third parties control requirements are assessed and the implications for Hackney users are clear and proportionate (eg. some third parties require controls that would excessively restrict the Council's use of systems and buildings etc, and these may be barriers to information sharing).</p> <p>This will be an ongoing activity (no fixed end date).</p>	Ian Williams	Rob Miller	02-Nov-2017	Ongoing April 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p><b>SRCR 0020</b> Corporate Resilience <b>INTERNAL RISK</b> <b>POTENTIAL RISK</b></p> <p>Page 69</p>	<p>The Council does not currently have a robust and tested corporate resilience plan in the light of a major incident affecting its business.</p> <p>There is also a risk that Business Continuity Plans across the Council's services do not accurately reflect the disaster recovery provision that is available. This could result in services not being able to invoke their continuity plans effectively due to incorrect assumptions.</p>	<p>Finance &amp; Corporate Resources</p>		<p><b>NEW INTERATION OF RISK</b></p> <p>June 2017: It is essential for the Council to provide some assurance that we are suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly this could impact massively on our ability to effectively deliver services, so resilience is a critical part of future planning.</p> <p>DR provision is in place for critical systems and 400 <i>myoffice</i> desktop sessions in the event of the main datacentre being unavailable (this rises to 1200 <i>myoffice</i> desktop sessions in April 2017 as additional infrastructure capacity is added.</p> <p>Successful DR testing took place over Christmas 2016. Follow up actions are now being completed and a final report on the DR provision was completed for April 2017. A Business Continuity Management Group is due to start regular meetings as of June/ July 2017. The recent BA incident emphasises the importance of careful management within this area.</p>
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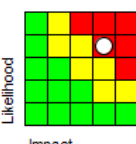

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0020A Corporate Resilience Forum	A Corporate Resilience forum has been established and will take overall strategic lead reporting to HMT.	Kim Wright	Cross Council	Ongoing.	From paragraph 1.1-1.2 of the CRF report: 1:1 The CRF oversees the development of all systems and processes for Emergency Planning, Business Continuity Pandemic Planning and Resilience within Hackney Council. 1:2 This group will also

					ensure that appropriate links are made to other stakeholders in relation to Emergency Planning and Resilience such as NHS, LFB, MPS, EA AND VCS.
FR IT 0003 Resilience of ICT systems / Disaster Recovery	<p>Work is currently in progress to commission resilient hosting arrangements in the Council's Stoke Newington offices. This will provide the facility to restore critical systems (based on a previously agreed list of corporate priority applications) so that priority Council services will have access to their systems within 4 hours of a major outage with loss of data limited to 15 minutes (Recovery Point Objective). A test on 1 key application has already proved successful.</p> <p>It must be noted that this provision will not give instant seamless failover for these services - so Council services must ensure that their Business Continuity Plans include plans in the event that ICT systems are not available - other services whose systems are not included in the resilience provision must ensure that their Business Continuity Plans include plans for extended unavailability of their ICT systems.</p>	Ian Williams	Rob Miller	31-Oct-2017	May 2017: DR provision is in place for critical systems and 1200 <i>myoffice</i> desktop sessions in the event of the main datacentre being unavailable.
FR IT 003 NEW CONTROL Review of Business Continuity Plans across the Council's services.	<p>The Corporate Business Continuity Manager is supporting service managers across the Council in carrying out a review of their Business Continuity Plans. This is designed to identify critical services and their continuity requirements, and will help ensure that their plans are based on accurate expectations of the provision available.</p> <p>It is planned to implement a rolling 18 month schedule of review for all the council's BCPs. This will be in place following the current review of BCPs across all services, which is expected to complete in the latter part of 2017.</p>	Business Continuity Team	Business Continuity Team	31-Dec-2017	New control ongoing - April 2017

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0023</b> Person suffers significant harm, injury or death <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	Children, young people and adults who use our care and support services are at higher than usual risk of harm, injury or death. If risks are not adequately assessed and protected a child, young person or adult could suffer significant injury or death attributable to the Directorate's failure to take appropriate safeguarding and risk management measures. Additionally, general members of the public or Hackney staff could suffer harm due to a lack of general health and safety measures being in place.	Children, Adults & Community Health		 Update April 2017 – This remains a high risk, and controls are in place to manage this, providing assurance. This was escalated to the Corporate Register last September.


Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<b>CYP 0910 006B</b> Local Safeguarding Children Board (LSCB) reviewed and operating as an effective multi-agency forum.	The City & Hackney Safeguarding Children Board (CHSCB) has a remit to monitor safeguarding across all partner agencies, including the local authority.	Anne Canning	Rory McCallum	31-Oct-2017	Update April 2017 – A range of measures have been put in place to ensure the CHSCB is operating as an effective multi-agency forum. There is an Independent Chair in place, defined governance arrangements, regular attendance from partners at Board and relevant sub / working groups and Hackney-specific self-assessment. CHSCB also maintains a risk register covering all key statutory requirements; these actions and progress are regularly reviewed through the CHSCB Executive and full CHSCB. The July 2016 Ofsted inspection rated the CHSCB as 'Outstanding.'
<b>CYP 0910 006D</b> Ensure staff have the necessary skills to ensure risk and need are properly assessed	The Directorate as a whole understands areas of high risk and works together to mitigate risk in relation to individual children by joint training and development and joint monitoring of practices across the services.	Anne Canning	Sarah Wright	31-Oct-2017	April 2017 - Ofsted inspectors noted in July 2016 that "When children are at immediate risk of harm, referrals are dealt with swiftly and children are seen to complete effective child protection enquiries. Appropriate decisions are taken when risk is identified to safeguard children."
<b>CYP 0910 006E</b> Child Protection procedures in	Children subject to Child Protection Plans and Looked After Children are visited in line with statutory guidance and care	Anne Canning	Sarah Wright	31-Oct-2017	Update April 2017 - Ongoing, monitored through management oversight and audit,

place	plans are monitored, updated and amended as appropriate. Children are to be seen alone.				monthly, quarterly and annual performance reports, including statutory returns to DfE and by Child Protection Conference Chairs and Independent Reviewing Officers.
<b>CYP 0910 006F</b> Risk assessing activities for young people	All activities directly provided and commissioned by the directorate must be subject to rigorous risk assessments. These follow a consistent format. Also, the internal health and safety team conduct assessments and provide advice to mitigate risks of harm to staff in the course of work.	Anne Canning	Pauline Adams	31-Oct-2017	Update April 2017 - All providers of proposed activities, including the local authority, are required to submit a written risk assessment which is scrutinised and approved / not approved by the service area. Where a risk assessment is not approved, the activity is not able to proceed. Minimum ratios of adults to young people are required.
<b>HCS ASC 0005</b> Implementing a robust safeguarding approach across adult services	The City & Hackney Safeguarding Adults Board, with a newly appointed independent chair, is monitoring the refreshed strategy for safeguarding adults to ensure the delivery of the strategic outcomes which includes embedding learning from Safeguarding Adult Reviews into practice through policies and training.	Anne Canning	Ilona Sarulakis	31-Oct-2017	April 2017 – As a stand-alone risk / control, this would be green, however in the overall context of the risk (especially relating to children), it remains red.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 72  <b>SRCR 0024</b> Devolution <b>INTERNAL RISK</b> <b>FUTURE RISK</b>	The Council does not take advantage of the devolution powers on offer and therefore misses any potential benefits they could present. By not capitalising on this opportunity the Council could miss a genuine chance to increase revenues, streamline services and improve efficiencies.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		 May 2017 - This was mentioned earlier in 2016 at Audit Committee as being a good example of an 'opportunity' risk. The negative side of this lies in not capitalising on its potential. The opportunity is that by utilising the new powers / funding, savings and improved efficiencies occur, to the overall benefit of the Council.  Hackney has already been at the forefront of taking part in a health and social care devolution. The integrated commissioning model which has now been approved by Cabinet will ensure that this innovative approach continues.

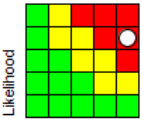
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0024 Devolution	Detailed talks (at Senior Management level) and preparation are ongoing to ensure all are best prepared to take advantage of what devolution can offer.	Tim Shields; Ian Williams; Kim Wright; Anne Canning		01-Sep-2017	April 2017. This work is clearly ongoing, and evidence of its success can be seen in the recent Cabinet approval of Integrated

					Commissioning across the borough with CCGs. There is significant opportunity connected to this risk in that serious opportunities could be missed if we do not take advantage of it.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0025</b> Contract Procurement and Management (especially in Housing Services). <b>INTERNAL RISK</b> <b>CURRENT RISK</b> Page 73	As a result of Contract Management not being carried out properly or with regard to agreed parameters, revenue is lost or charges are levied which are not justified, leading to a poor level of resident's satisfaction (and general negative reputational impacts), unjustified cost and time overruns. Poor procurement decisions could result in non-viable contracts being awarded to non-viable contractors.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		 May 2017 - Risk has decreased from the last review, following latest review from Housing. This risk is currently being acutely demonstrated by some of the work the Pro-active Fraud team is undertaking. A major investigation is well underway into external contractors and how their relationship with Hackney Homes has been managed, and whether the work actually completed accurately corresponds to the charges which have been levied. Also scrutiny is being applied to the quality and accuracy of their work. All this ultimately relates to the Council ensuring it gets the best deal for its money.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 007 Detailed Council guidance in place for Procurement, Partnership and overall Contract Management	There is detailed supporting guidance available for all elements of the procurement process, including detailed Risk Assessment tools and specialised Partnership guidance.	Rotimi Ajilore	Rotimi Ajilore	02-Nov-2017	June 2017 - ongoing
NH DR 007a Contract Specification in place	Contracts clearly define the requirements of the business.	Stuart Davis	Stuart Davis	02-Nov-2017	April 2017 - Risk reviewed and updated.
NH DR 007b Tender Stage process followed	Robust tender process in line with EU procurement law and council standing orders.	Stuart Davis	Each Contract Manager	02-Nov-2017	April 2017 - Risk reviewed and updated.
NH DR 007c Contract Monitoring and Fraud Prevention	Restructure of Asset Management Team is based around the new contracts and clarity of responsibility for the contract managers in line with the contract manual.  Key performance indicators in placed and used to manage the contracts.	Michael Scorer  Stuart Davis	Stuart Davis  Contract Managers	02-Nov-2017	April 2017 - Risk reviewed and updated.

	Final accounts prepared in a timely manner. Regular contract audit.	Stuart Davis Michael Sheffield	Contract Managers Michael Sheffield		
NH DR 007d Review of form of Contract	The Contract options are being reconsidered to ensure that the contract form is fit for Hackney's purpose.	Michael Scorer / Rotimi Ajilore	Stuart Davis	02-Nov-2017	April 2017 - Risk reviewed and updated.
SRCR 0025 Contract Procurement and Management (especially in Housing Services).	Major investigation is ongoing with dedicated team (Proactive Anti-Fraud Team) of 3 staff.	Ian Williams	Michael Sheffield	23-Nov-2017	Progress is confidential at this stage.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
Page 7 <b>SRCR 0027 **New Risk**</b> Impact of the government reforms on education service delivery. <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	Government policy impacting on the role of LAs and the academisation of schools ends the role of LAs in school improvement and exercising the mediating layer.		<p><b>NEW ENTRY - April 2017</b> - The uncertainty around the government's reforms places pressure on the timing and nature of decisions about the future model of education services in Hackney. This is considered to be one of the highest risks HLT currently faces and is not possible to fully mitigate.</p> <p>Options open to the LA regarding Alternative Education Delivery Models are being developed. The Risk Review Group notes the importance of ongoing staff engagement during this time of uncertainty.</p> <p>At Corporate level, this risk previously referred to the proposed Education Bill which didn't materialise. We recommend maintaining the risk at Likelihood 4, Impact 5 to take account of the severity of this situation. It is likely that this risk will increase in the future.</p>

Control Title	Control Description	Service Manager	Control - Latest Note
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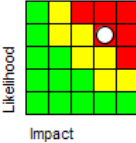


Control Title	Control Description	Service Manager	Control - Latest Note
<b>SRCR 0027A**New Risk Control**</b> Development of an alternative service delivery model that provides a governance structure for the local schools system.	An alternative model for the governance of the Hackney school system is developed that retains the capacity for the strategic provision of school improvement and enables the continuation of a local mediating layer.	Anne Canning; Frank O'Donoghue	<b>April 2017:</b> Recent funding announcements, speeches by the National RSC and proposals emerging from the Westminster Diocesan Board for schools in Hackney (as well as London more generally) all point to the increasing likelihood of schools choosing to convert to academy status outside any collective arrangement involving the local authority. This significantly increases the risk of losing both the Hackney SRAS process and the ability of the Council to continue to work in partnership with schools. Officers believe there is a limited opportunity to prevent this happening and a need for continued discussion with schools on the future of the Hackney education system.
<b>**New Risk Control**</b> Staffing challenges – Developing a strategy that retains staff with key skills knowledge and ability; Identifying new talent and encouraging people to work for HLT.	Ongoing contraction of the public sector means it is not easy to encourage skilled and talented people into the public sector.  The risk of being unable to retain talented people over time is also a challenge.  HLT will need to maintain an innovative approach by: Retaining current talented employees; identifying and encouraging new talent and changing the culture of long serving staff to meet the new challenges we face.	Anne Canning; Ollly Cochrane	<b>April 2017:</b> Following the workshop for WLG members in June 2016 on resilience, a second workshop was delivered in December. This focussed on managers taking responsibility for making change happen. This feeds into the Council's strategic approach "Change for Everyone" to meet the challenge of retaining key staff and developing talent that takes account of the continuing financial circumstances in the public sector. Further work to continue encouraging the engagement of HLT middle managers will continue through WLG.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0028 **New Risk**</b> SEND funding – Escalating SEND spend has an adverse impact on HLT budgets. <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	The number of pupils eligible for SEN statements continues to increase at a significant rate exceeding the population growth in the Borough, the effect of which is to place the SEND budget in deficit.		<b>NEW ENTRY - April 2017</b> – A draft options paper recommending new ways of managing EHCP and reducing spend was reviewed initially at SLT on 7 October. Further modelling and review of other activities to reduce budget pressure are being pursued. SEND options for cost reductions have been cleared by SLT on the 13 January, CACH SMT on 18th January and finally HMT on 24th January and are awaiting final clearance.

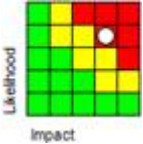
Control Title	Control Description	Service Manager	Control - Latest Note
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Control Title	Control Description	Service Manager	Control - Latest Note
<b>SRCR 0028A**New Risk Control**</b> The action plan to address SEND budget pressure and reduce overspend is in place and its effectiveness is regularly monitored by SLT.	SLT has approved an action plan to address the pressures placed on the SEND budget by increasing numbers of children and young people being eligible for SEN statements. This action plan introduces new oversight and challenge into the process, with a view to controlling expenditure and making sure resources are distributed fairly.	Anne Canning; Toni Dawodu	<b>April 2017</b> A draft options paper recommending new ways of managing EHCP and reducing spend was reviewed initially at SLT on 7th October. Further modelling and review of other activities to reduce budget pressure are being pursued. SEND options for cost reductions have been cleared by SLT on the 13 January, CACH SMT on 18 <sup>th</sup> January and finally HMT on 24th January and are awaiting final clearance.
<b>SRCR 0028B**New Risk Control**</b> Management of financial impact of SEND budget pressures.	Rapid, significant short term reductions in SEND costs and outlays will be difficult to achieve. Ensuring that the policy changes in the action plan result in medium term cost savings that relieve the pressures on the SEND budget, whilst ensuring the operational effectiveness of HLT is not detrimentally affected by the overspend, is imperative.	Anne Canning; Yusuf Erol	New risk control – <b>April 2017</b>
<b>SRCR 0028A**New Risk Control**</b> Changing the culture of SEND in schools and HLT to implement the action plan.	If the action plan is to control expenditure and distribute resources fairly, changes in the existing culture in HLT teams and schools must also change to critical assessment and the equitable distribution of limited resources. Collaborative working with schools will be necessary to ensure pupils SEND needs are met from delegated SEND resources, with EHCP referral only for exceptional needs.	Anne Canning; Toni Dawodu	New risk control – <b>April 2017</b>

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
<b>SRCR 0029 **New Risk**</b> Risks posed by unregistered schools and settings <b>EXTERNAL RISK</b> <b>FUTURE RISK</b>	Unregistered centres are neither known to, nor inspected by Ofsted, raising potential issues relating to the wellbeing and safeguarding of children and young people in the borough. HLT does not have any statutory powers or reporting requirements in regard to the registration of independent schools.  As well as the potential risk around safeguarding and lack of knowledge and intervention in regard to those young people attending such settings, there are clear reputational risks for HLT in this area. Despite the fact that HLT holds no powers in regard to either registration or closure, there remains the perception that the Local Authority has not presented sufficient challenge to the status of such settings.		<b>NEW ENTRY - April 2017</b> – Risk Review Group notes that the current legal powers available to Local Authorities over unregulated settings are not sufficient to address a potentially catastrophic event. This presents a very high reputational risk for the borough, although there are limited options to mitigate this risk. We recommend that the risk rating remains unchanged to take account of this.

Control Title	Control Description	Service Manager	Control - Latest Note
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Control Title	Control Description	Service Manager	Control - Latest Note
<b>SRCR 0029A**New Risk Control**</b> Co-ordinating multiagency responses, HLT escalates any issues relating to the safeguarding of children or young people attending unregistered schools or settings.	HLT are aware of the unregistered schools and settings within the borough, escalating to the appropriate authorities any issues of concern reported to them. HLT co-ordinates multi-agency responses in regard to those settings that do not comply with Ofsted registration requirements.	Anne Canning; Paul Kelly	<b>March 2017</b> – Inspections jointly undertaken to 2 unregistered schools in September 2016, followed by visits from FAST.
<b>SRCR 0029B**New Risk Control**</b> Continuing attempts at engagement with unregistered settings are made by HLT to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue.	Anne Canning; Paul Kelly	<b>March 2017</b> – Inspections jointly undertaken to 2 unregistered schools in September 2016, followed by visits from FAST.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 77  <b>SRCR 0030</b> Pressures on Temporary Accommodation <b>INTERNAL RISK</b> <b>CURRENT RISK</b>	The demand on temporary accommodation (TA) for homeless households exceeds the supply of property suitable for use, and also causes a clear shortfall between the subsidy provided and the actual cost of meeting TA need. This could result in serious difficulties in providing an effective provision for the accommodation of vulnerable children and adults, and also impact adversely on available budgets.	Finance and Corporate Resources		June 2017 – NEW RISK Local authorities have a statutory duty to provide accommodation for homeless households that have been defined as being in priority need and unintentionally homeless, and are obliged to secure temporary accommodation (TA) for that household as an interim measure whilst a longer-term alternative becomes available. Councils in Britain have spent more than £3.5bn on temporary accommodation for homeless families in the last five years, with the annual cost rising 43% in that time. The Local Government Association has commented that these costs are “unsustainable”. It should be noted that the implementation of the Homeless Reduction Act in 2018/19 will drive further demand for TA provision.

<b>Control Title</b>	<b>Control Description</b>	<b>Responsible Group Director / Officer</b>	<b>Service Manager</b>	<b>Due Date</b>	<b>Control - Latest Note</b>
<b>SRCR 0030a</b> Utilising all available accommodation	Utilise 100% of all regeneration voids as additional temporary accommodation reducing the need for costly nightly paid TA provision.	Ian Williams	Jennifer Wynter	02-Oct-2017	Control ongoing June 2017
<b>SRCR 0030b</b> Make best use of the provision of discharge of duty into the private rented sector	Additional duty afforded LA's to discharge our homeless duty with provision of an affordable 1 year monthly PRS let, albeit if further homelessness within 2 years we retain the duty. TA strategy in place and agreed way forward with Mayor & Members on OOL placements.	Ian Williams	Jennifer Wynter	02-Oct-2017	Control ongoing June 2017
<b>SRCR 0030c</b> Observe pan London cap on nightly paid accommodation procurement	Maintain influence on the rental market by continued observation and no breaches (except emergency disabled accommodation) of the agreed Pan London TA rent cap	Ian Williams	Jennifer Wynter	02-Oct-2017	Control ongoing June 2017



**TITLE OF REPORT**  
**Internal Audit Annual Report 2016/17 and Internal Audit Charter and Strategy 2017/18**

<b>AUDIT COMMITTEE MEETING DATE 2017/2018</b>  <b>26 June 2017</b>	<b>CLASSIFICATION:</b>  <b>Open</b>  <b>If exempt, the reason will be listed in the main body of this report.</b>
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**WARD(S) AFFECTED**  
  
**All Wards**

**GROUP DIRECTOR**  
  
**Ian Williams Group Director Finance & Corporate Resources**

## **1. INTRODUCTION AND PURPOSE**

- 1.1 This report provides details of the performance of Internal Audit during 2016/17 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council.
- 1.2 This report is presented for information and comment and is part of the Committee's role in overseeing corporate governance.

## **2. RECOMMENDATION(S)**

### **The Audit Committee is recommended to:**

- 2.1. Comment upon and note this report of Internal Audit's performance and opinion on the Council's framework of governance, risk management and internal control.
- 2.2. Approve the Internal Audit Charter and Strategy.

## **3. REASONS FOR DECISION**

- 3.1. The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers.
- 3.2. PSIAS require the chief audit executive (or equivalent) to report functionally to a board and to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 3.3. The Annual Report must incorporate:
  - the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.
- 3.4. This report fulfils this requirement.

## **4. BACKGROUND**

4.1. The annual report of the Internal Audit Service is provided in Appendices 1 to 5 and includes a summary of managers' implementation of agreed audit high and medium priority recommendations. In addition, the following are presented:

- Internal Audit progress against Key Performance Indicators (Appendix 2)
- Reporting of assurance levels arising from reviews carried out in 2016/17 (Appendix 3)
- Comparison of assurances for key financial systems, comparing results over five years (Appendix 4)
- Definitions of assurance levels (Appendix 5).

4.2. The Audit Annual Plan was formulated by: -

- analysis of the Corporate and Directorate risk registers
- consultation with Chief Officers and senior managers to ensure that account is taken of any concerns they raise
- new Council initiatives, Government initiatives and legislation
- a review of past Internal Audit work
- strategic risks as identified in discussions with the Group Director of Finance and Resources

4.3. This report provides details of the performance of Internal Audit and seeks to give reassurance that the service is being delivered in accordance with statutory responsibilities and is continually seeking to improve the standards of its service.

4.4. Using the cumulative knowledge and experience of the systems and controls in place, the results of previous audit work and the work undertaken within 2016/17, it is considered that overall throughout the Council there continues to be a sound control environment.

### **4.5 Internal Audit Charter**

The Internal Audit Charter (Appendix 6) sets out the nature, role, responsibility, status and authority of internal auditing within the Council, and outlines the scope of internal audit work. The Charter has been updated to take account of revisions to the PSIAS (April 2016) and now incorporates a Mission Statement and the Core Principles of internal auditing as required by PSIAS.

### **4.6 Internal Audit Strategy**

The Internal Audit Strategy (Appendix 7) is a high level document which outlines how the Internal Audit Service will be delivered to meet the requirements contained within the Internal Audit Charter.

#### **4.7 Policy Context**

The work of the Internal Audit Service complies with the PSIAS. Internal Audit reviews consider all applicable policies of the Council.

#### **4.8 Equality Impact Assessment**

This report does not require an equality impact assessment but where applicable equality issues and adherence to corporate policies would be considered in audit reviews.

#### **4.9 Sustainability**

Not applicable.

#### **4.10 Consultations**

Consultation on the 2016/17 internal audit plan took place with senior management and the Corporate Committee in March 2016.

#### **4.11 Risk Assessment**

The work of Internal Audit was based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, risk areas and legislation. There was also continuous reassessment of risk as audits were undertaken, plus regular consultation with directors, chief officers and senior managers to ensure that account was taken of any concerns they raised during the year.

### **5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 5.1. There are no financial implications arising from this report as the costs of providing the audit service are included within the Council's base budgets.
- 5.2. However, an effective audit service is important in order to ensure that key internal controls are assessed, thereby aiding the prevention and detection of fraud and other occurrences that could otherwise result in budget pressures.

### **6. COMMENTS OF THE DIRECTOR OF LEGAL**

- 6.1. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.



- 6.2. The Audit Committee is asked to note the report on Internal Audit’s performance and opinion. There are no immediate legal implications arising from the report.

## APPENDICES

- Appendix 1 – Internal Audit Service Annual Report 2016/17
- Appendix 2 – Internal Audit Performance in 2016/17
- Appendix 3 – Detailed analysis of internal audit reviews 2016/17
- Appendix 4 – Key Financial Systems – analysis of audit findings
- Appendix 5 – Definitions of Assurance Levels
- Appendix 6 - Internal Audit Charter 2017/18
- Appendix 7 – Internal Audit Strategy 2017/18

## BACKGROUND PAPERS

**Publication of Background Papers used in the preparation of reports is required**

### Description of document (or None)

Public Sector Internal Audit Standards 2016 (PSIAS)

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<b>Comments of the Director of Legal</b>	Patricia Narebor ☎020-8356 2029 Patricia.narebor@hackney.gov.uk

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# **Audit & Anti-Fraud Service Internal Audit Report 2016/17**

A summary report of Internal Audit activity at the London Borough of Hackney

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June 2017



**Finance and Corporate Resources Directorate  
Audit and Anti-Fraud Division**

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## Appendix 1 – Internal Audit Annual Report

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# Introduction

## Purpose of this report

This report summarises the results of the work performed by Internal Audit during the financial year 2016/17, including the key themes that can be identified across the Council. It also highlights how responsive managers have been in implementing internal audit recommendations.

## Overview of work done

The original plan for 2016/17 included a total of 76 projects. There has been close communication with senior management throughout the year to ensure that the audits actually undertaken continued to focus on high risk areas in the light of new and ongoing developments in the Council, and best use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year as follows: -

Total number of projects per original plan	76
Audits added to the plan	5
Cancelled audits as no longer relevant	3
Carried forward to 2017/18 plan	6
Total number of projects per revised plan	72

The majority of projects were geared towards providing assurance to management on the adequacy and effectiveness of the Council's internal control environment. Others were geared more towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible. Where Internal Audit identified areas for improvement, recommendations were made to further minimise the level of risk, all of which were agreed by management. If implemented, the actions will further enhance the control environment and the operation of the controls in practice.

This report sets out the results of the work performed as follows: -

**Overall summary** – work done by Internal Audit including an analysis of report ratings, priority of recommendations and performance of the service.

**Key themes identified** during internal audit work in 2016/17.

**Managers' response to internal audit recommendations** – providing a summary of progress with the implementation of recommendations.

**Directorate analysis** – providing details of assurances for each directorate.

This report has drawn on the findings and assessments included in all of the reports issued.

# Overall Summary

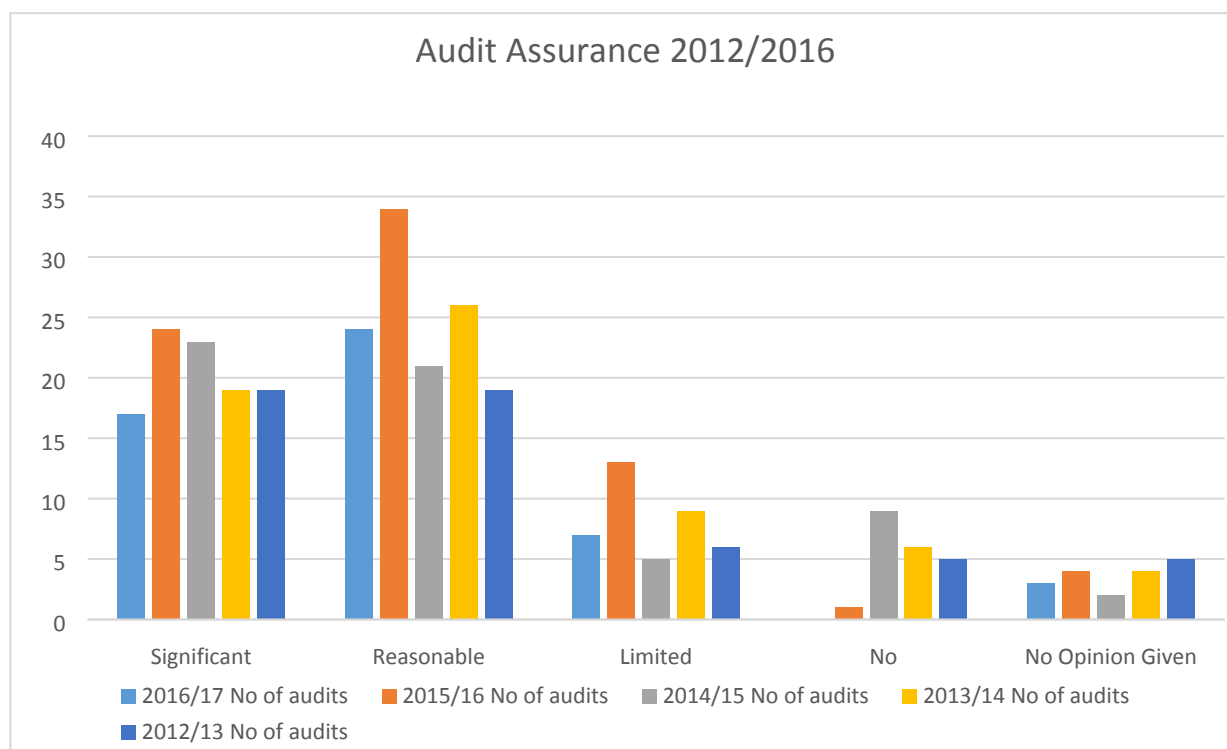
## Report ratings

Areas of good practice have been noted throughout the Authority, particularly in the areas of commercial property, regeneration, rent collection and right to buy.

A summary of the assurances provided for audits completed during 2016/17 is provided in the following table, compared with assurances for audits completed since 2012/13.

Assurance	2016/17		2015/16		2014/15		2013/14		2012/13	
	No of Audits	%	No of audits	%	No of audits	%	No of audits	%	No of audits	%
Significant/High	18	37	24	34	23	40	19	32	19	39
Reasonable/Moderate	24	49	34	47	21	36	26	43	19	39
Limited	7	14	13	18	5	9	9	15	6	12
No	0	0	1	1	9	15	6	10	5	10
Subtotal	49		72		58		60		49	
No Opinion Given	4		4		2		4		5	
<b>Total</b>	<b>53*</b>		<b>76</b>		<b>60</b>		<b>64</b>		<b>54</b>	

\* Contains 11 audits from 2015/16 Plan, completed in 2016/17;



The percentage of completed audits reported in this year's annual plan (68%) is less than in the 2015/16 annual report (76%). This is primarily because (1) the report has been prepared earlier in the financial year to meet external reporting requirements; (2) the impact of the corporate restructure across the organisation has required projects to be rescheduled as services are reconfigured; and (3) as a consequence of a reduction in audit capacity resulting from the restructure.

The percentage of 'Significant' and 'Reasonable' assurance rated audits have increased slightly compared to 2015/16 while the percentage of 'Limited' assurance audits has decreased slightly. It is pleasing to note that there are no audits to date with a 'No' assurance rating. This indicates that the level of assurance arising from the control environment has remained fairly steady across the Council in recent years, although any comparison should be treated with caution as the differing nature of the risks and associated reviews that are covered each year means that the analysis does not truly compare like with like. A detailed analysis of assurances for each audit from the Internal Audit Plan is provided at Appendix 3.

### Priority of Recommendations

Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as Critical, High, Medium or Low priority. The number of recommendations made during 2016/17 to address critical, high and medium priority issues identified during audit work is shown in the following table:

<b>Categorisation of Risk</b>	<b>Definition</b>	<b>Number</b>
Critical	Major issues that we consider could have a significant impact upon not only the system, function or process objectives, but also the achievement of the Council's objectives	0
High	Major issues that we consider need to be brought to the attention of senior management.	14
Medium	Important issues which should be addressed by management in their areas of responsibility.	181
<b>Total</b>		<b>195</b>

A total of 195 agreed audit recommendations were made, of which 7% were rated high priority. This compares with 291 made in 2015/16 of which 13% were high priority. These figures as at 31 May 2017 do not include the recommendations from audits still in progress, including nine draft reports which currently feature an additional 5 high priority and 27 medium priority recommendations. Definitions of the report ratings for each audit can be found at Appendix 5.

### Performance of Internal Audit

Key Performance Indicators for Internal Audit have been established and targets for these were set as part of the annual planning process. Performance against the targets set for the year are shown in Appendix 2.

In total, 91% of audits were completed or in progress at 31 March 2017 (compared to 90% at the equivalent stage in 2015/16). On average audit reports were issued within 13 days of completing fieldwork, against our target of 15 days.

High levels of satisfaction with audit services have been reflected in the management feedback obtained from questionnaires, which have been returned after audits have been completed. These showed that 44% of managers felt that audits were excellent or exceeded expectations while 66% felt that audits met expectations.

Internal Audit is subject to a quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. Results from internal audit's quality assurance and improvement programme will be reported to both Hackney Management Team and the Audit Committee.

The quality assurance self-assessment concluded that overall the internal audit service conforms to the criteria as set out in the Public Sector Internal Audit Standards (PSIAS), a single area of exception was identified concerning member involvement in the appraisal of the chief audit executive; however, this is thought to be a common area of non-conformity amongst many local government authorities. Internal Audit has remained independent of the activities audited and auditors have been able to make impartial and effective professional judgements and recommendations.

PSIAS requires that the Quality Assurance programme includes an external review of the Internal Audit Service every five years. The London Boroughs have joined together and are conducting peer reviews to satisfy this requirement. Each review is carried out by a suitably qualified senior officer. During April 2016 The London Borough of Hillingdon conducted a review and the summary draft report concluded that Hackney "Generally Conforms" to the standards. An action plan of improvements is in place and these are being implemented, as was reported to Committee previously. We have sent our comments on the report back to Hillingdon and we are still awaiting the Final Report.



# Key Themes Identified

Internal auditors have continued to work closely with officers during 2016/17 and have been engaged in open and challenging discussions about issues raised in Internal Audit reports. These discussions have shown good engagement from management and this has helped to ensure the outputs from Internal Audit work assist management in addressing any issues identified and add value to the organisation.

## Overall Assurance

From the internal audit work completed, overall, the Authority has remained in line with the significant improved levels of assurance to the control environment that have been achieved since 2011/12. Control of key financial systems, governance and risk (for risks identified in the published risk registers) has been generally sound, with all key financial systems that were reviewed during the year being evaluated as 'reasonable' assurance or better. In addition, significant progress has been made during 2016/17 to implement a number of high priority recommendations arising from ICT audits that were identified from previous year's audits, and work toward agreeing and implementing the much smaller number of outstanding recommendations is continuing at a satisfactory rate.

Some of the key themes identified during our audit work in 2016/17 are set out below.

## Key Financial Systems

In accordance with the agreed plan for the audit of the Council's principal financial systems, reviews have been undertaken within various key areas over the year. The findings of these audits have been analysed, together with the findings of audits for similar key areas undertaken in previous years. The detailed analysis is provided at Appendix 4.

The audit of key financial systems assists the Council's external auditors with their planning and interim work and provides the necessary confidence that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment. The table below summarises the assurances for these systems during 2016/17 and the preceding four years: -

Assurances for Key Financial Systems	2016/17		2015/16		2014/15		2013/14		2012/13	
	No. of projects	%	No of projects	%	No of projects	%	No of projects	%	No of projects	%
Significant Assurance	2	20	5	72	4	67	5	63	5	50
Reasonable Assurance	6	80	1	14	2	33	3	37	4	40
Limited Assurance	0	0	1	14	0	0	0	0	1	10
No Assurance	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8</b>		<b>7</b>		<b>6</b>		<b>8</b>		<b>10</b>	

Appendix 4 details that for 2016/17 processes and controls for Accounts Receivable (Rent Collection – billing and collection) and Creditors (Scanning and Data Capture) were rated as 'significant'

assurance. Accounts Receivable (HLT debt), NNDR (Charitable Relief and Empty Rating), Banking, Business Rates, Housing Benefit and Procurement were given 'Reasonable' assurance.

## Risk Management

We have continued to work with the Council's risk management processes during 2016/17. In preparing the Internal Audit Annual Plan the Council's risk registers were closely consulted to ensure that the annual plan covered key risk areas. Each area of activity was evaluated against the relevant risk register assessment to identify the impact and likelihood of concerns that management have identified, including any existing or anticipated material changes to systems, legislation, resources, etc., and also the last audit assurance rating, when the system was last audited and its financial value. In drawing up the terms of reference for the individual audits during 2016/17, the auditors referred to the directorate's risk registers to ensure that key risks were identified and considered.

## Schools/Children Centres

Nineteen schools and children centres were audited during the year. Of these 16% were given 'significant' assurance, 68% were given 'reasonable' assurance, 16% were given 'limited' assurance and none were given 'no' assurance. The direction of travel has stayed the same for seven schools, improved for five schools and decreased at five schools. At one school, a previous assurance rating was not available so there is no comparison. There were a total of five high priority and 106 medium priority recommendations made in relation to schools audits.

The table on page 10 provides an analysis of the high and medium priority issues emerging from the school audits performed during 2016/17.

# Management's Response to Internal Audit Recommendations

## Implementation of agreed audit recommendations

In order to track senior managers' attitude towards improving the control environment, progress with implementing recommendations agreed as a result of internal audit work has been tracked. For all high priority recommendations due for implementation by 31 March 2017 (including any from previous years' audits which had not been fully implemented before 1 April 2016), results are presented in the following table and show the position at the end of March 2017: -

Directorate	Implemented (including no longer relevant)	Partially implemented	Not implemented or no response	Total
Children, Adults and Community Health	6	0	0	6
Neighbourhoods and Housing	1	0	1	2
Finance and Corporate Resources	48	0	1	49
Chief Executive's	4	1	0	5
Schools	31	4	1	36
<b>Total number (%)</b>	<b>90 (92%)</b>	<b>5 (5%)</b>	<b>3 (3%)</b>	<b>98 (100%)</b>

The Council's target for 2016/17 was 90% of high priority recommendations to be implemented in accordance with the agreed timescale. The implementation rate currently stands at 92% fully implemented and 5% partially implemented. This compares with 80% implementation in 2015/16, 77% in 2014/15, 69% in 2013/14 and 74% in 2012/13.

In addition, 533 medium priority recommendations were followed up. Of these, 86% were assessed as implemented, which compares with 84% in 2015/16, 82% in 2014/15, 66% in 2013/14 and 75% in 2012/13. Details are shown below: -

Directorate	Implemented (including no longer relevant)	Partially implemented	Not implemented or no response	Total
Children, Adults and Community Health	24	0	3	27
Neighbourhoods and Housing	25	1	0	26
Finance and Corporate Resources	98	7	0	105
Chief Executive's	24	1	1	26
Schools	289	10	50	349
<b>Total number (%)</b>	<b>460 (86%)</b>	<b>19 (4%)</b>	<b>54 (10%)</b>	<b>533 (100%)</b>

# Directorate Analysis

The number of audits completed for each directorate and the overall report ratings are summarised in the table below (please refer to Appendix 5 for definitions of the assurance ratings).

Directorate	Significant	Reasonable	Limited	No	Total	2016/17 Overall Assurance	2015/16 Overall Assurance
All /Cross Cutting	1	0	1	0	2	Reasonable	Reasonable
Children, Adults & Community Health	0	3	1	0	4	Reasonable	Reasonable (combination of CYPS and HCS)
Neighbourhoods & Housing	8	3	0	0	11	Significant	N/A
Chief Executives	0	0	0	0	0	N/A	Reasonable (combination of Chief Executive's & Legal/HR)
Finance & Resources including ICT audits	6	5	2	0	13	Reasonable	Reasonable
Schools	3	13	3	0	19	Reasonable	Reasonable
<b>Total</b>	<b>18</b>	<b>24</b>	<b>7</b>	<b>0</b>	<b>49</b>	<b>Reasonable</b>	<b>Reasonable</b>

N.B. These statistics/assurances should be read with caution as the same areas are not audited every year and in some areas numbers are low.

## Schools

Audits were completed at 19 schools and children centres this year. These identified 5 high priority and 106 medium priority issues which are analysed in the following table:

<b>Risk Area</b>	<b>Number of high priority issues</b>	<b>% of high priority issues</b>	<b>Number of medium priority issues</b>	<b>% of medium priority issues</b>
<b>Governance Issues</b> (includes approved procedures, register of interests, Terms of Reference and whistleblowing arrangements)	3	60%	25	24%
<b>Administration of income/debt</b> (including petty cash arrangements)	0	0	33	31%
<b>Purchasing arrangements</b> (including supplier arrangements, selection, use of purchase orders and contractor arrangements)	2	40%	35	33%
<b>Safeguarding of assets</b> (including asset registers and insurance arrangements)	0	0	11	10%
<b>Payroll issues</b>	0	0	2	2%
<b>Total</b>	<b>5</b>	<b>100%</b>	<b>106</b>	<b>100%</b>

## Appendix 2: Internal Audit performance in 2016/17

Objectives, Key Performance Indicators (KPIs) and Targets for 2016/17			
Objectives	KPIs	Targets	Actuals
<b>Cost &amp; Efficiency</b> To ensure the service provides Value for Money	1) Percentage of planned audits completed  2) Average number of days between end of fieldwork to issue of draft report	1) 90% by year end  2) Less than 15 working days	1) 91.1% are complete or in progress at the end of March 2017  2) 13 days
<b>Quality</b> To ensure recommendations made by the service are agreed and implemented	1) Percentage of 'High Priority' recommendations made which are agreed  2) Percentage of agreed 'High Priority' recommendations which are implemented	1) 100%  2) 90%	1) 100%  2) 92% Fully implemented; 5% partially implemented

Objectives, Key Performance indicators (KPIs) and targets for 2016/17			
Objectives	KPIs	Targets	Actuals

<p><b>Client Satisfaction:</b></p> <p>To ensure that clients are satisfied with the service and consider it to be good quality</p>	<p>1) Results of Post Audit Questionnaires</p> <p>2) Results of other Questionnaires</p> <p>3) No. of Complaints / Compliments</p>	<p>1) 90% to score Satisfactory or above</p> <p>2) Satisfactory results</p> <p>3) No target – actual numbers will be reported</p>	<p>1) Achieved (66% met expectations, 44% were excellent or exceeded expectations)</p> <p>2) Not carried out this year</p> <p>3) Complaints – 0 Compliments - 0</p>
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# Appendix 3: Detailed analysis of Internal Audit reviews 2016/17

Internal Audit Annual Plan 2016/17 Progress to 31 May 2017 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
<b>2015/16 Audits not previously reported</b>					
HCS08	Highways Maintenance Contracts	0	2	Significant	Complete
FR04	Banking Contract and Charges	0	3	Reasonable	Complete
FR10	NNDR	0	2	Reasonable	Complete
FR12	Council Tax				Draft Report
FR16	Property Services Procurement Procedures	0	4	Reasonable	Complete
FR17	Grey Fleet	1	1	Limited	Complete
ICT03	Landesk Authorisation	0	0	Significant	Complete
ICT07	Resourcelink	2	3	Limited	Complete
HH08	3 x TMO's	0	9	Reasonable	2 Complete
HH09	Neighbourhood Offices	1	2	Reasonable	Complete
HH14	Leaseholder Charges	0	3	Reasonable	Complete
HLT02	Fees For Children Centres				Draft Report
LHRRS03	Payroll (starters & leavers)				C/f to 2017/18
LHRRS02	Health and Safety procedures				In Progress
HS01	Leaseholders Buyback				C/f to 2017/18
FR14	Marketing of Commercial Property	0	1	Significant	complete
<b>All (Cross Cutting)</b>					
1617LBH01	Annual Governance Statement	0	0	Significant	Complete
1617LBH02	Purchasing/Procurement Cards - Follow Up	2	2	Limited	Complete
1617LBH03	Transparency Code				Scoping/TOR
1617LBH04	Management of Capital Contracts				Scoping/TOR
<b>Chief Executives</b>					
1617CE01	DBS Checks				Scoping/TOR
1617CE02	Payroll – additional payments				Fieldwork In Progress
1617CE03	Electoral Services				Scoping/TOR
Additional	Grant applications/ procedures	N/A	N/A	N/A	Complete
Additional	ITrent implementation	N/A	N/A	N/A	Ongoing
<b>GROUP DIRECTOR CHILDREN, ADULTS AND COMMUNITY HEALTH</b>					
<b>Adult Services/Public Health</b>					
1617CACH01	Appointeeships - Client Payment System	0	5	Reasonable	Complete
1617CACH02	Day Care Services (Grant Funded)				Scoping/TOR
1617CACH03	Deprivation Of Liberty Safeguards	0	3	Reasonable	Complete
1617CACH04	ASC Contracts Follow up				Fieldwork in progress
1617CACH05	Care Assessments				C/f to 17/18
Additional	Pause project – petty cash arrangements	N/A	N/A	N/A	Complete
<b>Children &amp; Families Services</b>					
1617CACH07	Overstayers (OFIT)	0	5	Reasonable	Complete
1617CACH08	Leaving Care				Scoping/TOR



Internal Audit Annual Plan 2016/17 Progress to May 2017 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Rec's	Medium Priority Rec's	Audit Assurance	Status
<b>Education and Schools</b>					
1617CACH09	Overview of school findings and benchmarking			N/A	Draft report
1617CACH10	SEN				Scoping/TOR
1617CACH11	HLT IT Purchasing	2	2	Limited	Complete
<b>SCHOOLS</b>					
1617SCH01	Baden Powell Primary School	0	16	Limited	Complete
1617SCH02	Benthal Primary School	0	6	Reasonable	Complete
1617SCH03	Berger Primary School	0	1	Significant	Complete
1617SCH04	Betty Layward	1	8	Limited	Complete
1617SCH05	De Beauvoir Primary School	0	8	Reasonable	Complete
1617SCH06	Gainsborough Community Primary School				Postponed
Additional	Ickburgh School	1	9	Limited	Complete
1617SCH07	Harrington Hill Primary School				Draft report
1617SCH08	Holmleigh Primary School				Postponed
1617SCH09	Parkwood Primary School	0	6	Reasonable	Complete
1617SCH10	Princess May				Draft report
1617SCH11	Saint Scholastica RC Primary	1	3	Reasonable	Complete
1617SCH12	Southwold School			Cancelled	Cancelled – completed with Orchard Primary School in 2015/16
1617SCH13	Springfield Community School				Draft Report
1617SCH14	St John Of Jerusalem	0	8	Reasonable	Complete
1617SCH15	St Dominic's Catholic Primary	0	5	Reasonable	Complete
1617SCH16	St Mary C of E Primary	0	2	Significant	Complete
1617SCH17	St Paul with St Michaels primary	0	6	Reasonable	Complete
1617SCH18	Thomas Fairchild Community School	0	7	Reasonable	Complete
1617SCH19	William Patten Primary School	0	6	Reasonable	Complete
1617SCH20	Woodberry Down Primary	0	2	Reasonable	Complete
<b>CHILDREN CENTRES</b>					
1617SCH21	Wentworth CC	1	6	Reasonable	Complete
1617SCH22	Woodberry Down CC	0	1	Significant	Complete
<b>SPECIAL SCHOOL/PRU</b>					
1617SCH23	The Garden with Horizon	0	4	Reasonable	Complete
1617SCH24	New Regent College Upper/Lower PRU	1	2	Reasonable	Complete
<b>GROUP DIRECTOR - FINANCE AND CORPORATE RESOURCES</b>					
<b>Financial Management</b>					
1617FCR01	Pension Investments				Scoping/TOR
1617FCR02	Creditors/ Central Payments Team	0	1	Significant	Complete
1617FCR03	Asset Management				Scoping/TOR
1617FCR04	Accounts Receivable	0	8	Reasonable	Complete
<b>Strategic Property</b>					
1617FCR05	LBH Building Maintenance				Scoping/TOR
1617FCR07	Vehicle Sales and Disposals	0	0	Significant	Complete
<b>Procurement</b>					
1617FCR06	Tendering Procedures				Fieldwork In Progress

Internal Audit Annual Plan 2016/17 Progress to 31 May 2017 (including 2015/16 audits not previously reported)					
Code	Internal Audit	High Priority Rec's	Medium Priority Rec's	Audit Assurance	Status
<b>Customer Services</b>					
1617FCR08	Council Tax Reduction Scheme				Fieldwork In Progress
1617FCR09	Revenues and Benefits – NNDR-Consolidation				Scoping/TOR
1617FCR10	Revenues and Benefits - Housing Benefit	1	4	Reasonable	Complete
1617FCR11	Council Tax – Consolidation				Scoping/TOR
1617FCR12	Housing Needs (Choice Based lettings)				Scoping/TOR
1617FCR13	Temporary accommodation (B&B)				Scoping/TOR
1617FCR14	Deposit Guarantee scheme/Cash Incentive Scheme				Fieldwork in Progress
<b>Director ICT</b>					
1617ICT01	Universal Housing				Draft report
1617ICT02	Mosaic (previously Framework I) Post Implementation Review	0	0	Significant	Complete
1617ICT03	Housing Needs Payment System - Post Implementation Review				Fieldwork In Progress
1617ICT04	CRM				C/f to 2017/18
1617ICT05	One Account - Post Implementation Review				Scoping/TOR
1617ICT06	IT Recruitment and retention				Fieldwork In Progress
1617ICT07	IT Governance	0	1	Significant	Draft report
<b>GROUP DIRECTOR NEIGHBOURHOODS AND HOUSING</b>					
<b>Regeneration</b>					
1617NH01	Regeneration - Contract letting and Monitoring	0	3	Significant	Complete
<b>Housing</b>					
1617NH02	Ground work estate Maintenance (Stores)			Cancelled	Cancelled
1617NH03	Resident Participation Team (Renting of Halls income)				Draft Report
1617NH04	Rent Collection	0	1	Significant	Complete
1617NH05	TMO (rolling Programme)				Postponed to 2017/18
1617NH06	Right to Buy	0	2	Significant	Complete
1617NH07	Complaints				Scoping/TOR
1617NH08	Voids	0	2	Significant	Complete
1617NH09	Contract Monitoring/Contingency				Postponed
<b>Public Realm</b>					
1617NH10	Parking Appeals				Fieldwork in progress
1617NH11	Waste Management – Recycling				Draft report
1617NH12	Highways Assets			Cancelled	Legislation change withdrawn, audit no longer relevant
1617NH13	Car Parking Income (Pay and Display)	0	2	Significant	Complete
1617NH14	Street Lighting Contract	0	2	Significant	Complete
Additional	Parking ISO Procedures	0	2	Significant	Complete

## Appendix 4: Key Financial Systems – Analysis of Audit Findings

System		Internal Audit Findings				
		2016/17	2015/16	2014/15	2013/14	2012/13
Main Accounting System/General Ledger		N/a	Significant	N/a	High	High
Capital Asset Accounting/Capital Programme		N/a	Significant	Significant	N/a	N/a
Treasury Management		N/a	N/a	N/a	N/a	High
Cash Receipting/Banking		Reasonable	Significant	N/a	Corp. - High	H & CS - Limited
Procurement		Reasonable	Limited ASC Contracting	N/a	N/a	High
NNDR	Billing	N/a	N/a	Significant	N/a	N/a
	Liability	N/a	N/a	N/a	High	N/a
	Liability – Charitable Relief	Reasonable	N/a	N/a	Moderate	High
	Liability – Empty Rating	Reasonable	N/a	N/a	Moderate	High
	Collection	N/a	N/a	Significant	N/a	N/a
	Recovery Enforcement &	N/a	N/a	Significant	N/a	N/a
	Valuation	N/a	N/a	N/a	High	N/a
	Pool Claim	N/a	N/a	N/a	N/a	N/a
Housing Benefit	Benefit Application	N/a	N/a	Reasonable	N/a	N/a
	HB Counter Fraud	Reasonable	N/a	N/a	N/a	N/a
	Overpayments	N/a	N/a	N/a	N/a	N/a
	Reclaim of Grants	N/a	N/a	N/a	N/a	High
	Benefits Administration	N/a	Significant – Change of Circumstances	N/a	N/a	Large Payments/ DWP Notifications - High
	Reconciliations	N/a	N/a	Significant	N/a	N/a
	CTRS	N/a	N/a	N/a	High	N/a

System		Internal Audit Findings				
		2016/17	2015/16	2014/15	2013/14	2012/13
Budgetary Control		N/a	N/a	N/a	Housing-High	CYPS – High CEO - High
Accounts Payable	Central Systems	Significant	Significant	Significant	Moderate	N/a
	Directorate Systems	N/a	N/a	N/a	N/a	HS – High CEO - High
Payroll	Overall (key controls)	N/a	N/a	N/a	N/a	N/a
	Starters	N/a	N/a	N/a	Moderate	N/a
	Leavers	N/a	N/a	N/a	Moderate	N/a
	Variations to Pay	N/a	N/a	N/a	N/a	N/a
	Computer System	N/a	N/a	N/a	N/a	N/a
	Processing Payments	N/a	N/a	N/a	N/a	N/a
	Deductions	N/a	N/a	N/a	N/a	N/a
	Payroll Tax Management	N/a	N/a	N/a	N/a	N/a
Accounts Receivable	Billing	Significant (Rent collection – billing & collection)	N/a	Reasonable	Moderate	HS – High Legal, HR & RS - High
	Collection	Reasonable (HLT debt)	Reasonable	Reasonable	Moderate	N/a
Council Tax	Tax Setting	N/a	N/a	N/a	N/a	N/a
	Billing	N/a	N/a	Reasonable	High	N/a
	Valuation	N/a	N/a	N/a	N/a	N/a
	Liability	N/a	N/a	N/a	N/a	Moderate
	Collection	N/a	N/a	N/a	High	Moderate
	Discounts and Exemptions	N/a	N/a	N/a	N/a	N/a
	Recovery	N/a	N/a	Significant	N/a	Moderate
	Reconciliations	N/a	N/a	Significant	N/a	N/a

# Appendix 5 – Definitions of Assurance Levels

The **Overall Assurance** given in respect of an audit is categorised as follows:

Level of assurance	Description	Link to risk priorities
<b>Significant</b>	Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues or only low rated or no findings to report.
<b>Reasonable</b>	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.	There is no more than one high priority finding and/or a low number of medium rated findings. However, where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
<b>Limited</b>	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of the Council's objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
<b>No</b>	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of the Council's objectives.	There are a significant number of high rated findings (i.e. four or more).





**London Borough of Hackney**

**Internal Audit Charter  
2017 - 2018**

# Internal Audit Charter

## 1. Introduction

- 1.1 This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (PSIAS).
- 1.2. The Charter will be reviewed annually and presented to Hackney's Management Team (HMT) and the Audit Committee for final approval.

## 2. Mission, Definition and Core Principles

- The Mission of Internal Audit is to “ Enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”
- Internal Audit is defined by the Public Sector Internal Audit Standards (PSIAS) as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*
- The Core Principles of Internal Auditing which, taken as a whole, articulate internal audit effectiveness, are as follows:
  - Demonstrate integrity.
  - Demonstrate competence and due professional care.
  - Be objective and free from undue influence, i.e. be independent.
  - Be aligned with the strategies, objectives and risks of the organisation.
  - Be appropriately positioned in the organisation and be adequately resourced.
  - Demonstrate quality and continuous improvement.
  - Communicate effectively.
  - Provide risk based assurance.
  - Be insightful, proactive and future –focused.
  - Promote organisational improvement.



### **3. Purpose**

- 3.1. In a local authority internal audit provides independent and objective assurance to the organisation, its elected members, senior management and in particular to the Chief Financial Officer to help him discharge his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
- 3.2. In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, internal audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.
- 3.3. The Council's Financial Procedure Rules (FPR 4) state "a continuous internal audit, under the independent control and direction of the Group Director, Finance and Corporate Resources, shall be arranged to carry out an examination of accounting, financial and other operations of the Council."

### **4. Authority and Access to Records**

- 4.1. In undertaking their duties and responsibilities, auditors and investigators assigned to the Audit and Anti Fraud Division shall be entitled to have full access to all of the Council's data, records, cash, stores, property, assets, personnel and information, whether manual or computerised, that it considers necessary to fulfil its responsibilities. Audit staff may enter Council property and have unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits and investigations.
- 4.2. Access rights apply equally to third parties and organisations, as permitted through the associated contract and partnering arrangements. Right of access to other bodies funded by the Council should be set out in the conditions of funding.
- 4.3. The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.
- 4.4. All records, documentation and information accessed in the course of undertaking audit reviews shall be used solely for that purpose. All audit staff

are responsible for maintaining the confidentiality of information received in the course of their work.

## **5. Responsibility**

5.1. The PSIAS requires the internal audit charter to define the terms 'board' and 'senior management' for the purposes of internal audit activity. The Audit Committee has been designated as the 'board' and Hackney Management Team (HMT) as 'senior management'. The role of the Chief Audit Executive as described in the PSIAS will be covered by the role of the Corporate Head of Audit, Anti-fraud and Risk Management and the Head of Internal Audit and Risk Management.

5.2. The Council's Head of Internal Audit and Risk Management is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit Committee, on the adequacy and the effectiveness of the framework of governance, risk management and control for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a high quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide assurance that significant risks to the Council's objectives are being identified and managed.
- To provide independent assurance over the risk management, internal control and governance processes.
- To provide advice and support to management to enable an effective control environment to be maintained.
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.
- To investigate allegations of fraud, bribery and corruption (this is undertaken by the Audit Investigation Team).
- To promote and develop the risk management processes and awareness across the Council.

5.3. There are inherent limitations in any system of internal control and thus error or irregularities may occur and may not be detected by internal audit's work. When undertaking audit reviews, internal audit will provide management with comments and report on failures or weaknesses in internal control systems together with recommendations for remedial action. It remains a management responsibility to maintain an effective system of internal control. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

- 5.4. The remit of Internal Audit covers the entire framework of governance, risk management and control for the Council.
- 5.5. Where appropriate, Internal Audit may undertake consulting work for the benefit of the Council. Consultancy is defined as “ Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation and training”.
- 5.6. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

## **6. Reporting**

- 6.1. The PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:
  - An Annual Report and Annual Audit Opinion which is used to inform the Council’s Annual Governance Statement and which concludes on the overall adequacy and effectiveness of the framework of governance, risk management and control. The Annual Report includes:
    - The opinion
    - A summary of the work that supports the opinion; and
    - A statement of conformance with the PSIAS and the results of the quality assurance and improvement programme derived from the internal or external assessment. Any instances of non-conformance with the PSIAS will be reported to HMT and the Audit Committee and will be included in the Annual Report. If there is significant non-conformance this may be included in the Annual Governance Statement
  - The Internal Audit Strategy and Charter and any amendments to them are reported to HMT and the Audit Committee.
  - The Internal Audit Annual Plan is compiled by the Head of Internal Audit and Risk Management taking account of the Council’s risk framework, which includes calculating a score based on both impact and likelihood, and after input from members of HMT and other senior managers it is then presented to HMT and the Audit Committee for final comment and approval.
  - The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Corporate Head of Audit, Anti-Fraud and Risk Management) and the independence of the Internal Audit function will be reported annually to the Audit Committee. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Internal Audit Annual Plan and any significant risk exposures and control issues arising from audit work are reported to HMT and Audit Committee on a quarterly basis.
- Any significant consulting activity not already included in the Audit Plan which might affect the level of assurance work undertaken will be reported to the Audit Committee.

## 7. Independence

7.1. The Corporate Head of Audit, Anti-Fraud and Risk Management is line managed by the Chief Financial Officer however both the Corporate Head of Audit, Anti-Fraud and Risk Management and the Head of Internal Audit and Risk Management have free and unfettered access to the following:

- Group Director of Finance and Corporate Resources (Chief Financial Officer)
- Chief Executive
- Chair of the Audit Committee
- Monitoring Officer
- Any other member of the Hackney Management Team

7.2. The independence of the Corporate Head of Audit, Anti-Fraud and Risk Management is further safeguarded by ensuring that the annual appraisal of the post holder is not inappropriately influenced by those subject to audit. This is achieved by ensuring that the Chief Executive contributes to, and/or reviews the appraisal of the Corporate Head of Audit, Anti-Fraud and Risk Management.

7.3. All Council and agency staff working in the Internal Audit and Investigation Teams are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed. Auditors are also frequently rotated to prevent over-familiarity or complacency which could influence objectivity. In addition stringent procedures are in place relating to the acceptance of gifts and hospitality and the prevention of bribery.

7.4. Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. Any significant consulting activity not already included in the audit plan and which might affect the level

of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

- 7.5. Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities towards the systems and functions audited.
- 7.6. Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so. When the Head of Audit and Risk concludes that management has accepted a level of risk that may be unacceptable to the Council, the Head of Audit and Risk must discuss the matter with senior management. If the Head of Audit and Risk determines that the matter has not been resolved, the matter will ultimately be communicated to the Audit Committee.

## **8. Counter Fraud**

- 8.1. Managing the risk of fraud and corruption is the responsibility of management. Internal Audit reviews alone cannot guarantee that fraud or corruption will be prevented or detected. Auditors will, however, be alert in their work to risks and exposures that could allow fraud, corruption or other irregularity to take place.
- 8.2. The Corporate Head of Audit, Anti-Fraud and Risk Management will work together with the Head of Audit and Risk Management to seek to develop proactive anti-fraud work through a series of specifically focussed audits into areas of high risk of fraud and irregularity.
- 8.3. The Audit Investigation Team will respond to all notifications of fraud and suspected financial irregularity and will undertake investigations to assess the validity of such allegations. Where weaknesses in internal control are identified these will be communicated to Internal Audit in order that appropriate recommendations can be made to strengthen the controls and help prevent such frauds and irregularities re-occurring.
- 8.4. The policies and procedures of the anti-fraud service are detailed in the Council's Anti-Fraud and Corruption Strategy.

## **9. Due Professional Care**

9.1. The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- UK Public Sector Internal Audit Standards (PSIAS)
- CIPFA Statement on the Role of the Head of Internal Audit
- Seven Principles of Public Life (Nolan Principles)
- All Council Policies and Procedures
- All relevant legislation

9.2. All internal audit staff are required to sign an annual statement confirming their compliance with the IIA Code of Ethics as included in the PSIAS.

9.3. Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the PSIAS, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. An independent assessment was undertaken during 2016.

9.4. A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit and Risk Management is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

## **10. Related Documents**

- Internal Audit Strategy 2017/18
- Internal Audit Annual Plan 2017/18
- Anti-Fraud and Corruption Policy



**London Borough of Hackney**

**Internal Audit Strategy**

**2017-2018**

## **Internal Audit Strategy 2017- 2018**

### **1. Introduction**

- 1.1. This Strategy sets out how the Council's Internal Audit Service will be developed and delivered in accordance with the Internal Audit Charter.
- 1.2. The Strategy will be reviewed annually and presented to the Audit Committee and to Hackney Management Team (HMT).

### **2. Internal Audit Objectives**

- 2.1. Internal Audit will provide independent and objective assurance to the organisation, its elected Members, HMT and in particular to the Chief Financial Officer to support him in discharging his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
- 2.2. It is the Council's intention to provide a best practice, cost efficient internal audit service.

### **3. Internal Audit's Remit**

- 3.1. Internal Audit is an assurance function that primarily provides an independent and objective opinion on the degree to which the framework of governance, risk management and control supports and promotes the achievement of the Council's objectives.
- 3.2. Under the direction of a suitably qualified and experienced Corporate Head of Audit, Anti-Fraud and Risk Management and Head of Internal Audit and Risk Management, Internal Audit will:
  - Provide management and Members with an independent, objective assurance on the framework of governance, risk management and control and its effectiveness in achieving the Council's objectives and priorities;
  - Provide management with a consulting activity designed to add value and improve the Council's operations;
  - Assist the Audit Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
  - Drive organisational change to improve processes and service performance;
  - Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;



- Work closely with other assurance providers to share information and provide a value for money assurance service;
  - Promote continuous improvements in risk management and control systems;
  - Be alert in all audit work to risks and exposures that could allow fraud, corruption, extravagance, waste or inappropriate use of Council resources;
  - Participate in local and national bodies and working groups to influence agendas and developments within the profession.
- 3.3. It is recognised that it is management's responsibility to establish and maintain a sound system of internal control and to prevent and detect irregularities and fraud by ensuring that risks are properly managed. Internal Audit cannot absolve management and senior officers of these responsibilities. The overall aim of Internal Audit is to seek out areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives.
- 3.4. Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

#### **4. Service Delivery and Resources**

- 4.1. The Service will be delivered by the in house internal audit team under the direction of the Corporate Head of Audit, Anti-Fraud and Risk Management and the Head of Internal Audit and Risk Management.
- 4.2. Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and standards.

#### **5. Internal Audit Planning**

- 5.1. Audit planning will be undertaken on an annual basis. The plan should be sufficiently flexible to accommodate changes in risks and priorities that arise during the period covered by the plan. Good practice recommends that the audit plan is reviewed on a regular basis throughout the year to ensure that it remains relevant.
- 5.2. Where possible the audit plan will take into account management activities, the external auditor, inspection bodies and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimised.
- 5.3. The annual audit plan and audit coverage will be based on the following:

- The Council's risk registers together with Internal Audit's own assessment of risk in operational areas considering impact and likelihood.
  - The adequacy of risk management, performance management, internal and external review bodies and other assurance processes within the Council.
  - The extent and scope of audit activity in previous years, including the previous audit reports and recommendations made to strengthen controls and enhance systems.
  - The requirements of the external auditors and their ability to utilise the work of Internal Audit in forming their opinion of the Council's Financial Statements.
  - The requirements of regulations and legislation and external factors such as grant conditions
  - The views of senior managers in the directorates and the assurances received from them regarding internal control, governance and risk management
- 5.4. The Head of Internal Audit and Corporate Risk Management will attend departmental management team meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan.
- 5.5. The Internal Audit Annual Plan 2017-18 is based on the following:
- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they are operating correctly. The selection of work in this category is driven by Directorates' own risk processes and will increasingly include work in areas where Council services are delivered in partnership with other organisations. The results of audit work will be fed back into the risk management process to form a 'virtuous circle'.
  - **Key Financial Systems:** Audits of the Council's key financial systems. External Audit will have the opportunity to rely on the work of Internal Audit where appropriate.
  - **Probity Audit (schools and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against the Schools Financial Value Standard. Coverage is dependent on the assessment of the level of risks.
  - **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.

- **Contract Audit:** Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Fraud:** The Audit Investigations Team, within the Audit and Anti-Fraud Division, will investigate any fraud and irregularity arising during the year and also undertake a programme of pro-active counter fraud projects to raise awareness of significant fraud issues.
- **Ad-Hoc Work:** Due to organisational changes and emerging risks and issues, audit resources may need to be allocated to reviews on an ad hoc basis in areas not envisaged in the Audit Plan. These unforeseen alterations will be agreed by the Corporate Head of Audit, Anti-Fraud and Risk Management and reported to the Audit Committee.

## 6. Follow-up

- 6.1. Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. In areas where there has been limited or no assurance, follow up reviews may be conducted in the following year. Progress will be reported to the Audit Committee on a regular basis.
- 6.2. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management. This entails reporting progress with implementation of high and medium priority audit recommendations to directorate management teams on a regular basis.

## 7. Reporting

- 7.1. Internal Audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work. Progress reports are also periodically issued to the Audit Committee. The Head of Internal Audit and Risk Management's annual report is also submitted to the Audit Committee and this contributes to the assurances underpinning the Annual Governance Statement of the Council.

## 8. Related Documents

- Internal Audit Charter 2017/2018
- Internal Audit Annual Plan 2017/18

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**INTERNAL AUDIT ANNUAL FRAUD AND IRREGULARITY REPORT 2016/17**

**AUDIT COMMITTEE  
MEETING DATE 2016/17**

**26 June 2017**

**CLASSIFICATION:**

**Open**

**If exempt, the reason will be listed in the main body of this report.**

**WARD(S) AFFECTED**

**All Wards**

**CORPORATE DIRECTOR**

**Ian Williams Group Director of Finance and Corporate Resources**

## 1. INTRODUCTION AND PURPOSE

- 1.1 This report introduces the Annual Fraud and Irregularity Report 2016/17. The attached documents provide status reports and analysis of reported fraud and irregularity within the London Borough of Hackney.
- 1.2 This report is presented for information and comment and forms part of the Committee's role in overseeing corporate governance.

## 2. RECOMMENDATION(S)

### 2.1 The Audit Committee is recommended to:

**Note the content of this report and comment accordingly.**

## 3. REASONS FOR DECISION

- 3.1 Not applicable – no decision is required.

## 4. BACKGROUND

Anti-fraud work is an important part of Hackney's control environment and helps to ensure the proper administration of financial affairs. The risk of fraud is present in many of the activities that the Council undertakes. It is essential that officers are aware of the possible consequences of fraud and the financial implications for services so that an informed decision can be made about the controls in place to mitigate the threat.

It is also vital that Members understand the potential for fraud when holding services to account and when making corporate level decisions.

The report includes accounts of tangible financial outcomes from fraud investigation work carried out in 2016/17 which is summarised in the table below:

<b>Investigation area</b>	<b>Estimated saving arising from enquiries</b>
Tenancy Fraud	£3,833,300
Overstaying Families	£2,179,362
National Fraud Initiative 2016	£170,223
Blue Badge	£20,685
<b>Total</b>	<b>£6,203,570</b>

This report forms part of the evidence supporting the Council's Annual Governance Statement. In line with Financial Procedure Rules (FPR 4.5), this report is presented to the Audit Committee as part of the requirement to report work undertaken by the Audit & Anti-Fraud Division.

#### **4.1 Policy Context**

All investigation work is undertaken in compliance with relevant legislation and Council policy, including the Anti-Fraud and Corruption Policy, Member and Officer Codes of Conduct, RIPA Policy, Anti-Money Laundering Policy and Whistleblowing Policy.

#### **4.2 Equality Impact Assessment**

For the purposes of this report an Equality Impact Assessment is not applicable, although all investigation work is carried out in compliance with the Council's Equality policies.

#### **4.3 Sustainability**

Not applicable – This report contains no new impacts on the physical and social environment.

#### **4.4 Consultations**

Not applicable.

#### **4.5 Risk Assessment**

Anti-fraud work is subject to risk assessment to ensure that the most significant threats are adequately addressed, and emerging concerns are tackled. The risk of fraud is likely to be greatest where money or other assets are allocated in the course of operational activities, and these should be considered as part of the risk assessment process and recorded on relevant risk registers where appropriate.

### **5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

5.1 There are no financial implications arising from this report as the costs of providing the investigation service are included within the Council's base budget.

5.2 An effective investigation service is important to help ensure that public funds are used appropriately, to enable sanctions where suitable, and to deter fraudsters from targeting the Council.

### **6. COMMENTS OF THE DIRECTOR OF LEGAL**

6.1 *The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its' financial management is adequate and effective and that it has*

*a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.*

- 6.2 *The Audit Committee is asked to note the report on the Audit Investigation Service's work during 2016/17. There are no immediate legal implications arising from the report.*

## **APPENDICES**

Appendix 1 – Annual Fraud and Irregularity Report 2016/17

## **BACKGROUND PAPERS**

None

<b>Report Author</b>	Michael Sheffield <a href="mailto:Michael.Sheffield@hackney.gov.uk">Michael.Sheffield@hackney.gov.uk</a> 0208 356 2505
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# **Audit & Anti Fraud Service Annual Fraud and Irregularity Report 2016/17**

A status report and analysis of reported fraud and financial irregularity within the London Borough of Hackney

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June 2017



**Finance and Corporate Resources Directorate  
Audit and Anti-Fraud Division**

## 1. Introduction

- 1.1 This report provides a summary of the work undertaken in respect of anti-fraud activities carried out by the Council's Audit Investigation Team (AIT), Tenancy Fraud Team (TFT) and Pro-Active Anti-Fraud Team (PAFT) during the past year. During the financial year 2016/17 the teams received 2,009 referrals and enquiries in relation to fraud and irregularity, this represents a slight decrease on 2015/16 but remains considerably higher than all preceding years.

## 2. Background

- 2.1 The Council's position on fraud is embedded in a series of policy documents which enhance and reinforce the attention given to this particular aspect of the Council's processes and procedures, namely: -

The Constitution	The Council's Fraud Policies
<ul style="list-style-type: none"> <li>• Members' Code of Conduct</li> <li>• Officers' Code of Conduct</li> <li>• Financial Procedure Rules</li> <li>• Standing Orders</li> <li>• Contract Standing Orders</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-Fraud &amp; Corruption Policy</li> <li>• Whistleblowing Policy; and</li> <li>• Anti-Money Laundering Policy</li> </ul>

- 2.2 Regular reviews of both Member and Officer compliance with the Council's policy in respect of corporate governance arrangements are undertaken and this informs the Annual Governance Statement which is now required to be included as part of the final accounts process.
- 2.3 The Council's Anti-Fraud & Corruption Policy reinforces that managers, as 'owners' of the Council's systems and process, are responsible for ensuring that adequate systems of internal control are in place to prevent or detect fraudulent activity. The primary responsibility for the prevention and detection of fraud therefore rests with managers and staff. AAF's role is to undertake independent assessments of the key risks and associated controls within systems across the organisation. AIT has systems in place to receive, assess and react to potential fraud referrals from all stakeholders.
- 2.4 Managers are required to ensure that all staff receive training in fraud awareness. In addition, all new employees should be briefed on the Council's approach and be provided with a copy of the policy as part of the induction process. AAF offer advice and where necessary undertake training in key areas of activity.
- 2.5 The Council has procured an external provider, Expolink, to provide a confidential corporate whistleblowing hotline. This facility is available 24/7 to all Council workers. Nominated Officers within the Council have been identified to receive confidential reports. Following the integration of Hackney Learning Trust into the Council in 2014/25 this facility was rolled out to all schools. In addition, there are also a number of fraud hotlines (e.g. Tenancy and Blue Badge) which are maintained for members of the public. An annual whistleblowing report is provided to Committee separately, most recently in April 2017.

### 3. Anti-Fraud & Corruption Activity During 2016/17

3.1 Investigation work is undertaken by three teams which specialise in the following operational areas:

- The Audit Investigation Team (AIT) investigate allegations of fraud and irregularity involving staff, partner organisations and any concern that is not specific to one of the other fraud teams. In addition, the AIT is responsible for investigating allegations of Blue Badge and parking fraud (Section 4) and providing investigative support to the CACH Overstaying Families Intervention Team (OFIT) initiative (Section 5);
- The Tenancy Fraud Team (TFT) investigates allegations of subletting and other housing fraud against Council and Registered Providers' housing stock in the Borough (Section 6);
- The Pro-Active Anti-Fraud Team (PAFT) was established as a result of AIT enquiries into contracts that were formerly held and managed by Hackney Homes (Section 7).

3.2 Table 1 below provides a comparison of all enquiries received in the last year.

#### Yearly Comparison of Investigation Work

Investigation Type	2016/17	2015/16	2014/15	2013/14	2012/13
AIT and PAFT referrals	42	47	53	53	88
Parking (Blue Badge)	196	166	194	158	126
Tenancy Fraud	359	421	789	616	371
Overstaying Families (OFIT)	130	89	122	136	55
Fraud enquiries	1,283	1,402	539	155	118
<b>Total</b>	<b>2,010</b>	<b>2,125</b>	<b>1,697</b>	<b>1,118</b>	<b>758</b>

Table1

3.3 A breakdown of the cases dealt with by AIT and PAFT during 2016/17, broken down by directorate and referral type, is shown in tables 2 & 3 below.

#### Breakdown of Referrals by Directorate

Directorate	Brought Forward from 2015/16	Referrals received in 2016/17	Cases completed during 2016/17	Cases ongoing at 01/04/17
Chief Executive's Directorate	1	0	1	0
Children, Adults & Community Health (excluding OFIT)	7	6	9	4
The Learning Trust	6	3	6	3
Finance & Resources	9	10	15	4
Legal, HR & Regulatory Services	0	0	0	0
Neighbourhoods & Housing	1	8	5	4
Hackney Homes	19	15	17	17
<b>Total</b>	<b>43</b>	<b>42</b>	<b>53</b>	<b>32</b>

Table 2

### Breakdown of Referrals by Type

Description	Neighbourhoods	Children, Adults & Community Health		Finance	Chief	Total
	& Housing	CACH	HLT	& Resources	Executives	
Theft	1	1	0	1	0	3
Cheque/Credit card fraud	1	0	0	0	0	1
Immigration/ID issues	1	2	0	0	0	3
Employee issues	13	1	1	8	0	23
Payments, contracts, procurement	6	2	0	1	0	9
Housing irregularities	0	0	1	0	0	1
Staff parking	0	0	1	0	0	1
Other	1	0	0	0	0	1
<b>Total</b>	<b>23</b>	<b>6</b>	<b>3</b>	<b>10</b>	<b>0</b>	<b>42</b>

Table 3

3.4 An analysis of the principal outcomes arising from AIT investigations during 2016/17 is shown in Table 4 below.

Analysis of Outcomes	2016/17	2015/16	2014/15	2013/14	2012/13
Dismissal	7	7	14	6	9
Resigned/Left under investigation	5	11	8	5	8
Other Disciplinary	1	8	2	3	26
Agency staff arrested or excluded from working on LBH contracts due to immigration or identity concerns	0	0	0	4	0
Referral to other agency (e.g. Police, UK Border Agency)	22	11	12	25	14
Council service or discount cancelled	3	5	11	7	4
Reports Issued	14	19	19	16	23
No Further Action	12	11	8	13	15

Table 4

A small number of complex, ongoing enquiries have accounted for a larger proportion of officer time than is usual during the year, this has impacted on the overall numbers of outcomes. Nevertheless, results are broadly in keeping with those achieved in previous years. The percentage of investigations which result in a 'not proven' outcome remain satisfactorily low, indicating that referrals are generally of good quality and internal investigation assessment processes are effective.

3.5 The AIT also dealt with 1,283 fraud enquiries from outside agencies (e.g. DWP,

police, Home Office, other LA's, etc). These requests are largely related to providing information to other public bodies to assist with investigations and in most cases do not involve an investigation by Hackney. This represents a huge increase on the 155 equivalent enquiries undertaken in 2013/14 and is entirely due to consequences arising from the transfer of the Housing Benefit investigation function from LBH to DWP in December 2014 (see Section 8).

#### 4. Blue Badge Fraud Team

- 4.1 AIT has been responsible for investigating Blue Badge fraud and other parking dispensation irregularities since August 2010. Investigations take place in response to allegations of misuse and are also proactively targeted at areas of known significant abuse. AIT officers regularly work with the Police and other enforcement agencies when investigating blue badge misuse. A total of 95 misused permits were recovered during the year, 49 parking tickets were issued and 40 vehicles were removed following misuse.
- 4.2 The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (which is only equivalent to the cost of on-street parking in the Hackney Central zone of less than 39 hours). Fees of £65 are also payable where a Penalty Charge Notice is issued as part of the enforcement process, or £265 if the vehicle is also removed. The financial value of this work during the year on these measures was £20,685.

#### Blue Badge and Other Parking Investigations

	2016/17	2015/16	2014/15	2013/14	2012/13
Number of referrals (including cases identified through proactive measures)	196	167	194	158	126
Number of referrals in the period	196	166	162	145	112
Number of PCNs/removals	49/40	47/32	24/10	18/10	27/12
Number of prosecutions	1	4	19	12	4
Number of Blue Badges and other misused parking permits recovered	95	94	52	70	20
Number of misuse warnings issued	50	36	27	40	21

Table 5

#### 5. Overstaying Families Intervention Team (OFIT)

- 5.1 OFIT is a Children & Young People's Service initiative that was established in September 2012. The team prevent false claims by families who are not entitled to public funds from central government due to their immigration status, but are nevertheless eligible to receive public money from Hackney tax payers because of local authority obligations under the Children Act 1989. A dedicated fraud investigator is attached to the team to assist with access to information and to provide additional scrutiny of suspect applications. The achievements reported here result from the work of the OFIT team as a whole.

- 5.2 The success of OFIT in preventing payments to those that are not in genuine need is a result of collaborative working by CYPS and AAF; one key element of this approach has been the investigator's ability to access information from Hackney records and external data sources that would not ordinarily be available to CYPS staff. Where evidence is identified to show that applicants have alternative means of support available to them, the Council may cease to provide financial assistance, or may prevent a claim being paid from the outset. Some claims have been withdrawn by the applicant or are not pursued by them when they become aware of the Council's verification process.
- 5.3 Table 6 summarises the savings arising from OFIT cases that were prevented or cancelled following the involvement of the AIT investigator in OFIT enquiries (additional cases were addressed without any input by the investigator). The figures are a conservative account of the financial benefit arising from the work because they assume the minimum accommodation cost and do not consider the additional social worker costs that arise from Children Act cases.

#### OFIT Investigations 2016/17

	Number of claims	Weekly cost*	Annual cost*
OFIT claim cancelled	84	£32,508	£1,695,060
Access & assessment claim cancelled before referral to OFIT or other CYPS service team	24	£9,288	£484,302
<b>Total</b>	<b>108</b>	<b>£41,796</b>	<b>£2,179,362</b>

\* Cost estimated on the basis of an average weekly support package of £387

**Table 6**

- 5.4 Other teams and departments within CYPS have also benefited from direct access to an anti-fraud specialist embedded within the service. Assistance has also been provided where concerns have arisen such as child protection, child trafficking and exploitation, and absence from school.
- 5.5 Additional benefits that have arisen from OFIT enquiries are that:
- The Home Office have resolved long-standing immigration applications following Council enquiries so that applicants are granted UK immigration status that allows them to support themselves financially in the UK. This also results in a right to claim public funds from central government rather than LBH local funding under the Children Act.
  - There is a perception among neighbouring boroughs that Hackney is not seen as a destination of choice among potential clients, although this is difficult to quantify. This is significant because the OFIT client group is potentially more transient than the general population which means that in practice they have more discretion as to which Local Authority to approach to seek assistance.

## 6. Tenancy Fraud Team

- 6.1 AAF currently works with 12 Registered Providers (RPs, i.e. Housing Associations) to investigate tenancy fraud, with the Council receiving additional nomination rights for each unlawfully sublet tenancy that is recovered. Hackney's pioneering approach of working with our RP partners has previously been held up as best practice by the Audit Commission in their annual report *Protecting the Public Purse*, and has been further recognised by Alarm (the Association of Public Sector Risk

Management). Some of the larger RPs have recently developed their own capacity to tackle tenancy fraud in their housing stock, and Council investigators also support these enquiries to ensure that tenancy fraud in Hackney is limited as far as is possible. This has contributed to a decline in the number of referrals to the LBH TFT in recent years, allowing the team to focus its resources on Council owned properties in 2016/17.

- 6.2 AAF started to investigate tenancy fraud in parts of the Council's housing stock in June 2012, and assumed borough-wide responsibility for this work in May 2013.
- 6.3 Investigations into the LBH housing waiting list and homelessness cases began in August 2013. These enquiries are important to prevent misuse of social housing from the outset, and they can reasonably be expected to reduce the number of time consuming and costly legal actions needed to recover an asset if it is wrongly allocated.
- 6.4 The team was previously part-funded by government grant, which expired in March 2015 and has not been renewed. LBH has continued to resource the team at the same level because of the financial and social benefits that continue to arise from successful investigations.
- 6.5 During 2016/17 a total of 103 RP and LBH properties were recovered as a direct result of investigations undertaken by the TFT and 49 housing applications were cancelled (see Table 7). This represents a reduction against previous years and results in part from an increased awareness of the Local Authority response among perpetrators. The hard work and dedication of the investigators in post have maintained Hackney's position at the forefront of combating tenancy fraud in London and nationally. Independent estimates place the value of each recovered tenancy at £18,000 and each rejected housing waiting list claim at between £4,000 and £18,000 (the lower estimate is used in the calculations set out in table 7 below).
- 6.6 As of 31 March 2017 a further 98 tenancy cases were subject to a legal process that had not yet concluded. On the basis of past performance, the majority of these cases are likely to result in the recovery of a social housing tenancy, albeit that the legal process can be time consuming.
- 6.7 Following a proactive review of Right to Buy (RTB) applications where the tenant was in receipt of Housing Benefit in 2014, the TFT have worked with the RTB Team to investigate suspected fraudulent applications and to strengthen anti-fraud arrangements. This led to increased vetting of claims by the RTB team and referral to TFT where concerns were identified. Seventeen claims were denied or withdrawn in 2016/17 following investigation.

Legitimate purchases attract a discount on the market value of the property which increases each year. The current value of the discount is £104,900; in effect limited housing resources must be sold below the market rate, this adds to the long term limited availability of affordable housing resources, and increases cost pressures from efforts to maintain capacity. Investigations prevented the award of discounts totalling £1,783,300 in 2016/17, in addition to preventing the loss of 17 homes to applicants who were not eligible to purchase them.

## Tenancy Fraud Investigations

	2016/17	2015/16	2014/15	2013/14	2012/13
Number of referrals (tenancy fraud)	304	305	494	445	371
Number of tenancies recovered	103	107	125	153	131
<b>Estimated value of recovered properties*</b>	<b>£1,854,000</b>	<b>£1,926,000</b>	<b>£2,250,000</b>	<b>£2,754,000</b>	<b>£2,358,000</b>
Number of referrals (housing application)	55	116	295	171	n/a
Number of housing applications cancelled	49	57	67	81	n/a
<b>Estimated value of cancelled applications</b>	<b>£196,000</b>	<b>£228,000</b>	<b>£268,000</b>	<b>£324,000</b>	<b>n/a</b>
Number of referrals (Right to Buy)	34	35			
Number of RTBs cancelled or withdrawn	17	10	10	1	n/a
<b>Estimated value of RTBs prevented</b>	<b>£1,783,300</b>	<b>£1,049,000</b>	<b>£1,049,000</b>	<b>£104,900</b>	<b>n/a</b>
<b>Total value all housing investigations</b>	<b>£3,833,300</b>	<b>£3,203,000</b>	<b>£3,567,000</b>	<b>£3,182,900</b>	<b>£2,358,000</b>

\*This figure is based on the value of £18,000 per property as quoted by the Audit Commission

**Table 7**

## 7. Pro-Active Anti-Fraud Team (PAFT)

- 7.1 An investigation has run throughout 2016/17 concerning irregularities in the management of various legacy Hackney Homes planned maintenance contracts. The review is wide ranging and is high profile, having already gained media attention. One line of enquiry has resulted in a police investigation that is being fully supported by AAF.
- 7.2 Eleven different work streams have either been reviewed or are in the process of being reviewed. Consequences to date include the retention of payments against one contractor and revisions to the contract management process.
- 7.3 PAFT has been increased from one to three officers, following a successful bid for DCLG counter-fraud funding and this level of resource has now been formalised as part of the AAF restructure. AAF has worked closely with LBH Procurement and Housing Directorate technical officers during these enquiries, and there is a consensus that further work streams and contracts should also be systematically reviewed.
- 7.4 PAFT enquiries expanded to non-Housing contracts for the first time in 2016/17, advice was issued to improve contract monitoring, enforcement and operational actions.



## 8. Housing Benefit

8.1 The responsibility for Housing Benefit investigations was transferred from LBH to DWP on 1 December 2014 as part of the government's Single Fraud Investigation Service scheme. The responsibility for Housing Benefit administration remains with LBH for the time being.

8.2 LBH had already successfully realigned investigative resources away from HB to focus on other fraud threats, resulting in the achievements set out in this report. Hackney was therefore better placed to deal with the consequences of SFIS than many other authorities, particularly those outside of London. However, the following impacts have arisen:

- DWP do not have direct access to LBH HB records. All HB investigations must proceed via an AAF officer who is employed specifically to receive and respond to data requests (the additional work referenced at Section 3.5 of this report). DWP provided minimal funding for this work in 2016/17 and have not yet communicated how or if they will resource this in 2017/18 (limited contingency exists at cost to LBH until March 2018 following the AAF restructure);
- While the AAF officer assigned to this work has been able to facilitate routine investigations, it has not been possible to review the 12,140 HB NFI matches received in 2014/16 (see Section 9). Previously, matches were sifted by the 6 officers who transferred to DWP as part of SFIS; DWP do not accept that the identification of fraud is their responsibility under the current arrangements. This impasse is an issue across all local authorities;
- LBH has less influence over the investigation process and how an enquiry should proceed, and there is inevitably less effective communication between the HB administrative and investigative functions;
- HB and other fraud enquiries (e.g. tenancy, right to buy) are no longer co-ordinated to the same degree due to differing organisational priorities. Further down the line, there are concerns about continued access to HB data to support other fraud enquiries;
- It is likely that other local authority investigation teams, particularly those outside London, will be severely diminished by the introduction of SFIS. This is likely to impact on future LBH investigations and the overall resilience of local government to fraud.

## 9. National Fraud Initiative (NFI)

9.1 The Cabinet Office (previously the Audit Commission) conducts a biennial data matching exercise, the NFI. AAF coordinates the provision of data, undertakes investigations in some areas and coordinates responses from other Council teams that are involved in verifying match data. The NFI matches are assessed for investigation according to local priorities and experience of previous NFI data quality. It is important to note that matches are often a result of data quality issues and do not necessarily indicate fraud.

9.2 Match data received in January 2015 (NFI2014) and January 2017 (NFI2016) was reviewed during 2016/17.

9.3 The value of fraud and error identified through the NFI is calculated according to Audit Commission methodologies. Details of the progress on matches received are shown below in Tables 8 and 9.

#### NFI 2014

Type of Match	Total Matches (recommended)	Number Matches Cleared	Investigation in progress	Value of fraud or error identified
Payroll	135 (49)	35	10	2 frauds, value unquantified
Housing Benefit	8,174 (2724)	19	3	0
Housing tenants	960 (583)	344	30	£36,000
Right to Buy	253 (248)	224	6	0
Housing waiting list	3,185 (0)	62	26	£108,000
Concessionary travel / parking	187 (146)	22	125	£1,000
Creditors	5,173 (571)	4,724	0	0
Pensions	175 (82)	169	4	£20,150.98
Other	124 (41)	34	0	£3,700.03
<b>Total</b>	<b>18,366 (4444)</b>	<b>5,633</b>	<b>204</b>	<b>£168,851.01</b>

Table 8

#### NFI 2016

Type of Match	Total Matches (Recommended)	Number Matches Cleared	Investigation in progress	Value of fraud or error identified
Payroll	113 (35)	5	8	£107,858
Housing Benefit	3,966 (325)	37	1	0
Housing tenants	491 (177)	17	3	0
Right to Buy	58 (40)	0	0	0
Housing waiting list	2,679 (2,603)	3	32	£24,000
Concessionary travel / parking	225 (188)	20	178	£4,600
Creditors	5,943 (721)	0	638	0
Pensions	166 (105)	52	0	0
Council Tax	10,936 (0)	6,605	73	£33,765
Other	48 (26)	0	0	0
<b>Total</b>	<b>28,123 (4,366)</b>	<b>6,739</b>	<b>933</b>	<b>£170,223</b>

Table 9

## 10. Other activity

10.1 AAF have provided fraud awareness training to the following teams and external partners during 2016/17: -

- Housing Needs
- Right to Buy
- Estate Management
- Children and Young People's Services
- Business Support (Blue Badge team)
- School finance officers
- Housing Directorate contracts & procurement
- Multiple Housing Associations

10.2 It should be noted that not all referrals to AAF result in an investigation. In some instances the allegation will relate to reported practices that are more appropriately dealt with by management action. Similarly there may be suspected irregularity that is more appropriately dealt with elsewhere within the Council and/or its' key partner organisations.

10.3 AAF have also assisted the police, other local authorities/public sector agencies and partner organisations where appropriate with enquiries and investigations in the interest of prevention, detection and deterrence of crime. Shared information is released in accordance with data protection legislation.

## 11. Regulation of Investigatory Powers Act (RIPA)

11.1 The Corporate Head of Audit, Anti-Fraud and Risk Management has the corporate responsibility for the Council's RIPA powers. The policy is available on the Council's intranet and has been publicised to all staff.

11.2 Use of RIPA by all local authorities was severely curtailed during 2012/13 following new legislation requiring local authorities to obtain approval from a Magistrates Court before surveillance can take place. Hackney has a process in place with local courts and this appears to be running smoothly.

11.3 Update reports on the Council's use of RIPA are provided quarterly to the Audit Sub-Committee. No RIPA applications were made or authorised in 2016/17. This is partly a consequence of the legislative change, but is also reflective of a culture within Hackney that seeks to minimise intrusiveness where possible, while still accepting that surveillance remains a valid investigative technique in certain circumstances. A breakdown of the RIPA authorisations for the year are shown in Table 10 below.

11.4 The Council's RIPA arrangements were most recently reviewed in March 2017, the report commended the arrangements that are in place.

**RIPA Authorisations**

Type of Investigation	Number Authorised 2016/17	Outcomes	Number Authorised 2015/16	Number Authorised 2014/15	Number Authorised 2013/14
ASB	0	n/a	0	0	0
Trading Standards	0	n/a	0	0	2
Housing Benefit	0	n/a	0	0	0
Parking	0	n/a	0	0	0
<b>Total Authorisations</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>2</b>

Table 10

**12. Money Laundering**

- 12.1 Whilst legislation relating to money laundering does not specifically require the Council to implement formal detection and reporting procedures it is nevertheless considered that such procedures are best practice and are recommended by the Audit Commission.
- 12.2 A corporate policy outlining the Council's approach to money laundering is in place which introduces a requirement to identify any cash sums in excess of £9000 received by the Council, and to report any transaction where the funds involved are suspected to originate from criminal activity. Guidelines direct councils to report such occurrences to the National Crime Agency (NCA).
- 12.3 Training requirements for staff working in areas considered to be most at risk from this activity are considered, this has resulted in training being provided to key Right to Buy officers.
- 12.4 During 2016/17, 2 referrals were received by AAF, one concerned a Right to Buy purchase for a cash sum, the other concerned a large cash payment. Following internal review both matters were notified to the NCA in line with our corporate procedures.

**13. Future Developments**

- 13.1 AAF has been restructured during 2016/17 following the senior management restructure which has affected all services. One investigator has left the AIT as a consequence and three posts are currently vacant (and recruitment to these is active). The service is moving toward a higher level of permanent staffing solutions on the Tenancy Fraud and Proactive Anti-Fraud Teams as a result of the restructure, and additional management capacity has been put in place to help compensate for the departure of the Director of Audit & Anti-Fraud.
- 13.2 Considerable advances have been achieved in the last five years to tackle tenancy, parking, OFIT and staff fraud, and to address known concerns in specific contract arrangements. This work will continue through 2016/17 and maintaining current performance will in itself be a challenging target for the year ahead. A risk based assessment will be undertaken to ensure that the Service focusses resources where most beneficial to the Council.
- 13.3 At the time of writing, Hackney is poised to join the London Counter Fraud Hub (LCFH) as one of five pilot members. LCFH is a public/private sector collaboration

that will use cutting edge data analytics to identify indicators of fraud and error in selected Council data sets. The project remains at an early stage but annual financial returns of £1.13m per participating authority are predicted across various service areas (comprising tenancy, business rates, council tax, RTB and three travel concessions). The hub will also include a checking facility to allow applications to the Council to be verified as a preventative fraud measure. While there are some issues of concern (principally the duration of the contract, third party roles and possible impacts if existing investigation resources are reprioritised), our early involvement will provide a better understanding of how these might actually manifest themselves, provide Hackney with a voice to address issues in the development stage and send out a message that Hackney treats fraud prevention and response seriously.

- 13.4 There is no reason to think that the high level of reactive casework received in 2016/17 will abate and this will limit the capacity to pro-actively tackle some fraud. The existing level of referrals is likely to be influenced by the level of organisational change and the consequences of this on the control environment. The links between the Anti-Fraud teams and Internal Audit will continue to be important.
- 13.5 Proactive work including Blue Badge and OFIT investigations and the ongoing review of prioritised NFI2016 matches will continue. Hackney has applied to participate in a pilot NFI match Council data against known fraudster records to identify potential risks to Council assets and services.
- 13.6 It is likely that some of our key counter fraud partners, including legal teams, the Police and the Home Office, will face resource challenges in the year ahead. The service will continue to innovate and respond flexibly to these issues.

Corporate Risk Register.		Current Risk	Direction of Travel	Previous score	Target Risk
1	National / International Economic Downturn (SRCR001)	20	↔	20	16
2	Brexit Implications(SRCR001A)	15	↑	12	9
3	Management of Major Capital Programmes (SRCR002)	15	↓	16	12
4	Regeneration Programmes (SRCR003)	16	↔	16	12
5	New Government Policies Affecting Housing (SRCR004)	9	↓	15	9
6	Reputation Management (SRCR 009)	9	↔	9	9
7	Pension fund (SRCR 0010)	15	↓	20	16
8	Impact of New Legislation / Welfare reform (SRCR 0013)	20	↔	20	12
9	Workforce (SRCR 0018)	12	↓	16	12
10	Recruitment and Retention (SRCR 0018B)	12	↔	12	12
11	Information Assets (SRCR 0020)	16	↔	16	12
12	Corporate Resilience (SRCR 0020B)	20	NEW		
13	Information Security	12	↑	8	8
14	Person suffers significant harm, injury or death (SRCR 0023)	15	↔	15	10
15	Devolution (SRCR 0024)	16	↔	16	12
16	Contract Procurement and Management (SRCR 0025)	10	↓	16	12
17	Impact of government reforms on education service delivery (SRCR 0027)	20	NEW		
18	SEND funding - escalating SEND spend has an adverse effect on HLT budgets (SRCR 0028)	20	NEW		
19	Risks posed by unregistered schools and settings (SRCR 0029)	16	↔	16	12
20	Temporary Accommodation	16	NEW		

**Additional high ranking risks to add to the overview**

	Inability to control the increasing number of Delayed Transfers of Care (Adult Social Care / Commissioning risk).	12	↓	20	12
	Technology Change (ICT risk about keeping track of change)	16	NEW		
	Impact of rising property prices and rents	20	↑	16	12
	Impact of Universal Credit (reforms could result in an increase in arrears, higher legal costs, increased evictions and pressure on the vulnerable)	20	↔	20	12
	Increased call on resources in respect of No Recourse to Public Funds (NRPF) cases (from the perspective of children's needs)	12	↔	12	9



**PERFORMANCE OVERVIEW**

**AUDIT COMMITTEE MEETING DATE**  
2017/18  
  
26 June 2017

**CLASSIFICATION:**

Open

If exempt, the reason will be listed in the main body of the report.

**WARD(S) AFFECTED**

All Wards

Ian Williams, Group Director Finance and Corporate Resources

## **1. GROUP DIRECTOR'S INTRODUCTION**

- 1.1. This report introduces the first set of indicators that were selected to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's performance. The report is intended to encourage discussion at Committee regarding what will be brought forward in future, rather than a review of the indicators presented. In addition, there is an update on risk management with a Corporate Scorecard (summarising the highest risks to the organisation as a whole), along with some accompanying commentary on the Council's risk approach.
- 1.2. The report also sets out some thoughts regarding future monitoring of the Council's capital programme at Audit Committee, following on from discussions at previous meetings regarding the changing nature of the programme, specifically in terms of the risks presented by the financing of regeneration and other mixed use development schemes.

## **2. RECOMMENDATION(S)**

### **2.1 The Audit Committee is recommended to:**

- **Consider the performance indicators presented in Appendix 1 and the Risk Management Scorecard in Appendix 2 attached to this report.**
- **Note the current capital monitoring arrangements and consider future enhancements to the reporting to Audit Committee.**

## **3. REASONS FOR DECISION**

- 3.1 The Audit Committee are deemed to be "those charged with governance" in respect of the Council's annual statement of accounts, treasury management strategy and other financial matters. As such, the Committee have asked for more overview of the Council's performance and risk management in order that they can be assured that value for money is being achieved and that they can fulfil their governance role in the widest sense.

## **4. BACKGROUND**

### **4.1 Policy Context**



The review of performance and the risks arising from the delivery of the capital programme are key areas for consideration of the Audit Committee in order for them to fulfil their overall governance role.

#### **4.2 Equality Impact Assessment**

This report does not require an equality impact assessment.

#### **4.3. Sustainability**

Not Applicable.

#### **4.4 Consultations**

The Chair of the Audit Committee has been consulted along with the Head of Governance and Business Intelligence, Cabinet Member for Finance and the Group Director of Finance & Corporate Resources.

#### **4.5 Risk Assessment**

Not applicable

#### **4.6 PERFORMANCE INDICATORS**

4.6.1 Audit Committee have over several meetings discussed their requirement to be able to consider the performance of the Council on an ongoing basis. This leads on from the role of the Committee to approve the annual accounts of the authority, agree and monitor treasury management strategy and to keep under review risk management across the Council.

4.6.2 A set of high level indicators have been developed and agreed by Committee. The attached report is a summary of the Indicators which were agreed. Consideration of these will help to strengthen the governance role of the Committee in its wider sense.

#### **4.7 CAPITAL PROGRAMME MONITORING**

4.7.1 As part of the regular review of treasury management activity and approval of the annual Treasury Management Strategy, Audit Committee have sight of the capital

financing requirement (underlying requirement to borrow) of the authority on an ongoing basis.

- 4.7.2 It has been noted by Committee that the Council is expecting to move from a debt free position to a substantial external borrowing position over the coming year, mainly due to the delivery of an ambitious capital programme that requires forward funding, pending future sales of private residential units on completion of regeneration and other mixed use development schemes.
- 4.7.3 Such a change brings additional risk to the delivery of the programme as well as potential impact on the finances of the Council. This risk arises mainly from two issues – potential volatility of the housing market affecting sales volume and value going forward, and increasing building costs as a result of the weaker GBP against other major currencies.
- 4.7.4 Audit Committee already receive quarterly updates on treasury management activity, including an overview of the level of investments and borrowing that have been undertaken by the Council to manage its cash flow position and ensure sufficient resource is available to meet the capital expenditure plans.
- 4.7.5 This reporting is now enhanced in this report to include an update on the main areas of the capital programme via inclusion of capital extract from the latest Overall Financial Position (OFP) Report to Cabinet. This will in future be supplemented with the latest forecast capital financing summary, thus allowing further insight into capital resources available to the Council and more detailed review of actual borrowing required.
- 4.7.6 In addition it is intended, over time, to develop the capital monitoring reports to Cabinet and hence to Audit Committee, to include more discrete data regarding the actual delivery of the capital programme. This is in recognition that the current reporting focuses on the financial elements (i.e., actual outturn compared to budget expenditure) but does not give too much indication of progress of the scheme, although the RAG rating of individual schemes is intended to give a high level indication of this.
- 4.7.7 An extract from the latest OFP regarding the capital monitoring information which was provided to Cabinet in April is attached as **Appendix 3** to this report for information.

## **4.8 RISK MANAGEMENT**

- 4.8.1 Audit Committee have over several meetings discussed their requirement to be able to also consider the wider picture of risk management within the Council on an ongoing

basis. In addition to the Directorate and Corporate registers reviewed at Committee meetings, it was felt some additional information and commentary would be helpful in painting a fuller picture and also increasing levels of assurance regarding how risks are identified and managed.

#### **4.8.2 Corporate Risk Scorecard**

The Scorecard provides a quarterly overview of the Council's Corporate risks, along with a selection of leading Directorate risks (to ensure a comprehensive overview is provided). These are assessed in advance of each Audit Committee meeting and after being ratified by HMT, are updated accordingly. There is sometimes as little as two months between updates. This means that (especially for some high-level strategic risks) scores may sometimes remain static for periods of time. This is not a reflection of a lack of dynamism within the approach to the risk, but rather the fact that high level scores are unlikely to change dramatically within short spaces of time. New risks are regularly incorporated into the Corporate Register and will always be marked as 'new'. The Scorecard will contain clear reference as to the movement (of the score) of the risk, and clarity as to the exact nature of the risk (whether it is of an internal or external nature to the Council).

4.8.3 In terms of this latest iteration of the (Corporate) register, there are 14 red risks and 6 amber risks. Notable themes include financial risks and the potential impact of new legislation. Clearly, numerous external events and influences are having a considerable impact on the Council's objectives, whether budget cuts, security beaches, or political upheaval (in the form of elections or the Brexit negotiations). There has been movement within the direction of travel of existing risks, as the potential impact of some events has intensified, whilst other areas have stabilised with the controls offering an improved level of assurance as to the nature of a risk. Other risks remain red with no change – this score reflects the continued severity of both the impact and likelihood of the risk. For example, financial cuts (and their effects) are likely to remain a significant risk, simply because they will always have a high impact on service delivery, and in the light of the current economy the chances of this continuing remain very probable. However, even in the light of this continued red rating, the controls should still be able to provide assurance that the risk is being managed so far as is possible, and that the Council is taking appropriate action to best position itself in the light of challenging circumstances. In addition to the Corporate risks, the Scorecard also contains a selection of other major risks within the organisation. This assorted selection will usually be pulled from Directorate level and assist in providing an improved overview of risks around the Council, which don't necessarily always get escalated to Corporate level. This extra level of risks was requested by Committee and will usually be comprised of high scoring areas which have previously been on the Committee's radar, or areas of general importance.

#### **4.8.4 Emerging Risks**

Whilst current risks are consistently reported on, it is important to assure Members that extensive forward thinking is taking place as to where risks and challenges may lie in the future. A sudden and fundamental change to Government funding would clearly impact on plans going forward. An example could be rumours of changes being made to the PWLB (Public Works Loan Board) – the impact this could have on plans for developments and the Council's funding ability could be dramatic, and alternative sources of loans would have to be considered for capital projects. These emerging risks are monitored and controls are developed and considered at an early stage. Long term, it is clear the Council is adapting to a changing political and economic climate to become more commercially focused as an organisation. Failure to take advantage of more commercial schemes would be a missed opportunity, so changes are constantly being made (or considered for the future) to ensure the Council is more flexible, adaptable and commercially minded. For example, with the property development that is taking place (and that proposed for the future), a more dynamic approach will be required so consideration needs to be given to the potential limitations of procurement models, lack of expertise in certain areas and exposure to commercial borrowing (and trying to contain this within the current HRA debt cap where applicable). All these areas are already being considered at the strategic level as the Council maps its way forward over the next five years, trying to utilise the opportunities presented and acquiring the dynamism to achieve this.

4.8.5 Risk oversight is also very important in a situation where the Council is in partnership with another body or organisation. In the case of the (newly established) Integrated Commissioning Board, the Council is working with the City and Hackney Clinical Commissioning Group to embark on innovative arrangements to plan and ensure delivery of health, social care and public health services more effectively. The associated risks have already been identified on both sides and reciprocal communication has occurred. However, the risks pertaining to this Board which may be reported to Audit Committee will be reported from the perspective of the Council. The CCG have a separate register which goes to their Audit Committee. In the operation of this new way forward, there will be a clear loss of direct control (at times) over some of our social care and public health budgets. These are already being comprehensively managed by the detailed schemes of delegation (and Section 75 Agreement) that are being drafted to carefully map out the roles and responsibilities of this partnership. Also, the impact of managing and resourcing additional governance structures needs to be addressed, and failure to do so would result in problematic consequences.

4.8.6 It is also important to establish clarity of how high level risks from Projects and Programmes (managed by cross Directorate Boards) are reported up through the existing Risk Management hierarchy. These risks are often outside the scope of the traditional escalation procedures (from Service > Division > Directorate > Corporate levels), so it is for the Programme Directors or the relevant Divisional Directors to report these at DMT meetings when the registers are being reviewed. There are

regular opportunities in project review cycles for relevant risks to be escalated to the appropriate level. For example, a Corporate risk like Regeneration contains elements from what has been reported up through the Boards and Project Management team, but also considerations arising from the Regeneration Director's strategic assessment of the risk. A specific example is where the Britannia Programme Directors has contributed to the (Corporate) Regeneration Risk. This helps ensure that all areas are included in the risk framework, and they are reported and escalated accordingly.

## **5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES**

- 5.1 The contents of this report are a result of a number of discussions with the Chair and members of the Audit Committee regarding future enhanced performance reporting in order to strengthen the governance role of the Committee.
- 5.2 It should be noted that the proposals within this report are still at a relatively early stage of development, particularly in respect of enhanced capital monitoring and reporting, although they are intended to offer a sound basis for reporting and discussion going forward.
- 5.3 Officers will continue to work with the Chair and members of the Audit Committee, in conjunction with the Cabinet Member for Finance and the Head of Governance and Business Intelligence, in order to enhance the reporting offer to ensure that it provides the strategic overview of Council performance and risk that the Committee require.

## **6. COMMENTS OF THE DIRECTOR, LEGAL**

- 6.1 The Council has a general duty as a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness under the Local Government Act 1999, section 3.
- 6.2 The Audit Committee has the responsibility to consider the Council's arrangements to secure value for money and review the assurances and assessments on the effectiveness of these arrangements. This Report is part of those arrangements.

## APPENDICES

Appendix 1 - Performance Indicators

Appendix 2 - Corporate Risk Scorecard

Appendix 3 - Extract from March OFP re Capital Monitoring

## BACKGROUND PAPERS

None

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<b>Comments of the Group Director, Finance and Corporate Resources</b>	Michael Honeysett ☎020-8356 3332 michael.honeysett@hackney.gov.uk
<b>Comments of Director, Legal</b>	Patricia Narebor ☎020-8356 2029 patricia.narebor@hackney.gov.uk



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# Audit Committee Report



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PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
CACH A ASCOF 2ci	All delayed transfers of care from hospital per 100,000 population	10.50	7.70	N/A	Quarter 4 data will not be published until the 18th May 2017.	10.00	8.60			<p><b>CACH A ASCOF2ci All delayed transfers of care from hospital per 100,000 population</b></p> <table border="1"> <caption>CACH A ASCOF2ci All delayed transfers of care from hospital per 100,000 population</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>11.5</td> </tr> <tr> <td>2014/15</td> <td>10.5</td> </tr> <tr> <td>2015/16</td> <td>10.5</td> </tr> <tr> <td>2016/17</td> <td>8.6</td> </tr> </tbody> </table>	Year	Value	2013/14	11.5	2014/15	10.5	2015/16	10.5	2016/17	8.6
Year	Value																			
2013/14	11.5																			
2014/15	10.5																			
2015/16	10.5																			
2016/17	8.6																			
CACH A MPI 02	% of clients receiving a review (Service standard)	70.3%	59.7%	72.6%		75.0%	72.6%			<p><b>CACH A MPI 02 % of clients receiving a review (Service standard)</b></p> <table border="1"> <caption>CACH A MPI 02 % of clients receiving a review (Service standard)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>70.3%</td> </tr> <tr> <td>2014/15</td> <td>59.7%</td> </tr> <tr> <td>2015/16</td> <td>72.6%</td> </tr> <tr> <td>2016/17</td> <td>72.6%</td> </tr> </tbody> </table>	Year	Value	2013/14	70.3%	2014/15	59.7%	2015/16	72.6%	2016/17	72.6%
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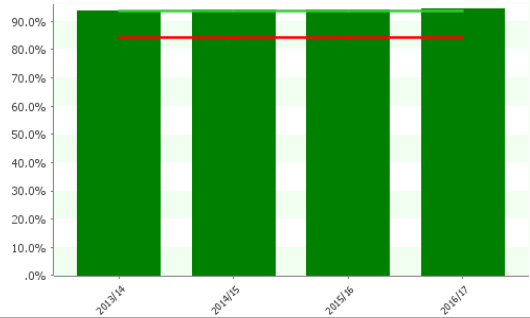


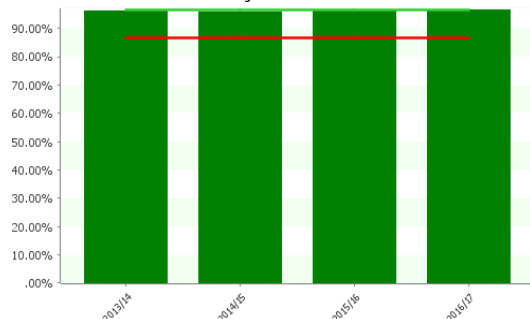


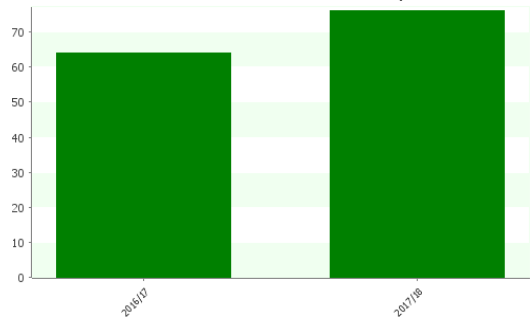
PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
CACH CSC 010	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	94.4%	Not measured for Quarters	Not measured for Quarters		100.0%	Available August 2017		↑	<p><b>CACH CSC 010 Percentage of child protection cases which were reviewed within required timescales (ex NI 67)</b></p> <table border="1"> <caption>Data for CACH CSC 010 Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>94.4%</td> </tr> <tr> <td>2014/15</td> <td>94.4%</td> </tr> <tr> <td>2015/16</td> <td>94.4%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	94.4%	2014/15	94.4%	2015/16	94.4%		
Year	Percentage																			
2013/14	94.4%																			
2014/15	94.4%																			
2015/16	94.4%																			
CACH LT 018	Achievement of 5+ A*- C grades at GCSE or equivalent including English and Maths (ex NI 75)	60.4%	Not measured for Quarters	Not measured for Quarters		62.0%	64.1%	✓	↑	<p><b>CACH LT 018 Achievement of 5+ A*- C grades at GCSE or equivalent including English and Maths (ex NI 75)</b></p> <table border="1"> <caption>Data for CACH LT 018 Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>60.4%</td> </tr> <tr> <td>2014/15</td> <td>60.4%</td> </tr> <tr> <td>2015/16</td> <td>60.4%</td> </tr> <tr> <td>2016/17</td> <td>64.1%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	60.4%	2014/15	60.4%	2015/16	60.4%	2016/17	64.1%
Year	Percentage																			
2013/14	60.4%																			
2014/15	60.4%																			
2015/16	60.4%																			
2016/17	64.1%																			
CACH LT 020	Achievement of a Level 3 qualification by the age of 19 (ex NI 80)	59.2%	Not measured for Quarters	Not measured for Quarters		56.0%	58.9%	✓	↓	<p><b>CACH LT 020 Achievement of a Level 3 qualification by the age of 19 (ex NI 80)</b></p> <table border="1"> <caption>Data for CACH LT 020 Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>59.2%</td> </tr> <tr> <td>2014/15</td> <td>59.2%</td> </tr> <tr> <td>2015/16</td> <td>59.2%</td> </tr> <tr> <td>2016/17</td> <td>58.9%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	59.2%	2014/15	59.2%	2015/16	59.2%	2016/17	58.9%
Year	Percentage																			
2013/14	59.2%																			
2014/15	59.2%																			
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2016/17	58.9%																			

PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
CACH PH 008	Obesity in primary school age children in Year 6: Line 9 - Percentage of children in Year 6 with height and weight recorded who are obese (ex NI 56(ix)d)	25.6%	Not measured for Quarters	Not measured for Quarters					↑	<p><b>CACH PH 008 Obesity in primary school age children in Year 6: Line 9 - Percentage of children in Year 6 with height and weight recorded who are obese (ex NI 56(ix)d)</b></p> <table border="1"> <caption>Obesity in primary school age children in Year 6</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>25.6%</td> </tr> <tr> <td>2014/15</td> <td>25.6%</td> </tr> <tr> <td>2015/16</td> <td>25.6%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	25.6%	2014/15	25.6%	2015/16	25.6%		
Year	Percentage																			
2013/14	25.6%																			
2014/15	25.6%																			
2015/16	25.6%																			
CACH PH 010	Stopping smoking - Number of smokers that quit for 4 weeks or more (ex NI 123)								↑	<p><b>CACH PH 010 Stopping smoking - Number of smokers that quit for 4 weeks or more (ex NI 123)</b></p> <table border="1"> <caption>Stopping smoking - Number of smokers that quit for 4 weeks or more</caption> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>1,300</td> </tr> <tr> <td>2014/15</td> <td>1,000</td> </tr> </tbody> </table>	Year	Number	2013/14	1,300	2014/15	1,000				
Year	Number																			
2013/14	1,300																			
2014/15	1,000																			
CACH YH 003	Rate of proven re-offending by young offenders (ex NI 19)	1.39	1.23	1.31	Data source: Youth Justice Board (PNC data)	1.00	1.23	⬮	↓	<p><b>CACH YH 003 Rate of proven re-offending by young offenders (ex NI 19)</b></p> <table border="1"> <caption>Rate of proven re-offending by young offenders</caption> <thead> <tr> <th>Year</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>0.88</td> </tr> <tr> <td>2014/15</td> <td>1.00</td> </tr> <tr> <td>2015/16</td> <td>1.35</td> </tr> <tr> <td>2016/17</td> <td>1.23</td> </tr> </tbody> </table>	Year	Rate	2013/14	0.88	2014/15	1.00	2015/16	1.35	2016/17	1.23
Year	Rate																			
2013/14	0.88																			
2014/15	1.00																			
2015/16	1.35																			
2016/17	1.23																			

PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart												
CE HROD 001	Sickness 12 month rolling average		6.36	6.55		8.43	6.55	🟢	⬇️	<p><b>CE HROD 001 Sickness 12 month rolling average</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Sickness Rate</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>~6.8</td> </tr> <tr> <td>2014/15</td> <td>~7.8</td> </tr> <tr> <td>2016/17</td> <td>6.55</td> </tr> <tr> <td>Annual Target 2016/17</td> <td>8.43</td> </tr> </tbody> </table>	Year	Sickness Rate	2013/14	~6.8	2014/15	~7.8	2016/17	6.55	Annual Target 2016/17	8.43		
Year	Sickness Rate																					
2013/14	~6.8																					
2014/15	~7.8																					
2016/17	6.55																					
Annual Target 2016/17	8.43																					
CE HROD 023	% of employees aged 50 or over	33.8%	36.4%	37.2%			36.4%	🔴	⬇️	<p><b>CE HROD 023 % of employees aged 50 or over</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>33.8%</td> </tr> <tr> <td>2014/15</td> <td>36.4%</td> </tr> <tr> <td>2015/16</td> <td>37.2%</td> </tr> <tr> <td>2016/17</td> <td>36.4%</td> </tr> <tr> <td>Target</td> <td>36.4%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	33.8%	2014/15	36.4%	2015/16	37.2%	2016/17	36.4%	Target	36.4%
Year	Percentage																					
2013/14	33.8%																					
2014/15	36.4%																					
2015/16	37.2%																					
2016/17	36.4%																					
Target	36.4%																					
CE HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)		26.63%	25.84%		26.01%	27.10%	🟢	⬇️	<p><b>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>26.63%</td> </tr> <tr> <td>2014/15</td> <td>25.84%</td> </tr> <tr> <td>2016/17</td> <td>27.10%</td> </tr> <tr> <td>Target</td> <td>26.01%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	26.63%	2014/15	25.84%	2016/17	27.10%	Target	26.01%		
Year	Percentage																					
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Target	26.01%																					



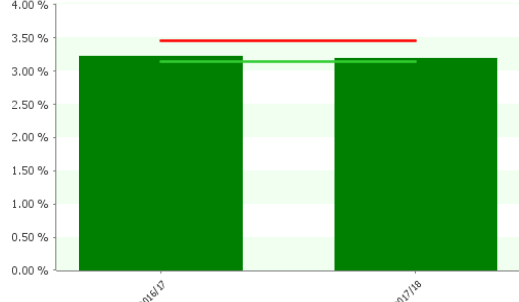


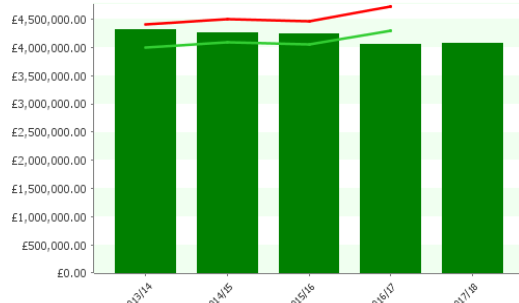


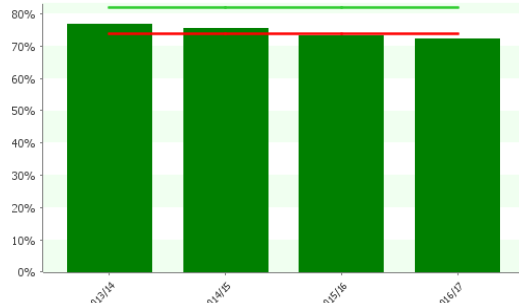
PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
CE HROD 030a	Top 5% of earners: Women (ex BV 11a)		49.78%	50.67%		48.13%	49.58%	🟢	⬆️	<p><b>CE HROD 030a Top 5% of earners: Women (ex BV 11a)</b></p> <table border="1"> <caption>CE HROD 030a Top 5% of earners: Women (ex BV 11a)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>49.78%</td> </tr> <tr> <td>2016/17 Q3</td> <td>50.67%</td> </tr> <tr> <td>2016/17 Q4</td> <td>49.58%</td> </tr> <tr> <td>Annual Target 2016/17</td> <td>48.13%</td> </tr> </tbody> </table>	Year	Percentage	2015/16	49.78%	2016/17 Q3	50.67%	2016/17 Q4	49.58%	Annual Target 2016/17	48.13%
Year	Percentage																			
2015/16	49.78%																			
2016/17 Q3	50.67%																			
2016/17 Q4	49.58%																			
Annual Target 2016/17	48.13%																			
CE PPD 014	Number of residents registered with Ways into Work and receiving Information, Advice & Guidance.	1932.0	436.0	517.0			1551.0	📊	⬆️	<p><b>CE PPD 014 Number of residents registered with Ways into Work and receiving Information, Advice &amp; Guidance.</b></p> <table border="1"> <caption>CE PPD 014 Number of residents registered with Ways into Work and receiving Information, Advice &amp; Guidance.</caption> <thead> <tr> <th>Year</th> <th>Number of Residents</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>1932.0</td> </tr> <tr> <td>2016/17 Q3</td> <td>436.0</td> </tr> <tr> <td>2016/17 Q4</td> <td>517.0</td> </tr> <tr> <td>2016/17</td> <td>1551.0</td> </tr> </tbody> </table>	Year	Number of Residents	2015/16	1932.0	2016/17 Q3	436.0	2016/17 Q4	517.0	2016/17	1551.0
Year	Number of Residents																			
2015/16	1932.0																			
2016/17 Q3	436.0																			
2016/17 Q4	517.0																			
2016/17	1551.0																			
CE PPD 018	Number of Ways into Work clients moving into jobs, apprenticeships, work placements	796.0	166.0	152.0			980.0	📊	⬇️	<p><b>CE PPD 018 Number of Ways into Work clients moving into jobs, apprenticeships, work placements</b></p> <table border="1"> <caption>CE PPD 018 Number of Ways into Work clients moving into jobs, apprenticeships, work placements</caption> <thead> <tr> <th>Year</th> <th>Number of Clients</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>796.0</td> </tr> <tr> <td>2016/17 Q3</td> <td>166.0</td> </tr> <tr> <td>2016/17 Q4</td> <td>152.0</td> </tr> <tr> <td>2016/17</td> <td>980.0</td> </tr> </tbody> </table>	Year	Number of Clients	2015/16	796.0	2016/17 Q3	166.0	2016/17 Q4	152.0	2016/17	980.0
Year	Number of Clients																			
2015/16	796.0																			
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2016/17	980.0																			

PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
CE PPD 021	Number of Resolution Stage complaints received by the Council	2683	812	843			3367			<p><b>CE PPD 021 Number of Resolution Stage complaints received by the Council</b></p> <table border="1"> <caption>CE PPD 021 Data</caption> <thead> <tr> <th>Year</th> <th>Complaints</th> </tr> </thead> <tbody> <tr> <td>2015/14</td> <td>2683</td> </tr> <tr> <td>2016/15</td> <td>812</td> </tr> <tr> <td>2016/16</td> <td>843</td> </tr> <tr> <td>2016/17</td> <td>3367</td> </tr> </tbody> </table>	Year	Complaints	2015/14	2683	2016/15	812	2016/16	843	2016/17	3367
Year	Complaints																			
2015/14	2683																			
2016/15	812																			
2016/16	843																			
2016/17	3367																			
FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	9.1 days (YTD)	11.8 days (YTD)	10.0 days (YTD)		20.0 days (YTD)	10.0 days (YTD)			<p><b>FCR RB BHN 002 Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure</b></p> <table border="1"> <caption>FCR RB BHN 002 Data</caption> <thead> <tr> <th>Year</th> <th>Time (days YTD)</th> </tr> </thead> <tbody> <tr> <td>2015/14</td> <td>9.1</td> </tr> <tr> <td>2016/15</td> <td>11.8</td> </tr> <tr> <td>2016/16</td> <td>10.0</td> </tr> <tr> <td>2016/17</td> <td>10.0</td> </tr> </tbody> </table>	Year	Time (days YTD)	2015/14	9.1	2016/15	11.8	2016/16	10.0	2016/17	10.0
Year	Time (days YTD)																			
2015/14	9.1																			
2016/15	11.8																			
2016/16	10.0																			
2016/17	10.0																			
FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	2,495	2,801	2,900			2,900			<p><b>FCR RB BHN 007 Number of households living in temporary accommodation (ex NI 156)</b></p> <table border="1"> <caption>FCR RB BHN 007 Data</caption> <thead> <tr> <th>Year</th> <th>Households</th> </tr> </thead> <tbody> <tr> <td>2015/14</td> <td>2,495</td> </tr> <tr> <td>2016/15</td> <td>2,801</td> </tr> <tr> <td>2016/16</td> <td>2,900</td> </tr> <tr> <td>2016/17</td> <td>2,900</td> </tr> </tbody> </table>	Year	Households	2015/14	2,495	2016/15	2,801	2016/16	2,900	2016/17	2,900
Year	Households																			
2015/14	2,495																			
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PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
FCR RB REV 003	% of current year Council Tax collected (QRC basis)	94.1%	73.5%	94.5%		93.5%	94.5%			<p><b>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</b></p>  <table border="1"> <caption>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</caption> <thead> <tr> <th>Year</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>94.1%</td> </tr> <tr> <td>2014/15</td> <td>73.5%</td> </tr> <tr> <td>2015/16</td> <td>94.5%</td> </tr> <tr> <td>2016/17</td> <td>94.5%</td> </tr> </tbody> </table>	Year	Value (%)	2013/14	94.1%	2014/15	73.5%	2015/16	94.5%	2016/17	94.5%
Year	Value (%)																			
2013/14	94.1%																			
2014/15	73.5%																			
2015/16	94.5%																			
2016/17	94.5%																			
FCR RB REV 005	Percentage of non-domestic rates collected	96.10%	81.00%	96.40%		96.50%	96.40%			<p><b>FCR RB REV 005 Percentage of non-domestic rates collected</b></p>  <table border="1"> <caption>FCR RB REV 005 Percentage of non-domestic rates collected</caption> <thead> <tr> <th>Year</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>96.10%</td> </tr> <tr> <td>2014/15</td> <td>81.00%</td> </tr> <tr> <td>2015/16</td> <td>96.40%</td> </tr> <tr> <td>2016/17</td> <td>96.40%</td> </tr> </tbody> </table>	Year	Value (%)	2013/14	96.10%	2014/15	81.00%	2015/16	96.40%	2016/17	96.40%
Year	Value (%)																			
2013/14	96.10%																			
2014/15	81.00%																			
2015/16	96.40%																			
2016/17	96.40%																			
HH LII 123C	Gross Turnaround for all Voids: days		63	62			64			<p><b>HH LII 123C Gross Turnaround for all Voids: days</b></p>  <table border="1"> <caption>HH LII 123C Gross Turnaround for all Voids: days</caption> <thead> <tr> <th>Year</th> <th>Value (days)</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>62</td> </tr> <tr> <td>2017/18</td> <td>64</td> </tr> </tbody> </table>	Year	Value (days)	2016/17	62	2017/18	64				
Year	Value (days)																			
2016/17	62																			
2017/18	64																			

PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart												
HH LKPI 06	% of Repair Appointments Kept	81.41%	77.61%	78.81%		90.00%	78.04%	🛑	⬇️	<p>HH LKPI 06 % of Repair Appointments Kept</p> <table border="1"> <thead> <tr> <th>Year</th> <th>% of Repair Appointments Kept</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>~85.00%</td> </tr> <tr> <td>2014/15</td> <td>~80.00%</td> </tr> <tr> <td>2015/16</td> <td>81.41%</td> </tr> <tr> <td>2016/17</td> <td>77.61%</td> </tr> <tr> <td>2017/18</td> <td>78.81%</td> </tr> </tbody> </table>	Year	% of Repair Appointments Kept	2013/14	~85.00%	2014/15	~80.00%	2015/16	81.41%	2016/17	77.61%	2017/18	78.81%
Year	% of Repair Appointments Kept																					
2013/14	~85.00%																					
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2015/16	81.41%																					
2016/17	77.61%																					
2017/18	78.81%																					
HH LKPI 34	Relettable voids as a % of stock		0.55 %	0.66 %	<p>The current number of re-lettable voids is not significantly higher than the total numbers for last year (145 in Q4 2015/16, 121 in Q3 2016/17). What has changed is that long term, more settled tenants have bought their properties in higher numbers. This means that whilst the number of properties available for re-let has remained consistent, the number against which it is compared has dropped. The rate at which properties are being re-let has also been affected by issues around obtaining asbestos surveys, which may have had a smaller role in the increase in re-lettable properties against the stock figures.</p>	0.50 %	0.55 %	🛑	⬇️	<p>HH LKPI 34 Relettable voids as a % of stock</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Relettable voids as a % of stock</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>0.66 %</td> </tr> </tbody> </table>	Year	Relettable voids as a % of stock	2016/17	0.66 %								
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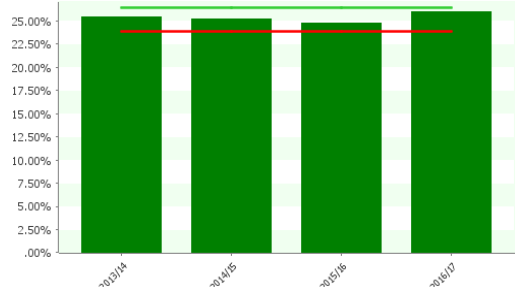
PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart												
HH LKPI 47D	Rent Arrears as a % of rent debit		3.46 %	3.21 %		3.13 %	3.21 %			<p><b>HH LKPI 47D Rent Arrears as a % of rent debit</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>3.21 %</td> </tr> <tr> <td>2017/18</td> <td>3.21 %</td> </tr> </tbody> </table>	Year	Value	2016/17	3.21 %	2017/18	3.21 %						
Year	Value																					
2016/17	3.21 %																					
2017/18	3.21 %																					
HH LKPI 48	Total value of rent arrears YTD (Total)	£4,238,766.20	£4,398,455.77	£4,055,527.23		£4,050,000.00	£4,055,527.23			<p><b>HH LKPI 48 Total value of rent arrears YTD (Total)</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>£4,238,766.20</td> </tr> <tr> <td>2014/15</td> <td>£4,398,455.77</td> </tr> <tr> <td>2015/16</td> <td>£4,055,527.23</td> </tr> <tr> <td>2016/17</td> <td>£4,055,527.23</td> </tr> <tr> <td>2017/18</td> <td>£4,055,527.23</td> </tr> </tbody> </table>	Year	Value	2013/14	£4,238,766.20	2014/15	£4,398,455.77	2015/16	£4,055,527.23	2016/17	£4,055,527.23	2017/18	£4,055,527.23
Year	Value																					
2013/14	£4,238,766.20																					
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2016/17	£4,055,527.23																					
2017/18	£4,055,527.23																					
HH LKPI 89	% of repairs completed on first visit (based on tenant satisfaction)	73.06%	76.14%	70.09%		82%	72.11%			<p><b>HH LKPI 89 % of repairs completed on first visit (based on tenant satisfaction)</b></p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>73.06 %</td> </tr> <tr> <td>2014/15</td> <td>76.14 %</td> </tr> <tr> <td>2015/16</td> <td>70.09 %</td> </tr> <tr> <td>2016/17</td> <td>72.11 %</td> </tr> </tbody> </table>	Year	Value	2013/14	73.06 %	2014/15	76.14 %	2015/16	70.09 %	2016/17	72.11 %		
Year	Value																					
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PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
HH LKPI 90	% of repairs completed on first visit (based on quantitative data - DLO only)	92.18%	93.05%	92.26%		90%	92.3%	🟢	⬇️	<p><b>HH LKPI 90 % of repairs completed on first visit (based on quantitative data - DLO only)</b></p> <table border="1"> <caption>HH LKPI 90 % of repairs completed on first visit</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2014/15</td> <td>92.18%</td> </tr> <tr> <td>2015/16</td> <td>93.05%</td> </tr> <tr> <td>2016/17</td> <td>92.26%</td> </tr> </tbody> </table>	Year	Percentage	2014/15	92.18%	2015/16	93.05%	2016/17	92.26%		
Year	Percentage																			
2014/15	92.18%																			
2015/16	93.05%																			
2016/17	92.26%																			
NH PR PMS 007a	Number of PCNs issued - total	112067	32568	31049	<p>Source: Parking Data Warehouse</p> <p>Breakdown: 31049</p> <ul style="list-style-type: none"> <li>- Street/Car Park: 22021</li> <li>- Estate: 3339</li> <li>- CCTV: 5689</li> </ul>		122277	📊	⬆️	<p><b>NH PR PMS 007a Number of PCNs issued - total</b></p> <table border="1"> <caption>NH PR PMS 007a Number of PCNs issued - total</caption> <thead> <tr> <th>Year</th> <th>Number of PCNs</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>112067</td> </tr> <tr> <td>2014/15</td> <td>32568</td> </tr> <tr> <td>2015/16</td> <td>31049</td> </tr> <tr> <td>2016/17</td> <td>122277</td> </tr> </tbody> </table>	Year	Number of PCNs	2013/14	112067	2014/15	32568	2015/16	31049	2016/17	122277
Year	Number of PCNs																			
2013/14	112067																			
2014/15	32568																			
2015/16	31049																			
2016/17	122277																			
NH PR PMS 010a	PCN recovery rate - including estates	73.0%	74.5%	72.8%	<p>Source Parking Data Warehouse @ 04/04/2017 14:30</p> <p>Q4 2015: 72.84%</p> <p>Number of PCN issued - 26430</p> <p>Number of PCN paid - 19251</p>		75.1%	📊	⬆️	<p><b>NH PR PMS 010a PCN recovery rate - including estates</b></p> <table border="1"> <caption>NH PR PMS 010a PCN recovery rate - including estates</caption> <thead> <tr> <th>Year</th> <th>Recovery Rate</th> </tr> </thead> <tbody> <tr> <td>2015/16</td> <td>72.84%</td> </tr> <tr> <td>2016/17</td> <td>75.1%</td> </tr> </tbody> </table>	Year	Recovery Rate	2015/16	72.84%	2016/17	75.1%				
Year	Recovery Rate																			
2015/16	72.84%																			
2016/17	75.1%																			




PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	71.00%	80.00%	100.00%		70.00%	84.00%	✓	↑	<p>NH PR PRS 001a % of Major planning applications determined within 13 weeks (ex NI 157a)</p> <table border="1"> <caption>Data for NH PR PRS 001a Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>62.00%</td> </tr> <tr> <td>2014/15</td> <td>78.00%</td> </tr> <tr> <td>2015/16</td> <td>70.00%</td> </tr> <tr> <td>2016/17</td> <td>84.00%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	62.00%	2014/15	78.00%	2015/16	70.00%	2016/17	84.00%
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2013/14	62.00%																			
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NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	79.00%	83.00%	74.00%		75.00%	80.00%	✓	↓	<p>NH PR PRS 001b % of Minor planning applications determined within 8 weeks (ex NI 157b)</p> <table border="1"> <caption>Data for NH PR PRS 001b Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>75.00%</td> </tr> <tr> <td>2014/15</td> <td>73.00%</td> </tr> <tr> <td>2015/16</td> <td>78.00%</td> </tr> <tr> <td>2016/17</td> <td>80.00%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	75.00%	2014/15	73.00%	2015/16	78.00%	2016/17	80.00%
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2014/15	73.00%																			
2015/16	78.00%																			
2016/17	80.00%																			
NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	87.00%	91.00%	85.00%		80.00%	88.00%	✓	↓	<p>NH PR PRS 001c % of Other planning applications determined within 8 weeks (ex NI 157c)</p> <table border="1"> <caption>Data for NH PR PRS 001c Chart</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>82.00%</td> </tr> <tr> <td>2014/15</td> <td>79.00%</td> </tr> <tr> <td>2015/16</td> <td>80.00%</td> </tr> <tr> <td>2016/17</td> <td>88.00%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	82.00%	2014/15	79.00%	2015/16	80.00%	2016/17	88.00%
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PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart
NH PR PRS 009	% of open planning enforcement cases less than 4 years old		70.0%	70.0%		80.0%	70.0%			<p>NH PR PRS 009 % of open planning enforcement cases less than 4 years old</p>
NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	2.97%	3.91%	1.88%	Tranche 3 results	5.00%	2.50%			<p>NH PR WS 045a Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)</p>
NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	4.95%	2.50%	2.03%	Tranche 3 results	8.00%	2.45%			<p>NH PR WS 045b Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)</p>

PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	2.86%	2.81%	3.91%	Tranche 3 results	5.00%	2.76%	🟢	⬇️	<p><b>NH PR WS 045c Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>2.20</td> </tr> <tr> <td>2014/15</td> <td>1.80</td> </tr> <tr> <td>2015/16</td> <td>2.90</td> </tr> <tr> <td>2016/17</td> <td>2.80</td> </tr> </tbody> </table>	Year	Value (%)	2013/14	2.20	2014/15	1.80	2015/16	2.90	2016/17	2.80
Year	Value (%)																			
2013/14	2.20																			
2014/15	1.80																			
2015/16	2.90																			
2016/17	2.80																			
NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	0.42%	0.63%	0.63%	Tranche 3 results	3.00%	0.57%	🟢	📱	<p><b>NH PR WS 045d Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>2.90</td> </tr> <tr> <td>2014/15</td> <td>0.40</td> </tr> <tr> <td>2015/16</td> <td>0.40</td> </tr> <tr> <td>2016/17</td> <td>0.60</td> </tr> </tbody> </table>	Year	Value (%)	2013/14	2.90	2014/15	0.40	2015/16	0.40	2016/17	0.60
Year	Value (%)																			
2013/14	2.90																			
2014/15	0.40																			
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NH PR WS 047	Residual household waste per household (ex NI 191)	590.7Kg	140.9Kg	134.4Kg	Provisional figures, subject to change	598.0Kg	572.2Kg	🟢	⬇️	<p><b>NH PR WS 047 Residual household waste per household (ex NI 191)</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Value (kg)</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>590.7</td> </tr> <tr> <td>2014/15</td> <td>140.9</td> </tr> <tr> <td>2015/16</td> <td>134.4</td> </tr> <tr> <td>2016/17</td> <td>572.2</td> </tr> </tbody> </table>	Year	Value (kg)	2013/14	590.7	2014/15	140.9	2015/16	134.4	2016/17	572.2
Year	Value (kg)																			
2013/14	590.7																			
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PI Code	Short Name	2015/16	Q3 2016/17	Q4 2016/17	Note	Annual Target 2016/17	2016/17	RAG	DOT	Chart										
NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	24.80%	26.03%	26.44%	Provisional figures, subject to change	26.50%	26.00%			<p>NH PR WS 048 Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</p>  <table border="1"> <caption>Chart Data: Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>24.80%</td> </tr> <tr> <td>2014/15</td> <td>26.03%</td> </tr> <tr> <td>2015/16</td> <td>26.44%</td> </tr> <tr> <td>2016/17</td> <td>26.00%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	24.80%	2014/15	26.03%	2015/16	26.44%	2016/17	26.00%
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2016/17	26.00%																			

PI Status	
	Alert
	Warning
	OK
	Unknown
	Data Only

DOT	
	Improving
	No Change
	Getting Worse

## Capital Outturn Extract from March OFP Report

### 4.8 Capital

The capital expenditure outturn for 2016/17 is £267,999k, £53,620k above the final approved budget of £214,379k. This represents an outturn of 25% above the agreed budgeted programme. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances. A full report on the final outturn with variance analysis will be included in the July Capital Update report along with details of the requested transfer of resources and associated approvals into the 2017/18 capital programme.

#### Summary of the Capital Final Outturn

Directorate	Revised Budget Position 31 March 2017	Final Outturn	Variance (Under/Over)
	£'000	£'000	£'000
Chief Executive	256	575	320
Children, Adults & Community Health	46,486	40,907	(5,580)
Finance and Corporate Resources	34,812	94,682	59,870
Neighbourhoods	28,566	20,940	(7,626)
<b>Total Non-Housing</b>	<b>110,120</b>	<b>157,104</b>	<b>46,983</b>
Housing AMP Capital Schemes HRA	47,366	59,576	12,210
Council Capital Schemes GF	1,787	1,652	(135)
Private Sector Housing schemes	1,159	1,254	95
Estate Renewal Programme	49,634	43,149	(6,485)
Other Regeneration Schemes	4,312	5,265	953
<b>Total Housing</b>	<b>104,258</b>	<b>110,895</b>	<b>6,637</b>
<b>Total Capital Expenditure</b>	<b>214,379</b>	<b>267,999</b>	<b>53,620</b>

#### Chief Executive Services

The final outturn for the Chief Executives Services is £575k, £320k above the revised budget of £256k.

The most significant variance relates to Hackney Wick Regeneration project which is showing a £400k overspend against the 2016/17 final allocated budget. However, the budget for this scheme was re-profiled at the last re-profiling exercise into 2017/18 and so this represents early realisation of future planned expenditure. A request for the slippage of associated funding and approvals will be included in the July Capital Update report in order that the budget profiles are brought into line with anticipated delivery of the scheme.

### Children, Adults and Community Health

The final outturn for the Children, Adults and Community Health is £40,907k, £5,580k below the revised budget of £46,486k.

The major variance within Adult Social Care relates to Oswald Street Day Care which is underspent by £672k. This was caused by delays in the minor construction work.

The major variance within Children Services relate to the Nile Street and Tiger Way projects which were underspent by £1,431k. The contract started in November 2016 and the resource is to be slipped to 2017/18 in line with the anticipated delivery of the scheme. In addition to this, the temporary secondary school Audrey Street Site is underspent by £1,532k.

Each of these schemes is ongoing into 2017/18 and future financial years. Therefore a request for the slippage of associated funding and approvals will be included in the July Capital Update report in order to bring the profile of budgets into line with the anticipated delivery of the schemes.

### Finance and Corporate Resources

The final outturn for Finance and Corporate Resources is £94,682k, £59,870k above the revised budget of £34,812k.

The overall variance within Finance and Corporate Resources relates in the main to the Acquisition of the Morning Lane Site which was approved by Cabinet in January 2017 and completed on 31 March 2017, but not formally brought into the Capital Budget.

### Neighbourhoods:

The final outturn for Neighbourhoods is £20,940k, £7,626k below the revised budget of £28,566k.

The major variance within Neighbourhoods is Hackney Marshes which is showing an underspend of £4,529k. The expenditure for this project is now planned to occur in 2017/18 and this underspend is fully committed against contract value. A request for the slippage of associated funding and approvals will be included in the July Capital Update report in order that the scheme concerned can progress.

### Housing - AMP Capital Schemes Housing Revenue Account:

The final outturn for AMP Capital Schemes Housing Revenue Account is £59,576k, £12,210k above the revised budget of £47,366k. This is due to early delivery of planned works and a request for the slippage of associated funding and approvals will be included in the July Capital Update report in order to ensure that the total allocation across 2016/17 and 2017/18 is not overspent.



#### Housing - Council Capital General Fund:

The final outturn for the Council Capital General Fund is £1,787k, £135k below the revised budget of £1,787k. The major variance is in the Commercial Property Reactive Emergency budget showing a £478k underspend. This is due to a reduction in the number of requests for emergency reactive capital works to properties in the Commercial and Voluntary and Community Sector portfolios. This scheme is ongoing and a request of the slippage of associated funding and approvals will be included in the July Capital Update report.

#### Housing – Private Sector Housing:

The final outturn for Private Sector Housing is £1,254k, £95k above the revised budget of £1,159k, broadly in line with the approved budget.

#### Housing - Estate Renewal:

The final outturn for Estate Renewal is £43,149k, £6,485k below the revised budget of £49,634k. The overall Estate Regeneration schemes are ongoing and a request for the slippage of associated funding and approvals will be included in the July Capital Update report in order that the schemes can progress.

#### Housing – Other Regeneration

The final outturn for Other Regeneration is £5,486k, £953k above the revised budget of £4,312k. This is due to works being delivered ahead of schedule for the development of Woodberry Down. The budget for these schemes are already in 2017/18 and will be reduced accordingly when requests for slippage are included in the July Capital Update report.

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## AUDIT COMMITTEE WORK PROGRAMME 2017/18

	<b>20 April 2017</b>	<b>Decision</b>	<b>Group Director &amp; Lead Officer</b>
1	EXTERNAL AUDIT OPINION PLAN 2016/17	For information and comment	Ian Williams (Michael Honeysett)
2	DIRECTORATE RISK REGISTER REVIEW – CHILDRENS, ADULTS & COMMUNITY HEALTH	For information and comment	Anne Canning (Jackie Moyland)
3	VERBAL UPDATE ON ICT	For information and comment	Ian Williams (Rob Miller)
4	DIRECTORATE RISK REGISTER REVIEW – FINANCE & CORPORATE RESOURCES	For information and comment	Ian Williams (Matt Powell)
5	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
6	INTERNAL AUDIT ANNUAL PLAN 2017/18	To approve	Ian Williams (Tracy Barnett)
7	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Tracy Barnett)
8	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
9	REVIEW OF WHISTLEBLOWING	For information and comment	Ian Williams (Michael Sheffield)
10	ANNUAL REPORT ON AUDIT COMMITTEE 2016/17	For information	Cllr Nick Sharman (Chair) (Tracy Barnett)
11	AUDIT COMMITTEE WORK PROGRAMME 2017/18	For information & comment	All

	<b>June 2017</b>	<b>Decision</b>	<b>Group Director &amp; Lead Officer</b>
1	DIRECTORATE RISK REGISTER REVIEW – CHIEF EXECUTIVE'S	For information and comment	Tim Shields (TBC)
2	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
3	CORPORATE RISK REGISTER REVIEW	For information and comment	Tim Shields (Matthew Powell)
4	INTERNAL AUDIT ANNUAL REPORT 2016/17	For information and comment	Ian Williams (Michael Sheffield)
5	ANNUAL FRAUD AND IRREGULARITY REPORT 2016/17	For information and comment	Ian Williams (Michael Sheffield)
6	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
7	AUDIT COMMITTEE WORK PROGRAMME 2017/18	For information & comment	All

	<b>July 2017 – SPECIAL MEETING</b>	<b>Decision</b>	<b>Group Director &amp; Lead Officer</b>
1	FINANCIAL STATEMENTS AUDIT 2016/17 - ANNUAL GOVERNANCE REPORT (COUNCIL & PENSION FUND)	For information and comment	Ian Williams (Michael Honeysett)
2	STATEMENT OF ACCOUNTS 2016/17	To approve	Ian Williams (Michael Honeysett)

	<b>September 2017</b>	<b>Decision</b>	<b>Group Director &amp; Lead Officer</b>
1	CLOSURE OF ACCOUNTS - UPDATE FROM EXTERNAL AUDITORS	For information and comment	Ian Williams (Michael Honeysett)
2	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
3	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
4	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield/?)
5	AUDIT COMMITTEE WORK PROGRAMME 2017/18	To approve	All

	<b>January 2018</b>	<b>Decision</b>	<b>Group Director &amp; Lead Officer</b>
1	CERTIFICATION OF GRANTS & RETURNS 2016/17	For information and comment	Ian Williams (Michael Honeysett)
2	DIRECTORATE RISK REGISTER REVIEW – NEIGHBOURHOODS & HOUSING	For information and comment	Kim Wright (TBC)
3	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
4	CORPORATE RISK REGISTER	For information and comment	Tim Shields (Matt Powell)
5	REVIEW OF TREASURY MANAGEMENT STRATEGY 2018/19	To approve	Ian Williams (Michael Honeysett)
6	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield/?)
7	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
8	AUDIT COMMITTEE WORK PROGRAMME 2017/18	To approve	All

	<b>April 2018</b>	<b>Decision</b>	<b>Group Director and Lead Officer</b>
1	EXTERNAL AUDIT OPINION PLAN 2017/18	For information and approval	Ian Williams (Michael Honeysett)
2	DIRECTORATE RISK REGISTER REVIEW – CHILDRENS, ADULTS & COMMUNITY HEALTH	For information and comment	Anne Canning (Jackie Moyland)
3	DIRECTORATE RISK REGISTER REVIEW – FINANCE & CORPORATE RESOURCES	For information and comment	Ian Williams (Matt Powell)
4	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
5	INTERNAL AUDIT ANNUAL PLAN 2018/19	To approve	Ian Williams (TBA)
6	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
7	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield/?)
8	REVIEW OF WHISTLEBLOWING	For information and comment	Ian Williams (Michael Sheffield)
9	AUDIT COMMITTEE WORK PROGRAMME 2018/19	To approve	All

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