



AUDIT COMMITTEE

Monday, 15th October, 2018

at 6.30 pm

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

Committee Membership

Cllr Nick Sharman (Chair)
Cllr Brian Bell (Vice-Chair)
Cllr Michelle Gregory
Cllr Ajay Chauhan
Cllr Patrick Spence
Cllr Yvonne Maxwell
Cllr Harvey Odze

Tim Shields
Chief Executive

Contact:
Peter Gray
Governance Services
Tel: 020 8356 3326
Email: Peter.Gray@hackney.gov.uk

The press and public are welcome to attend this meeting

AGENDA

Monday, 15th October, 2018

ORDER OF BUSINESS

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Access and Information

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Buses 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

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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:

- 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;
- 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
- 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:

- 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).
- 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.
- 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 Suki Binjal, Interim Director of Legal on 020 8356 6234 or email suki.binjal@hackney.gov.uk



FS 566728



AUDIT COMMITTEE

THURSDAY, 21ST JUNE, 2018

Present:

Cllr Nick Sharman in the Chair
Cllr Michelle Gregory, Cllr Patrick Spence and
Cllr Yvonne Maxwell

Officers: Ian Williams, Michael Honeysett,
Ajman Ali, Polly Cziok, Michael Sheffield,
Pradeep Waddon, Matt Powell, Bruce Devile,
Dawn Carter-McDonnell, Peter Gray

1 Approval of the Chair and Vice-Chair as nominated at the Annual General Meeting

1.1 Councillor Nick Sharman was approved as chair. Councillor Brian Bell was approved as Vice-Chair

2. Apologies for Absence

2.1 Apologies for absence were submitted on behalf of Councillor Brian Bell and Councillor Ajay Chauhan

3 Declarations of Interest

3.1 Councillor Michelle Gregory declared that she was a member of the Board of a TMO.

4 Minutes of the previous meeting

4.1 The minutes of the previous meeting were agreed as a correct record.

Matters Arising

Payroll Data

Michael Honeysett reported to the Committee that although the process was Generally working, there were particular concerns with reporting and the interface with pensions. He reported that his team continued to address issues arising with payroll and HR and that they were working together to resolve issues. The chair expressed concern that this remained a red risk and required to be monitored. It was agreed that a verbal update be made to the next meeting in July on Payroll data.

Action: Michael Honeysett

Integrated Commissioning

The Committee noted that the outcome of the review would be reported to a future meeting of the Committee.

Action: Anne Canning

School Places

The Committee noted that an update on pressure on school places would be made to the October meeting.

Action: Anne Canning

The Chair asked for an update Committee on new way of working, commissioning and the management of school places. Ian Williams agreed to co-ordinate the report to be discussed at a single issue meeting with invitations extended to cabinet members.

Action: Anne Canning and Ian Williams

5 Report of the Director of Housing - Verbal

5.1 Ajman Ali, Director of Housing updated the Committee on his priorities for housing, highlighting the following areas:

- The Capital Investment Plan
- Asset Management Strategy
- Housing Business Plan
- Procurement of Services/ a number of contracts were coming to an end
- Modernisation of Housing Services, including work on safety
- Consideration of the structure of the Neighbourhood Service
- Ensuring that appropriate governance arrangements are in place
- Reconfiguring the property asset management service
- Improvements to the Repairs Service
- Ensuring Stability with as many permanent staff in place as possible
- Ensuring robust plans are in place for the delivery of Universal Credit
- Cultural Change
- Ensuring visible management in the service
- Improving Performance
- Improving the turnaround of voids
- Investment in Lifts
- Ensuring Value for Money
- Savings

5.2 The Chair emphasised the need for clear objectives and to manage a sense of direction for the new Housing Department. Councillor Michelle Gregory expressed concerns around staff turnover and high levels of agency staff in the Department and asked for an update in six months on levels of temporary contracts and permanently employed staff, together with the costs involved.

Action: Director Housing

5.3 Councillor Gregory highlighted the need for action on repairs reporting. She suggested the use of automatic responses from officers to tenants on repairs issues, including when there were issues on blocks that affected all residents.

5.4 Councillor Yvonne Maxwell asked if there was a dialogue with residents on what was considered to be good performance. She highlighted the 73 days turnaround of voids and the need to measure the human and financial costs involved. She referred to excessive time spent by staff on monitoring badly performing contracts and that these contracts should be returned in-house.

5.5 Councillor Patrick Spence asked what factors could be addressed to reduce the 73 days turnaround of voids. He referred to the level of arrears of 4 million and asked how this compared to levels in other local authorities and how proactive the Council was in dealing with tenants who fall into arrears. He stressed the importance of early intervention to avoid tenants being in the advanced stages of litigation.

5.6 The Chair asked if milestones had been established to enable the Committee to oversee the priority areas. He stressed the importance of completing repairs at first visit, thereby controlling higher costs. Further, he stressed the need to oversee external contract performance with consideration being given to bringing contracts in house.

Action: Director of Housing

5.7 Ajman Ali told the Committee that work was ongoing with the Residents Liaison Group to ensure they were kept abreast of changes and engaged the process and that the Council's Communications Department were carrying out a survey of tenants and residents. He confirmed that he would report back on staff turnover and temporary staff figures in six months.

Action: Director of Housing

5.8 Ajman Ali told the Committee that efforts were made to communicate with residents as soon as possible regarding fire safety repairs / issues and that communications on this were hand delivered. He stressed the importance of developing a culture of effective communications in the Department. In relation to temporary accommodation costs he confirmed that he would access figures on this.

Action: Director of Housing

5.9 Ajman Ali confirmed that work could be undertaken to bring contracts back in house where there was a business case to do so, however, the implications of terminating contracts prematurely would need to be carefully considered. In relation to the turnover of voids he stressed that there were many factors leading to the 73 days turnaround, such as the necessity to give 28 days' notice, the condition of the property, repairs and asbestos removal etc. Repairs work was acted on as quickly as possible and customer satisfaction was a priority. Ajman Ali agreed to prepare a set of milestones to allow effective monitoring of the delivery of these priorities by the Audit Committee.

Action: Director of Housing

6 ICT Update

6.1 Rob Miller introduced the report. Delivery of ICT work would take place in line with strategic principles and a service oriented approach. Work was ongoing on the repairs service, making it easier to use, with benefits for residents and staff. Rob Miller went on to report on the overview of service engagement to support digital change across the council and that work was ongoing with the Communications Department on this. Further, a restructure of the Department had been completed, with a successful recruitment campaign, securing the best staff, including a head of delivery.

6.2 Councillor Michelle Gregory emphasised the need for IT training for residents and asked about the use of mobile phones. Councillor Patrick Spence referred to the fact that many residents did not have a computer and whether the Council was undertaking outreach work in this regard. Rob Miller acknowledged the need for outreach work to residents and confirmed that when improvements were being designed work was carried out on collectively digital access across the Borough. Community groups and business could be used in this regard with specific focus on estates. In response to Councillor Gregory's question on mobile phones, Rob Miller confirmed that these were designed for accessibility.

6.3 The Chair referred to risks around adequate resourcing, achievement and the dangers of systems updates together with resilience. He referred to good relationships in some areas while not in others and that there was a need for interaction with the Council's Boards. In relation to performance and targets, he asked if milestones were in place to enable performance measurement and emphasised the need for core indicators

6.4 Rob Miller confirmed that much progress had been made in demonstrating value for money. Improvements were being made in relation to systems updates and that resilience was good in particular in respect of google. He referred to good relations with departments across the council with growing expectations. Work was on-going on the measurement of performance and targets in how ICT supported other departments.

RESOLVED:

1. To note the progress that had been made with realigning the Council's strategic approach to ICT and digital service delivery.
2. To note the formal closure of the previous 2015-2020 Hackney Digital Strategy and the direction of travel based on the service oriented and thematic approach as set out in the report.

Directorate Risk Register Review - Chief Executive

7.1 Polly Cziok introduced the report advising the Committee of the key risks facing the Chief Executives Directorate in 2018/19 and the actions being taken to reduce the likelihood and impact of those risks. An end of year review of the risk environment and management actions that the Directorate had lead responsibility for had been undertaken.

7.2 Councillor Michelle Gregory asked for more detail on risk on Local Economic Development. Councillor Yvonne Maxwell highlighted the risk of Brexit and the

consequent loss of European funding and the need to look for alternative sources of funding. The Chair referred to the new risk around environmental sustainability and the need to look at how the risk could be mitigated including developing actions and how these actions are monitored. He queried whether convergence in Growth Borough was still relevant and if so that this should be reviewed, requesting that Stephen Haynes attend a future meeting.

Action: Ian Williams

7.3 Councillor Patrick Spence asked Strategic Organisation Development and Polly Cziok told the Committee that the 'Change for Everyone' Programme covered areas such as staff engagement, recruitment and retention, internal communications and equalities. The current review wished to unlock processes at the top of the organisation, giving senior middle managers an increased role. Ian Williams told the Committee that the programme encouraged management and staff to work more efficiently, while reducing bureaucracy. Polly Cziok confirmed that the Mori survey would be carried out in the autumn. She reported positive feedback from the staff satisfaction survey. There continued to be issues with diversity at the upper levels of the organisation.

7.4 Ian Williams identified some risks in relation to Brexit, such as difficulties around recruitment and retention of staff. A report on Brexit had previously been submitted to the Committee and he confirmed that a further report would be made on this matter.

Action: Ian Williams

7.6 It was noted that a meeting had been held with Councillor Jon Burke on the Sustainability Board and that a paper would be submitted to the Committee on this, with an invitation to Councillor Burke to attend.

Action: Ian Williams

RESOLVED:

To note the contents of the report and the Chief Executive's Directorate Risk Register at Appendix 1 to the report.

8 Treasury Management Update

8.1 Pradeep Wadden introduced the report with the latest update on treasury management activity covering the first 2 months of the 2018/19 financial year. He reported that there were no major changes since the submission of the previous report. He told the Committee that cash balances were down but that this was not a concern and simply reflected the cashflow position at a point in time. This would naturally fluctuate as cash outflows from the capital programme, etc and related inflows from regeneration programmes worked their way through balances over time. The chair stressed the need for a context on this. Further, he stated that there was increased risk with the more borrowing and interaction with the markets. Ian Williams agreed to arrange training on treasury management.

Action: Ian Williams

RESOVLED:

To note the report.

9 Audit Committee - Key Activities 2018/19

9.1 Ian Williams introduced the report updating the Committee on key activities planned for the next year in particular around commercialisation, financial and corporate risk.

9.2 The Chair asked for member's views on what they considered to be priority areas for the Committee to keep under review, adding that he considered SEND to be on such area. There was to be an increased number of meetings with reduced membership to discuss single issues. Councillor Yvonne Maxwell reiterated the need for review around SEND and the Budget overspend. Ian Williams reported that the matter was being discussed with the City and Hackney Clinical Commissioning Group and agreed to send up to date information on SEND funding to members

Action: Ian Williams

9.3 Councillor Michelle Gregory welcomed the use of reserves to be a point of discussion for members.

9.4 Councillor Patrick Spence welcomed the use of smaller groups of councillors to drill down into issues.

9.5 Ian Williams told the Committee the work programme on SEND would be submitted to the Audit Committee in July 2018.

Action: Ian Williams

RESOLVED:

To note the report

10 Corporate Risk Register Review

10.1 Ian Williams and the Chair thanked Matt Powell for all his work on risk. The report updated the Committee on the current Corporate Risk Register of the Council as at June 2018. The report also identified how risks within the Council were identified and managed throughout the financial year and the Council's approach to embedding risk management. Matt Powell told the Committee that five risks had reduced as a result of senior management action and controls put in place.

10.2 Ian Williams told the Committee that an update on risks around Universal Credit would be made to a future meeting.

Action: Ian Williams

10.3 The Chair asked about how the assessment of risk was being recorded in relation to the work of the Council's Boards. Ian Williams agreed to circulate the Risk Register of the Housing Development Board. He stressed the need to build risk into cross departmental working groups.

Action: Ian Williams

RESOLVED:

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

11 Performance Overview

11.1 Bruce Deville introduced the report providing an updated set of key performance indicators along with an update on risk management with a scorecard and accompanying commentary on the Council's risk approach. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances to budget. Further enhancements to this section of the report as discussed at previous Audit Committees had been made, specifically in relation to the financing of the programme.

11.2 Bruce Deville reported that 92.9 % of repairs were now completed on first the first visit, with the repairs service now being able to react in real time. The Chair asked if there was separate data for contractors and Bruce Deville agreed to incorporate this information, separately highlighting works carried out by the DLO and contractors.

Action: Bruce Devile

11.3 The Chair went on to query the turnaround of voids of 73 days and it was noted that long term voids had distorted the overall figures. Ian Williams agreed to circulate a briefing to members outlining factors leading to the 73 day turnaround of voids.

Action: Ian Williams.

11.4 Councillor Michelle Gregory asked if underperforming contractors were financially penalised. Ian Williams told the Committee that there were controls in place, including withholding payment. Rotini Ajilore would be requested to produce a briefing to members of the committee on the workings of contracts.

Action: Ian Williams

11.5 Councillor Patrick Spence referred to increases in rent arrears and sickness levels and Bruce Devile told the Committee that rent arrears fluctuate around Christmas time and he would update the next meeting of the Committee on sickness levels. Ian Williams told the Committee that rent arrears had reduced in the last quarter. Councillor Patrick asked about the introduction of Universal Credit. Ian Williams confirmed to the Committee that the introduction of Universal Credit had been delayed a number of times. He told the Committee that the Council made efforts to ensure that it was easier for people in the Borough to pay Council Tax.

Action: Bruce Devile

11.6 Councillor Yvonne Maxwell highlighted the fact that the percentage of Council Tax collected had increased to 94 %. She went on say that there were individuals in the borough who would find it difficult to pay Council Tax. Ian Williams reported that this assumption is taken into account in setting the Council Tax Budget and that the Council works to mitigate this.

RESOLVED:

1. To note the performance indicators presented in appendix 1 and the Risk Management Scorecard in appendix 2 to the report.
2. To note the current capital monitoring update in appendix 3.

12 Internal Audit Annual Report 2017/18

12.1 Julie Sharp introduced the report providing details of Internal Audit during 2017/18 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. She reported that the overall insurance levels remained the same and that the control framework was sound. 89% of high priority recommendations had been implemented with 84% of medium priority recommendations implemented. The key financial systems were audited more frequently and there was a good level of assurance.

12.2 The Chair thanked officers for a reassuring report. He referred to a failure on the part of TMOs to achieve good audit reports. Julie Sharp reported that the Council audited TMOs with issues and was raising awareness of the processes involved around good governance. A governance action plan was now in place. The Chair emphasised the need for overview and monitoring in this area and asked what future action was to be taken. Julie Sharp confirmed that there were regular visits to TMOs. In the event of a large number of recommendations being made during a visit, further visits would be carried out to assess progress. The Chair stressed the importance of access to training for residents. In relation to this, Michael Sheffield told the Committee that the TMO team had produced a guide on governance to be issued to TMOs. Further, the TMOs service team had put together an action plan with training on GPDR and was considering other areas of training.

RESOLVED:

1. To note the report of Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control.
2. To approve the revised Internal Audit Charter and Strategy.

13 Fraud and Irregularity Annual Report 2017/18

13.1 Michael Sheffield introduced the Annual Fraud and Irregularity report 2017/18. The attached documents provided a status report and analysis of reported fraud and irregularly. Estimated savings arising from enquiries amounted to £4,912,085. The volume of fraud work remained the same. In relation to internal fraud there had been a high number of investigations. Legacy issues continued in areas previously managed by Hackney Homes, including around TMOs and there was extensive restructuring in housing. Whistleblowing was most prevalent in the area of housing. During the course of the year eight staff had been dismissed or had left the Council.

In relation to Tenancy Fraud Investigations:

- 66 tenancies had been recovered
- 14 Right to Buys had been cancelled or withdrawn
- 40 housing applications had been cancelled
- 44 vehicles were removed following misuse.

In relation to OFIT investigations for 2017/18, 95 claims had been cancelled.

The Committee noted that the number of housing applications represented a reduction against previous years and resulted in part from an increased awareness of the local authority response among perpetrators, which is increasing the time taken to end the tenancy.

13.2 In response to a question from the Chair regarding the levels of staffing, Michael Sheffield confirmed that a full team was in place.

13.3 Councillor Patrick Spence referred to the reduction in the number of tenancies recovered. He asked how Hackney Council compared to other local authorities in this regard and whether there was scope for a more aggressive approach. Michael Sheffield confirmed that AAF worked with a number of Registered Providers and that some of the larger ones had their own anti-fraud teams in place to tackle tenancy fraud in their housing stock. He confirmed that his staff were committed to identifying fraud in the Borough. He acknowledged that there was an opportunity to further improve processes with key partners in Housing following recent structure changes. The Legal Department had increased resources and this had a positive impact. Michael Sheffield agreed to research comparative data on tenancy recovery and provide an update.

Action: Michael Sheffield

13.4 Dawn Carter-McDonald confirmed to the Committee that an action plan was in place on the recovery of tenancies. The Chair stressed the need to have the most effective processes in place to identify fraud and asked for a reassurance that the matter was investigated.

13.5 Councillor Yvonne Maxwell raised the issue of tenants renting out rooms for short lets via AirBnB or similar. Michael Sheffield clarified that tenancy fraud investigations must usually establish that the tenant is not using the tenancy address as their main or principle home, and this threshold is more difficult to demonstrate with short term lets. The Council's tenancy conditions set out that the property must not be used as a business and that the Council must be informed of the sub-letting, action will be taken by Housing where appropriate.

RESOLVED:

To note the report.

14 Work Programme

RESOLVED:

To note the work programme with amendments:

- The removal of the Code of Corporate Governance from the October meeting agenda and;
- The transfer of Directorate Risk Register Review – Finance and Corporate Resources from the agenda for April 2009 to the agenda for October 2018.

15 Any other business that in the opinion of the Chair is urgent

Thursday, 21st June, 2018

15.1 There was no urgent business

Duration of the meeting: 6:30 – 9.15pm

Chair at the meeting on
Thursday, 21 June 2018

AUDIT COMMITTEE

WEDNESDAY, 25TH JULY, 2018

Present: **Councillors:**

Cllr Nick Sharman (Chair)
Cllr Brian Bell (Vice-Chair),
Cllr Michelle Gregory, Cllr Ajay Chauhan and
Cllr Yvonne Maxwell

Officers: Ian Williams, Michael Honeysett, Sean
Eratt, Peter Gray

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillors Odze and Spence.

2 Declarations of Interests

2.1 There were no declarations of interests.

3 Financial Statement Audit 2017/18 - Annual Governance Report (Council & Pension Fund)

3.1 Ian Williams thanked the team for their work in producing the report. Andrew Sayers (KPMG) introduced the Annual Governance report setting out the position on the audit of the Council's and the Pension Fund's financial statements and the conclusion on the arrangements for securing economy, efficiency and effectiveness of the Council's use of resources. The auditor expected to issue an unqualified audit opinion on the Council's accounts and the Pension Fund accounts and a value for money conclusion by 31 July 2018. It was noted that, to date, the Council had received no objections to the 2017/18 accounts although work in relation to the 2016/17 objection was still ongoing.

3.2 Andrew Sayers (KPMG) presented the report to the Committee. He reported adjusted audit differences to property, plant and equipment assets and return on assets (Pension Fund). £2.2m remained unadjusted. He referred to the fact that the accounts were of a good quality. Andrew Sayers referred the Committee to two risks: Fraud risk from revenue fraud and Fraud risk from Management override of control. It was noted that there were no matters arising from this work that needed to be brought to the attention of the Committee.

3.3 Andrew Sayers reported that in regard to value for money the focus was on medium term financial planning and contract monitoring and managed services. Both of these areas were considered to be satisfactory.

3.4 The Chair thanked the team for the very good collaborative work in the preparation of the External Audit Report 2017/18. He went on to ask about the impact

of adjustments regarding the PPE assets. Andrew Sayers told the Committee that there had been small amounts of change each year on this, manifesting itself at this time. It was noted that this was being corrected going forward. In relation to Value for Money the Chair sought reassurance that the Council could deal with this over the next three years. Andrew Sayers told the Committee that the Council had a history of achieving targets. The Council had a reasonable level of reserves and this gave more room for manoeuvre for the Council. The Chair went on to ask about the risk of reserves being quickly exhausted and the response from Andrew Sayers that he was comfortable with the current framework. In response to a question from Councillor Bell regarding PFIs from the previous year Andrew Sayers told the Committee that guidance had only been issued recently and that this needed to be considered in a considered way and it was hoped to finish this work in the coming weeks.

3.5 Ian Williams told the Committee that this was the last year for which KPMG were the Council's external auditors and that a new firm would take over this work next year. The new firm had already been briefed.

RESOLVED:

To note the report.

4 Statement of Annual Accounts 2017/18

4.1 Ian Williams introduced the report presenting the accounts for 2017/18 for approval by the Audit Committee prior to issue of the audit opinion by the external auditor.

4.2 In response to a question from Councillor Gregory, Ian Williams told the Committee that other London Councils such as Camden Council had larger Housing stock than Hackney. He stated that if maintained schools were transferred the Council would retain ownership. Debt could not be leveraged of the provider. In response to a question from Councillor Maxwell, Ian Williams confirmed that Local Authorities had had a pay increase of 2%, with teachers receiving a 3 %increase which would be tiered. In response to a question from Councillor Chauhan he told the Committee that the Council operated a defined benefits pension scheme and that the Fund held £1.5 billion assets. The scheme had changed from being final salary to a career average scheme. Ian Williams confirmed that the variance in figures at page 79 of the papers was as a result of a re-valuation of assets.

4.3 The Committee expressed concerns that the accounts were difficult to read and recommended the use of summary sheets on costs and expenditure. Michael Honeysett told the Committee that a Council working group was currently looking at ways in which to streamline the accounts and improve on accountability.

4.4 Councillor Maxwell asked about risk arising if the Council was not in receipt of funding from the Government. Ian Williams confirmed that this was a risk and that a strategy was to be developed around this. The Committee went on to express concerns at the risk of reserves being depleted. Ian Williams told the Committee that monthly forecasts were prepared, information which is shared with scrutiny. He confirmed that these forecasts could be submitted to the Audit Committee. Following a suggestion from the Chair it was agreed that the Committee be briefed on this on levels of reserves on a quarterly basis.

Action: Ian Williams

RESOLVED:

1. To approve the Council's 2017/18 Statement of Accounts prior to the audit opinion being issued.
2. To approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.

5 Update on SEND - To Follow

5.1 The Chair introduced the report outlining that the aim of the Audit Committee Review was to look at the overall resource management process of SEND provision in the Borough and the context in which it operated. It was noted that the review would consider:

- The technical and financial processes involved in the management and monitoring of the SEND budget within the Council.
- The financial implications of the main cost pressures on the supply market and on public sector providers. The review also needed to take advice on the sources of the increasing scale and scope of the demand for services to understand the projections of the likely future developments and consequent resource pressures as well as considering the sufficiency of supply of places.
- The revenue sources and their constraints, notably the funding framework created by the Government's post 2011/12 stand-still on central government support for the service and the specific funding issues within London. The review will also review the response of other London Boroughs to similar pressures.
- The financial implications and risks involved in the possible solutions to the funding shortfalls. This would include the financial effects of any public sector interventions and changes in the in-house service provision, as well as other proposals being considered by the sector.

RESOLVED:

To note the report

6 Verbal Update on Payroll System

6.1 Michael Honeysett updated the Committee on difficulties with the interface between payroll and pensions. He told the Committee that this impacted on data and consequent difficulties in producing annual benefits statements, in particular in relation to active members. However, he considered that it would be possible to inform the Pension Regulator that progress had been made and that statements would be produced. A timetable was in place and data would be available by the end of the month with all statements produced by December. Dan Paul had updated the Pensions Committee on the issues with payroll. Work was ongoing on 'Leavers Data' Michael Honeysett reported that Payroll had been restructured. The Committee asked for a further update at the next meeting in October.

7 Any other business that in the opinion of the chair is urgent

7.1 There was no other urgent business.

Duration of the meeting: 6:30 - 8:00pm

Chair at the meeting on
Wednesday, 25 July 2018



INTRODUCTION TO EXTERNAL AUDITORS - MAZARS

AUDIT COMMITTEE MEETING DATE 2018/19 15 October 2018	CLASSIFICATION: Open
WARD(S) AFFECTED All Wards	
Ian Williams, Group Director Finance and Corporate Resources	

1. INTRODUCTION AND PURPOSE

- 1.1 This report introduces a presentation by Mazars – the Council’s new external auditors with effect 2018/19 financial year, following the recent procurement exercise by Public Sector Audit Appointments (PSAA).
- 1.2 Lucy Nutley, Director at Mazars, will attend the Audit Committee meeting to present the report and to respond to questions from Members

2. RECOMMENDATION

Audit Committee is recommended:

- 2.1 To note the contents of the presentation by Mazars.

3. REASONS FOR DECISION

- 3.1 Following the recent procurement exercise by PSAA, Mazars were appointed the Council’s external auditors with effect from the 2018/19 financial year. As such, they will be responsible for delivering the audit of the Council’s annual Statement of Accounts, the annual Pension Fund Accounts and the annual Value for Money (VFM) conclusion, along with the audit of any grant and other returns that fall under the PSAA contract terms.
- 3.2 In addition, under separate terms, we have also appointed Mazar’s as the auditor of the Council’s Housing Benefit claim.
- 3.3 This presentation offers members of the Audit Committee the opportunity to meet with a Director from the audit company, Mazars, in order that they can gain an appreciation of the basis on which it is envisaged our working relationship will be based.

4. BACKGROUND

- 4.1 KPMG have been the Council’s external auditor since 2012/13 financial year following the demise of the Audit Commission.
- 4.2 These original contracts have now reached their end and LB Hackney agreed to join a national procurement exercise via PSAA. As a result of that exercise, Mazars were awarded a number of audits, including that for this Council, with effect from 2018/19 financial year.

4.2 Policy Context

Audit Committee were previously consulted and agreed to join the national procurement exercise and therefore PSAA were deemed to be those responsible for the appointment of the Council’s external auditor.

4.3 Equality Impact Assessment

For the purposes of this report, an Equality Impact Assessment is not applicable.

4.4 Sustainability

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

4.5 Consultations

The Audit Committee were previously consulted on the options re the appointment of our external auditors. Following the procurement exercise by PSAA, officers were then consulted prior to the engagement of Mazars as external auditors to the Council

4.6 Risk Assessment

This is considered to be a low risk appointment.

5. INTRODUCTION TO MAZARS

5.1 As stated earlier in the report, Mazars have been appointed as the Council's external auditors with effect from 2018/19 financial year and will be responsible for delivering the audit of the Council's annual accounts, The Pension Fund accounts and the VFM conclusion.

5.2 Initial introductory meetings have been held between officers of the Council and representatives from Mazars who will be engaged on the Council's audit. To date, they have meetings have been held with the Chief Executive, the Group Director of Finance and Corporate Services, the Director Financial Management and the Chief Accountant.

5.3 The meeting with the Director Financial Management and Chief Accountant was held on Thursday 4th October and started the audit planning process in respect of the 2018/19 financial year. The meeting was very constructive and a useful introduction to what we hope will be a successful working relationship going forward.

5.4 Lucy Nutley, the Directors at Mazars responsible for the audit at Hackney, will be attending the Audit Committee to introduce Mazars to Members of the Audit Committee. The presentation at Appendix 1 of this report has been provided by Mazars and will form the basis of the session with members.

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

6.1 It is pleasing to note that we have started to engage with the new external auditors and already started the planning of the audit of the Accounts. The meetings held to date have been constructive and started to forge an important working relationship between officers of the Council and the auditors.

7. COMMENTS OF THE DIRECTOR, LEGAL

7.1 As set out in this report, Mazars were appointed as the Council's external auditors via a procurement process carried out by the PSAA, following the agreement of Audit Committee to engage in that process.

- 7.2 Mazars will in due course present their audit plan and other relevant documents to Audit Committee, this being the body within the Council “charged with governance” in respect of the audit of the Statement of Accounts. As such they will also receive the ISA260 Audit Report following the audit of the accounts each year and prior to the issuance of the related audit opinion.

APPENDICES

Appendix 1 - Presentation from Mazars – Working With the London Borough of Hackney

BACKGROUND PAPERS

None

Report Author	Michael Honeysett ☎020-8356 3332 michael.honeysett@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Michael Honeysett ☎020-8356 3332 michael.honeysett@hackney.gov.uk
Comments of Director, Legal	Sean Eratt ☎020-8356 6012 Sean.eratt@hackney.gov.uk

An aerial, top-down view of a large, diverse crowd of people walking on a white surface. The crowd is dense in the center and tapers towards the edges. The people are wearing various colorful clothing, and their shadows are cast on the ground.

INTRODUCTION TO MAZARS - WORKING WITH LONDON BOROUGH OF HACKNEY

CONTENTS

- Introduction to Mazars
- Local government audit expertise
- Our Ethos
- Our transition approach
- Our ambition in working with you
- Social value

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INTRODUCTION TO MAZARS

■ Global Partnership

- 83 countries
- 290 offices
- 980 partners
- 20,000 staff
- €1.5bn fee income (2016/17)
 - Europe offices generate 64% of fee income

■ UK Partnership

- 19 Offices
- 5 public sector excellence centres
- 135 partners
- 1,950 staff
- £165m fee income (2016/17)
 - 45% of fee income is audit

OUR UK PUBLIC SECTOR MARKET

- Local government
- Housing
- Education
- Health
- Central Government
- Charities



OUR UK PUBLIC SECTOR TEAM

- 250 staff dedicated to public sector work
- Work covers
 - External audit
 - Internal audit
 - Advisory
- Centres of Excellence
 - Durham
 - Leeds
 - London
 - Manchester
 - Nottingham

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NATIONAL
HOUSING
FEDERATION

Cambridge University
Hospitals **NHS**
NHS Foundation Trust

ico.
Information Commissioner's Office



NHS
Oxford University Hospitals
NHS Foundation Trust

LOCAL GOVERNMENT EXPERTISE

- Highly experienced team of Key Audit Partners across the UK
- Highly experienced local audit team, with specialists at all levels
- Public sector expertise in national technical team
- Representation on national technical groups including LAAP, ICAEW PS Committee and NAO LG Technical Group
- First hand experience of all aspects of local government audit (accounts, value for money, legality, subsidiaries, objections and public interest reports)
- Mazars are the only firm to be rated 'green' overall on quality by PSAA for the last three years
- Clients include metropolitan, unitary, county and district councils, combined authorities, police, fire and transport bodies
- Strong professional and sector networks: CIPFA, ICAEW, ICAS, FRC, NAO, PSAA, LGA

OUR ETHOS

- Do the right thing
- Make a positive difference to our clients and the communities in which we work
- Treat everyone with respect
- Work as a team
- Pass on the firm to the next generation in better shape than we found it

OUR APPROACH TO TRANSITION

- Handover protocol with KPMG
- First year planning – meetings with leading Members and key Officers, early discussion of likely issues
- Agreed timetable
- Agreed liaison arrangements
- Detailed audit planning performed – confirming key processes and controls
- Detailed project plan for delivery of 2018/19 audited accounts

OUR AMBITION IN WORKING WITH YOU

- **High quality auditor** – you can rely on our opinions
- **Good to work with** – responsive, constructive, innovative
- **Value for money** – a fair fee for the audit and additional fees only where absolutely necessary, always discussed and agreed with you
- **Adding value** – insight from our work across London and nationally
- **Specialist support** – to meet your needs, subject to audit independence
- **Valued partner** – social value contribution, sponsorship

SOCIAL VALUE

- Mazars in Society
- Social Mobility
 - CIPFA 6th Form Management Games
 - Access Accountancy
- PSAA contractual commitments

CONTACT

Lucy Nutley

Director

Lucy.Nutley@mazars.co.uk

0738 724 2052

Stuart Frith

Senior Manager

Stuart.Frith@mazars.co.uk

0790 998 2774

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

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Treasury Management Update Report	
AUDIT COMMITTEE MEETING DATE 2018/19 15 October 2018	CLASSIFICATION: Open
WARD(S) AFFECTED All Wards	
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 2017/18 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 period June 18 to September 18 of 2018/19.

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 second of the in-year updates for the current financial year covering period from June 18 to September 18.

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 2017/18 and for period from June 18 to September 18. The information contained in this report will 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 2017/18 was approved by full Council on 1st March 2017 which can be accessed on the Council website:
<http://mginternet.hackney.gov.uk/documents/s53578/Appendix4201718%207022017%20Cabinet.pdf>
- 6.3 The Authority’s Treasury Management Strategy for 2018/19 was approved by full Council on 21st February 2018 which can be accessed on the Council website:
<http://mginternet.hackney.gov.uk/documents/s59421/Appendix3TreasurymanagementStrategy.pdf>

Report Author	Pradeep Waddon, ☎020-8356 2757
Comments of the Director of Financial Management	Michael Honeysett, ☎020-8356 3332

**Comments of the Director
of Legal**

Sean Eratt ☎020-8356 6012

APPENDIX 1: Annual Treasury Management Outturn Report 2017/18

1. External Context

- 1.1 **Economic background:** 2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November 2017 before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

- 1.2 **Financial markets:** The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

- 1.3 **Credit background:** In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would still be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would actually look like, in May 2017 Arlingclose, treasury management advisors, advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non-ring-fenced bank.

2 The Borrowing Requirement and Debt Management

- 2.1 The Council currently had one £3.2m 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 £30m as short term borrowing from local authorities for day to day cash management.

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

	Balance as at 31/03/17 £'000	New Borrowing £'000	Debt Maturing £'000	Debt Repaid £'000	Balance as at 31/03/18 £'000	Average Rate %
CFR	328,968				398,854	
Short Term Borrowing *	85,400	30,000		85,000	30,400	0.85%
Long Term Borrowing	3,200	-	400	-	2,800	1.9%
TOTAL BORROWING	88,600	30,000	400	85,000	33,200	
Other Long Term Liabilities	15,188	-	-	-	14,822	
TOTAL EXTERNAL DEBT	103,788	-	-	0	48,022	

- 2.4 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/03/2018 was £398.854m.
- 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 2018/19, it is not likely to be sustainable over the medium to longer term as demands from the capital programme continues to grow.

3. Investment Activity

3.1 MHCLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

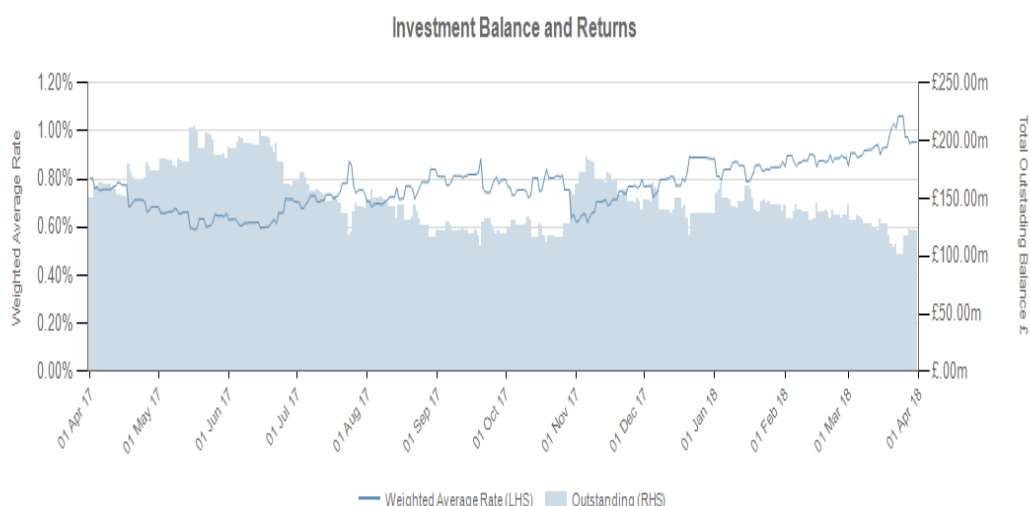
3.2 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18 Investments during the year included:

- 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 Housing Associations.
- High quality Bank, Corporate and Covered bonds.

Table 2: Investment Balances

Investments	Balance as at 31/03/17 £'000	Average Rate %	Balance as at 31/03/18 £'000	Average Rate %
Short Term Investments	43,104		51,211	
Long Term Investments	31,500		6,500	
Covered Bonds	7,874		0	
Corporate Bonds	12,125		10,563	
Housing Associations	15,000		25,000	
Investments in VNAV MMF's (Money Market Funds)	3,000		3,000	
Investments in CNAV MMF's (Money Market Funds)	36,660		25,350	
TOTAL INVESTMENTS	149,263	0.81	121,624	0.95

3.3 The Council's investment balance reduced by £28m to £121,624m at the end of the financial year with weighted average rate (investment return) of 0.95%. 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 2017/18 treasury strategy was BBB-across rating agencies Fitch, S&P and Moody’s.

Table 3: Credit Score Analysis

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating
31/03/2017	4.05	AA-	3.64	AA-
30/06/2017	4.30	AA-	3.6	AA-
30/09/2017	4.55	A+	4.11	AA-
31/12/2017	4.69	A+	4.47	AA-
31/03/2018	4.77	A+	4.49	AA-

Scoring: - Aim = AA- or higher credit rating, with a score of 4 or lower, to reflect current investment 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 MHCLG’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 changed from 0.25% to 0.50% in November 2017.

4. Compliance

- 4.1 The Council can confirm that it has complied with its Prudential Indicators for 2017/18, which were approved on 1st March 2017 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 2017/18. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 4.3 The Authority can confirm that during 2017/18 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

5. Prudential Indicators

5.1 Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2015/16 to 2017/18 are shown in the table below. The estimates for the 2018/19 are currently being reworked, in conjunction with the first review of the authority's capital programme and financing.

	31/03/16 Actual £'000	31/03/17 Actual £'000	31/03/18 Actual £'000	31/03/19 Estimated £'000
Gross CFR	227,688	328,968	398,854	543,217
Less: Other Long Term Liabilities	16,850	15,188	14,822	14,112
Borrowing CFR	210,838	313,780	384,032	529,105
Less: Existing Profile of Borrowing	9,000	88,600	33,086	30,000
Gross Borrowing Requirement/Internal Borrowing	201,838	225,180	350,946	499,105
Usable Reserves	294,841	255,474	295,064	240,000
Net Borrowing Requirement/(Investm ent Capacity)	(93,003)	(30,294)	55,882	259,105

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.

	2015/16 Actual £'000	2016/17 Actual £'000	2017/18 Actual £'000	2018/19 Estimate £'000
Gross Debt	25,850	103,788	47,908	44,112
CFR	227,688	328,968	398,854	543,217
Borrowed in excess of CFR? (Y/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.

	Operational Boundary (Approved) as at 31/03/18 £'000	Authorised Limit (Approved) as at 31/03/18 £'000	Actual External Debt as at 31/03/18 £'000
Borrowing	459,873	489,873	33,086
Other Long-term Liabilities	18,000	17,000	14,822
Total	477,873	506,873	47,908

(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. The three year capital programme is being re-profiled and reviewed at the time of this report being prepared. An aggregate annual capital spend of £300m is a sensible benchmark based on the last two years of spend, and known plans.

	2016/17 Actual £000	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Capital Expenditure					
Housing	107,990	144,109	170,000	170,000	170,000
Non-Housing	160,009	127,006	130,000	130,000	130,000
Total spend	267,999	271,115	300,000	300,000	300,000

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

Capital Financing	2016/17 Actual £000	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Prudential Borrowing	107,518	69,794	147,000	87,000	87,000
S106/CIL	3,620	23,746	20,000	20,000	20,000
Capital receipts	80,212	92,952	40,000	100,000	100,000
Grants	25,388	26,033	30,000	30,000	30,000
Reserves	15,415	5,726	10,000	10,000	30,000
RCCO	35,846	52,864	53,000	53,000	53,000
Total Financing	267,999	271,115	300,00	300,000	300,000

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.
- As mentioned above there is a reworking of the capital financing requirement in train currently, which also drives this indicator and hence 2018/19 and 2019/20 figures will be updated at a point after the date this report is being discussed.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Estimate
Non-HRA	1.7%	1.2%	1.8%	2.4%
HRA	2.3%	2.1%	2.7%	3.5%

(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**

HRA Limit on Indebtedness	2016/17 Approved £m	2016/17 Actual £m	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m
HRA CFR	106.118	100.080	100.080	160.080	202.000
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	78.273	18.273	(23.65)

The Group Director, Finance and Corporate Resources confirms that the Council's HRA Capital Financing Requirement did not exceed the HRA Debt Cap in 2017/18 and measures will be taken to ensure that the projected breach in 2019/20 is rectified through financing decisions or a restriction on the overall HRA related capital programme. At the time of writing this report, the Government announced its intention to scrap the HRA debt cap although details of when this will take effect are awaited.

Appendix 2 – Quarterly Treasury Management Update Report

Treasury Management Activities from July to September 2018

1. Economic Highlights

- 1.1 Growth:** According to the third estimate of Q2 GDP released by the ONS, the UK economy expanded by 0.4% over the quarter unrevised from the first quarterly estimate of GDP and 1.2% year-on-year.
- 1.2 Inflation:** The Consumer Price Index including owner occupiers housing costs (CPIH) 12-month rate was 2.4% in August 2018, an increase from 2.3% July 2018. The Consumer Prices Index (CPI) 12-month rate was 2.7% in June 2018, up from 2.5% in July 2018.
- 1.3 Labour Market:** The latest statistics released by the ONS for the three months to July 2018 show that the number of people in work was little changed, the number of unemployed people decreased, and the number of people aged from 16 to 64 not working and not seeking or available to work has increased across the period. The unemployment rate was 4.0%, it has not been lower since 1975. The employment rate was 75.6%, marginally lower than for February to April 2018, but higher than for a year earlier 75.3%. Nominal wages including bonuses increased by 2.6% and wages excluding bonuses increased by 2.9%. Real wages excluding bonuses increased by 0.5% and including bonuses increased by 0.2% compared to a year earlier.
- 1.4 Monetary Policy Committee:** The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 12 September 2018, the MPC voted unanimously to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

2. Borrowing & Debt Activity

- 2.1** The Authority currently has £43m in external borrowing. This is made up as a single LEEF loan of £3m from the European Investment Bank to fund housing regeneration and £40m short-term borrowing from Local Authorities for day to day cash management purposes.

3. Investment Policy and Activity

- 3.1** The Council held average cash balances of £110 million during the reported period, compared to an average £135 million for the same period last financial year.

Movement in Investment Balances 01/06/18 to 30/09/18

	Balance as at 01/06/2018 £'000	Average Rate of Interest %	Balance as at 30/09/2018 £'000	Average Rate of Interest %
Short Term Investments	44,226	-	46,303	-
Long Term Investments	6,500	-	6,500	-
Covered Bonds	0	-	0	-
Corporate Bonds	6,853	-	6,853	-
Housing Associations	25,000	-	25,000	-
Investments in VNAV MMF's (Money Market Funds)	3,000	-	3,000	-
Investments in CNAV MMF's (Money Market Funds)	60,350	-	14,274	-
	145,929	0.87	101,930	1.10

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

4. Counterparty Update

4.1 S&P placed Transport for London on CreditWatch Negative. Arlingclose, the Council's treasury management advisor, remains comfortable with their clients purchasing senior bonds issued by Transport for London for periods up to 10 years subject to investment strategies.

4.2 Most UK banks have their financial year end on 31st December and publish interim results in early August. Based on the results Arlingclose is comfortable with their clients making senior unsecured investments in Barclays Bank UK Plc, National Westminster Bank Plc, Royal Bank of Scotland Plc and Ulster Bank Ltd for periods up to 100 days, and in HSBC UK Bank Plc and Standard Chartered Bank for periods up to 6 months, where in line with strategies.

4.3 Arlingclose remains comfortable with their clients making secured investments only in Lloyds Bank Corporate Market plc to the limits as approved by the strategies.

4.4 Whilst the ongoing investment strategy remained cautious counterparty credit quality remains 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
30/06/2018	A+	5.0	A+	5.0
31/07/2018	A+	5.0	A+	5.1
31/08/2018	A+	5.0	A+	5.1
30/09/2018	A+	5.0	A+	4.9

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 AAAMmf/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.

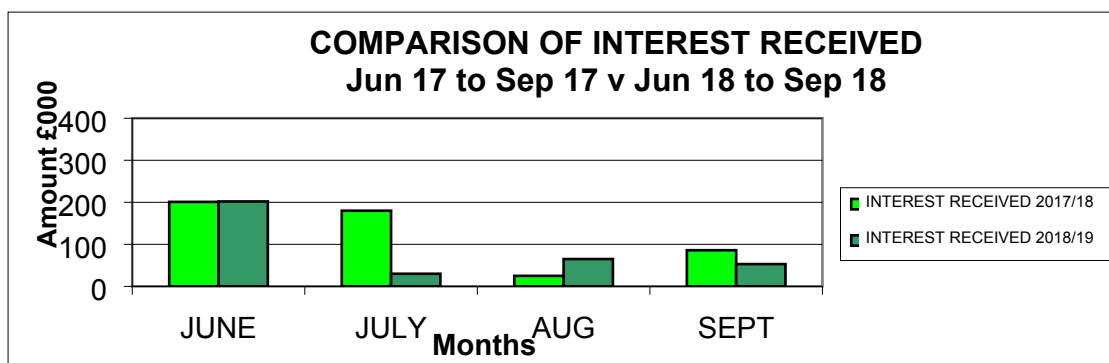
5.2 In light of legislative changes and bail-in risk for unsecured bank deposits, as set out in previous monitoring reports, the Council continues to invest in high quality corporate bonds and highly rated UK Government institutions. This investment vehicle offers good level of security and increases 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 and short term investments have been placed in highly rated UK Government institutions or Corporate Bonds, thus ensuring creditworthiness whilst increasing yield's through the duration of the deposits.

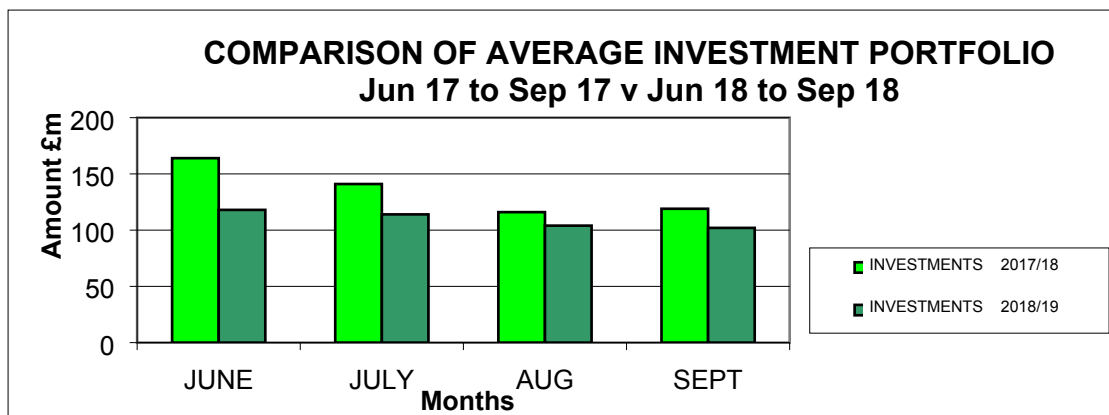
6.2 The graph below provides a comparison of interest earnings for June 18 and September 18 against the same period for 2017/18.

6.3 Average interest received for the period June 18 to Sep 18 was £88k compared to £123k for the same period last financial year.



7. Movement in Investment Portfolio

7.1 Investment levels have decreased to £102 million at the end of Sep 18 in comparison to the end of Sep 17 last year of £119 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.



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FINANCE AND CORPORATE RESOURCES DIRECTORATE RISK REGISTER

AUDIT COMMITTEE MEETING DATE 2018/19 15 October 2018	CLASSIFICATION: Open
WARD(S) AFFECTED All Wards	
Ian Williams, Group Director Finance and Corporate Resources	

1. INTRODUCTION AND PURPOSE

- 1.1 This report updates members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2018 (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

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

- 4.1 This current Directorate risk profile was reviewed by the Directorate Management Team on September 13th 2018 in advance of it progressing to October's Audit Committee. The register was last reviewed by Audit Committee in April 2018. (The reason the register is being reviewed again so quickly is to regulate the schedule of Committee and ensure the registers are evenly distributed throughout the year. After this meeting the review for this will revert to being annual.) In discussions and meetings with 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 FDMT (Finance and Corporate Resources Directorate

Management team meeting). Numerous risks have changed or now exist in different circumstances compared to the last review.

4.2 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.

4.3 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.

4.4 Sustainability

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

4.5 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. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.6 Risk Assessment

The relevant Risk Register is attached at Appendix one.

5. DIRECTORATE RISK REVIEW

5.1 The Directorate Risk Register is comprised of risks that cut across the numerous divisions of Finance and Corporate Resources. The risks recognised at Directorate level would usually be of notable content, and often scored highly whilst impacting on overall Council 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 our 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 Regarding the contents of this latest Directorate register, important areas to note are:

- The Directorate register commences with a new iteration of the risk relating to Brexit. In the immediate aftermath of the vote in June 2016, a risk register was created to encapsulate the main risks that Brexit might have presented. As the years have passed, the separate risks within this initial register have been subsumed into the Directorate and Service registers, reflecting the changed landscape but one that will prove a permanent and ongoing challenge in all areas. Summarised in this headline (Corporate) risk are the main areas which could impact in so many ways – from the financial side (affecting purchasing, treasury, pensions and budgets), recruitment (negative impacts of uncertainty regarding EU workers, of whom there are more in London) to societal (including political instability, possibility of hate crime). Whilst this remains on the Corporate register, it's also appropriate to feature within Finance and Corporate Resources, as so many areas here are directly affected.
- From a Corporate perspective, there are many risks and opportunities associated with Brexit. There is a potential impact on Devolution, and the question about who will be legislating on issues that were previously EU competences (waste, data protection, energy labelling and internet security as a few examples) with a possible increase or decrease in local decision and policy making. Also future funding gaps are clearly going to be an issue that could affect service delivery. Currently, England is receiving £5.3 billion in European (Structural and Investment) Funding to local areas between 2014-20 (with London receiving £762 million). With this funding underwritten by government until the end of 2020, more detail is needed on if the funding will be replaced. The Government has not released a detailed timetable or process for the introduction of UKSPF (Shared Prosperity Fund). Local areas need this certainty to rise to the challenges and embrace the opportunities leaving the EU will bring. Organisations, including the voluntary and community sector, that currently deliver EU funded projects will have to close down if there is not a continuation of funding. Without a replacement funding stream in place and operational by 1 January 2021, local areas will see a massive reduction in resources and their ability to create jobs, support businesses and develop their economies. Aside from the European Structural and Investment Funding, the European Investment Bank lends billions in funding, and we receive billions across other areas from European funding.

More clarity is provided by the Withdrawal Act 2018 which dictates there will be a no legal 'cliff edge' come March 2019 for key services such as Waste Management and Trading Standards. All EU legislative, enforcement and judicial powers would return to Whitehall under the current UK constitutional settlement – with the LGA lobbying for more local powers. The possible raising of tariffs on imported goods and services could be of potential cost to Councils and clarity will be needed on if EU candidates can still stand in elections. Clearly there remain multiple grey areas, which may only become clear in the next few months, depending on which decisions are taken.

- Audit and Anti-Fraud proposed a new version of this risk (AAF 15) in April, and was soon after escalated to Corporate level. Now updated, the risk remains broadly the same in tone.

- There remain some high level, cross cutting risks, the first of which (FR DR 0005) reflects potential problems with workforce (encompassing recruitment and potential impacts of restructures) and also problems with contractors and suppliers. Recent years' registers have contained significant risks relating to the change of the Council's Banking System, and Pension scheme changes. Both of these risks have been managed satisfactorily, although post event, there are still uncertain factors relating to both these areas. Clearly however, these risks are no longer applicable in their previous form and description. Three pension related risks have been amended from their previous form to reflect the latest challenges facing the team. A final cross cutting risk relates to Major Capital Programmes, and the financial exposures that the Council is subject to.
- A number of new risks relating to Accountancy were escalated at the start of 2018, after a complete refresh of the risk register by the Chief Accountant. The new deadlines for the completion of accounts were previously a high / red risk, but due to the work undertaken and progress achieved, assurance has now been provided that this has been well managed and should be comfortably achieved. Therefore the score for this risk has reduced.
- In undertaking a complete review of all their risks, ICT's main Directorate risks are still broadly similar to the last time reviewed. A number of ICT risks have proved to be cross cutting and have been merged with other risks to produce high level, strategic risks (eg – recruitment issues, acutely felt in IT but also a recurring problem for select services across the Council.) In terms of the major risks relating to Assets, Resilience and Cyber / Information Security, there are current developments having clear impacts on these – such as the complexities presented by the forthcoming GDPR obligations and also the Council's transition over from windows to G-suite.
- Welfare Reforms are continuing to impact in numerous ways, both administratively and financially within the Council and also on residents within the Borough, particularly with the introduction of Universal Credit. This risk remains on the register from last year, accompanied by an additional one, relating to the effects of rising property prices and rents. This is clearly an external risk and difficult to directly mitigate but the Council is trying to take proactive steps to address this problem, and especially the risk of it escalating further. There is also a risk relating to the Council's provision of Temporary Accommodation (which also features on the Corporate register) and this has been exacerbated by the forthcoming introduction (in April 2018) of the Homelessness Reduction Act.

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

- 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 Continuous review of the Risk register and impending legislation referred to is key to ensuring that the Council remain in control of the management of risk.

APPENDICES

Appendix 1 - Finance and Resources Directorate Register

BACKGROUND PAPERS

None

Report Author	Matt Powell ☎020-8356 2624 matthew.powell@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Michael Honeysett ☎020-8356 3332 michael.honeysett@hackney.gov.uk
Comments of Director, Legal	Dawn Carter-McDonald ☎020-8356 2029 dawn.carter-mcdonald@hackney.gov.uk

Finance and Resources Directorate Register October 2018

Report Type: Risks Report
Generated on: 14 August 2018



Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 27</p> <p>SRCR 0001A Brexit Implications EXTERNAL RISK CURRENT & FUTURE RISK</p>	<p>Following on from the UK's vote in favour of leaving the EU in June 2016, the fallout from this is producing 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. The loss of access to EU funding projects / programmes could prove problematic, especially if replacement funding fails to materialise.</p> <p>The increased probability of a 'no deal' scenario is increasing levels of risk, as the lack of a deal would signal an even more solitary break for the UK, with almost all leading economists issuing a very pessimistic prognosis of this situation.</p> <p>Stock markets could fall significantly resulting in a serious impact to 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). There may not be budgets to cover the shortfalls that a weak pound produces.</p> <p>Furthermore, recruitment and retention problems could worsen with the potential loss of employees from EU27 countries. Finally, fears about an increase in possible hate crimes, post Brexit, have not materialised but are still something to consider as the political climate and public feeling remain unstable.</p>	<p>Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing</p>		<p>September 2018 – Article 50 was triggered on March 29th 2017, formally commencing the exit process, which will complete in around 6 months.</p> <p>This risk has increased since the last review a few months ago, particularly as the possibility of (a potentially catastrophic) 'no deal' scenario has emerged and problems such as the pound's (increasing) weakness have caused the Council some clear losses in purchasing (especially ICT equipment which is bought in dollars).</p> <p>There was an initial 'divorce' settlement agreed in December 2017, which did provide more guarantees on the rights of EU citizens living in the UK. From an employment perspective, this provided some encouraging news for the Council, and the Borough as a whole.</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 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> <p><i>This is primarily a Corporate risk, but particularly affects F & R, so has been included on the Directorate register for members to have full oversight.</i></p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0001A Brexit Implications	Brexit and its potential impacts are constantly discussed at all levels, whether at HMT, DMT, cross-London leadership discussions or within detailed briefings from Legal, which are regularly e-mailed out to all.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All	12-Dec-2018	A separate Brexit Risk Register was initially produced before the main threads of these risks were subsumed into the normal Directorate / Service registers.
FR DR 0007 Consider potential pricing fluctuations when planning purchases.	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. This will be an ongoing activity (no fixed end date).	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Purchasing managers	Ongoing	Updated August 2018
FR DR 0007b Brexit impact on Treasury and Pensions Page 56	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	Following the leave vote, the Pension team was in immediate contact with fund managers and Investment consultants, receiving commentary from each fund. 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. Also, UK gilts yields have already reached a record low and the UK base rate marginally increased back up to 0.5% early in 2018, and then 0.75% a few months later.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR / AAF 015 Major fraud not identified INTERNAL RISK FUTURE RISK	The Council's response to a serious fraud is inadequate because either – (1) Management do not have adequate arrangements in place to identify irregularity in their service area; (2) Concerns are identified but they are not reported to AAF in accordance with the Anti-Fraud & Corruption Strategy; or (3) There is a failure in the investigation process. Any of the above could result in financial loss, severe reputational damage and an avoidable drain on resources through taking action to fix the problem.	Finance & Corporate Resources and Cross Council		 September 2018 - No single management or audit control is likely to completely mitigate against a serious fraud, instead the overarching control environment must function effectively. Hackney has invested in its Audit and Anti-Fraud resources which has led to

	A failure to investigate a case in compliance with the prescribed legislation and Anti-Fraud & Corruption Policy could lead to damaging accusations against the Anti-Fraud Service and the possible prosecution of innocent parties or failure to prosecute fraudsters, which would negatively impact on the Council's reputation.			some notable recent achievements to prevent and minimise the impact of fraud.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AAF 015A – Cross organisation working & proactive approach of managers.	Fraud doesn't recognise geographical boundaries and the Council's approach to fraud equally relies upon robust working arrangements between other organisations, including the police, OLAs, Cabinet Office (NFI), Borders Agency, HMRC etc) SLAs are in place with RSLs. Also all managers need to be aware of their duties regarding suspicious activity, and how to comply with the Council's overall approach.	Cross Council / Partnerships	All relevant managers	1 Dec 2018	September 2018 – ongoing.
Page 57 FR AAF 015B – Robust Policy framework	The Council has in place a number of key policy documents setting out the Council's approach, standards and expectations when dealing with suspected fraudulent activity. These include: <ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategy • Whistleblowing Policy • Codes of Conduct (staff and members) • Anti-Money-Laundering Policy • ICT policies & procedures • Financial Procedure Rules <p>These are reviewed on a regular basis.</p> <p>In addition, Audit and Investigations teams have policy and procedure documents which map the specific methodologies with which they carry out their work.</p>	Ian Williams	Michael Sheffield; Julie Sharp	1 Dec 2018	September 2018 - Recommendations arising from fraud reports are now tracked in the same way as those arising from audit reviews, so that progress toward rectifying any areas of concern that are identified can be better monitored.
FR AAF 015C – Communication and awareness	Communication, both internally between teams and externally with other partners is crucial in developing a clear overall picture. This occurs through meetings and joint visits. If procedural issues are identified through AAF reviews, they are reported as widely as necessary within Hackney. Staff induction stresses requirement to comply with Code of Conduct. Particularly close links are maintained between investigators and service areas that are targets for fraudsters, for example, housing, NRPF, contracts, etc. Specific high risk areas have received bespoke training. Notable investigation successes are reported to Committee and are advertised	Ian Williams	Michael Sheffield; Julie Sharp	1 Dec 2018	September 2018 – ongoing.

	through the Comms team.				
FR AAF 015D – Approach and training.	Teams maintain a rigorous approach to their investigations, operating a clear system of diligently reviewing evidence and feeding back through the reporting framework. Performance in key areas is regularly reported to a senior level within the Council, including the Audit Committee. Investigators are all qualified or undergoing professional training. Team procedures are in place and casework is regularly reviewed and monitored by senior members of the team. Additional training is provided if a need is identified.	Ian Williams	Michael Sheffield; Julie Sharp	1 Dec 2018	September 2018 – ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 58 FR DR 0005 Recruitment and Retention / Workforce. EXTERNAL / INTERNAL RISK CURRENT RISK	<p>Within a competitive market, areas of the Directorate (particularly ICT) struggle to successfully recruit for important positions. Failure to do so could impact seriously on service delivery.</p> <p>Also, with various restructures within the Directorate planned or ongoing, there is a period of uncertainty and adjustment which may affect the quality of service delivery and impact on overall objectives and targets.</p> <p>Additionally, the ability to carry out work efficiently, on time and in compliance with applicable standards could be affected by the loss of experienced staff following the Corporate level restructure and the possible long term absence of key staff.</p>	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>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 changes to IR35, which is driving some skilled specialist workers to the private sector (as many ICT skills are transferable across sectors).</p> <p>June 2018 - However, there were recent developments on this. Particularly with the completion of the first phase of the ICT restructure with senior positions having been successfully filled through a creative campaign, emphasising the benefits of Hackney as a place to work and also offering market supplements to ensure the organisation is able to be competitive with wages across the market. Overall, the Council has enjoyed some very positive results in terms of attracting high calibre candidates and filling many roles that were expected to be tricky. Therefore, there is now increased assurance that going forward, this risk can be effectively managed.</p> <p>Further background on the ICT recruitment risk – -Following the completion of the ICT restructure we have successfully recruited permanently to 29 posts. The sources for the successful candidates were: ○ External: 20 ○ Internal: 5 (existing Hackney employees) ○ Agency: 4 (existing agency staff who are now permanent)</p>

				<p>-The staffing for our establishment once all new recruits have started will now be:</p> <ul style="list-style-type: none"> o Permanent staff: 100 o Agency cover: 2 o Vacant posts: 39 <p>-The vacancies include 18 apprenticeships which are currently being recruited to.</p> <p>-Areas which have proven hardest to fill and which we'll be doing further targeted recruitment for are:</p> <ul style="list-style-type: none"> o Data analytics o Development o Infrastructure engineers <p>September 2018: recruitment to vacant posts is continuing as part of BAU service management and recruitment to the new apprentice posts has been successful, with all posts filled.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 59 FR DR 0005 Recruitment and Retention (ICT)	Services are continuing to work with HR / OD to carry out the following suggested mitigations: - 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 - review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent - review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.	Ian Williams	Rob Miller	30-Dec-2018	September 2018: This is ongoing around the Directorate with some success. The recent update to the Council's salary supplement scheme reflects the requirements of Services to compete in the open market and is working successfully. All roles are now benchmarked against the market, in line with the new Council salary supplement scheme. A prototype for an improved approach to recruitment advertising has been tested over the last year, and this will be reviewed ahead of recruitment arising from the restructure. ICT restructure (first phase) is completed. ICT is working with recruitment and communications colleagues to ensure the Council has a digital recruitment offer that supports its aspirations to be the best local authority in London. Further recruitment is ongoing. Recruitment to vacant posts is continuing as part of BAU service management and recruitment to the new apprentice posts has been successful, with all posts filled. This control will close, following this

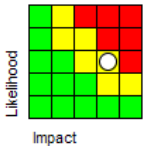
					review.
FR DR 007 A Training and development	Training and development needs for all staff have been captured from yearly appraisals and 1-2-1 documents. All HR procedures are followed correctly to ensure staff are valued and treated appropriately whilst at work. Where possible acting up and secondment 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.	Ian Williams	All managers	28-Dec-2018	September 2018: the ICT service's training and development plan was consulted on through the restructure consultation and has received positive feedback from staff. Work is now in progress to implement the new strategy, which is being led by the Head of Delivery.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 60 FR AC 001 Budget Setting - Budgetary stability in relation to both budget setting and budgetary control and medium term financial planning INTERNAL RISK FUTURE RISK	Due to ineffective planning, the Council spends more money than it can finance through planned income streams and the annual financial settlement from central government. This then results in budget deficit or an unacceptable call on reserves.	Finance & Corporate Resources		<p>Updated and amended September 2018. Other consequences of the risk being discharged may include:</p> <ul style="list-style-type: none"> • Adverse impact on future Council Tax levels in direct contradiction to Council policy. • Reductions in allocations to front-line services with consequent negative impact on service delivery. • Local community dissatisfaction with the overall financial management arrangements of the Council.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AC 001A Accuracy of corporate financial planning	Long-term financial plans for capital and revenue are maintained by Central Accountancy function, which takes account of all known and material financial sources and changes for both income and expenditure (cost drivers), across all aspects of the Council (General Fund, HRA, HLT). Medium-term financial plan is maintained by Central Accountancy function, and is reported to members regularly through appropriate forums (annual budget	Michael Honeysett	James Newman	27-Nov-2018	Control updated August 2018

	report) . Up to date Treasury Management Strategy is maintained and reported to members regularly through appropriate forums . Senior financial managers ensure they are well informed on changes to key financial issues, e.g. business rates retention pilot for 2018/19				
FR AC 001B Corporate savings delivery	Accountancy function provides accurate information to budget holders to inform appropriate decision making around corporate savings requirement.	Michael Honeysett	James Newman	27-Nov-2018	Control updated August 2018
FR AC 001C Delivery of annual budget setting process	Corporate Accountancy manages and co-ordinates mechanics of budget setting process for the council, in conjunction with directorate finance teams, ensuring services are allocated budgets as agreed through full Council.	Michael Honeysett	James Newman	27-Nov-2018	Control updated August 2018
FR AC 001D Elected members are well informed on council's financial position both current and future	Members regularly informed and updated on financial position and landscape through both formal meetings and more informal channels (training sessions)	Michael Honeysett	James Newman	27-Nov-2018	Control updated August 2018
FR AC 001E Changes to Prudential Code and MRP guidance	Senior finance management keep themselves informed of changes to CIPFA Prudential Code and CLG MRP guidance and ensure council's finances and processes take into account those changes which are formalised.	Michael Honeysett	James Newman	27-Nov-2018	Control updated August 2018

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR AC 003 Accounts Closure INTERNAL RISK FUTURE RISK	Accounts are produced late, and the subsequent management of the audit then results in late production of the Council's accounts. The new deadlines introduced for 2017/18 closure of accounts will intensify this risk. If accounts are not closed on time, it would have legislative and reputational consequences and inhibit effective service delivery.	Finance & Corporate Resources		<p style="text-align: center;">↓</p> <p>Reviewed September 2018. Score has slightly decreased and steadied in light of positive progress made. With the work undertaken this year and progress made, there is now clear assurance that the new deadlines are achievable. Accounts now need to be completed by the end of May, which promised to be a challenging deadline before passing onto the Auditors. Previously the auditors had until the end of September to complete their audit of accounts but the new DCLG guidelines mean this now needs to be done by the end of July. This could be extremely problematic as usually auditors are concentrating on NHS audits till mid-June so</p>

				<p>this will leave very little time in which to complete audits according to the deadlines. However, as mentioned above the team is adapting well to these new demands and the risk of serious problems here has diminished.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AC 003A Annual statement of accounts process meets new, shorter statutory deadlines (31 May for publication of draft accounts and 31 July for publication of audited accounts).	<ul style="list-style-type: none"> . Appropriate staff expertise and resource are in place to meet needs of process . Detailed plan which meets new statutory timetable is in place which covers all parts of process and all stakeholders . Audit timetable is agreed with key stakeholders and monitored through process, with appropriate escalation processes where necessary . External Auditors are involved throughout, and well before the beginning of, the process . Interim audit is planned and agreed with external audit . Audit timetable for closing is agreed with external auditors which reflects need and appropriate scheduling of task relative to complexity (i.e. complex items the sooner the better). Lessons learned exercise from previous year takes place and informs timetable and processes for following year. 	Michael Honeysett	James Newman	27-Nov-2018	Controls updated September 2018
FR AC 003C Annual statement of Accounts meet latest CIPFA accounting code guidance	Central Accountancy function keeps up to date with CIPFA codes through subscription to latest version, liaison with external audit and peers.	Michael Honeysett	James Newman	27-Nov-2018	Controls updated September 2018

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR 0002 Failure and Poor Performance of Suppliers and Contractors / Partnerships EXTERNAL RISK CURRENT RISK	<p>The Council's mixed-sourcing model includes provision of essential services by third party providers, and these are used within Finance and Corporate Resources, especially ICT. Non-delivery by these suppliers would impact negatively the services LBH can deliver.</p> <p>Also more generally, many bodies are closely associated with the Council but are subject to separate governance and management structures (eg CCGs /</p>	Finance & Corporate Resources		<p style="text-align: center;">↔</p> <p>At the last review, the Direction of Travel went down as a result of work already undertaken and systems in place. The risk is now stable. From an ICT perspective, mitigations for this risk will be factored into the service's commissioning and supplier management work. Internal reintegrations (e.g. Hackney Homes</p>

	<p>building contractors, IT suppliers). They play an important role directly or in support of the corporate objectives of the Council. If these contracting and / or partnering arrangements fail, it could have serious impacts re cost, service delivery, and reputation.</p>			<p>coming back 'in-house' to become Hackney Housing in April 2016) have gone well and been managed successfully providing good assurance as to how these relationships / arrangements are managed. In terms of the potential for financial risks –this could be serious since the Council is supported by many of these bodies, or is implicitly responsible for their financial soundness. Consequences of this risk being realised may include: • Financial loss – additional resources spent on rectification of areas of non-compliance • High costs associated with re-letting contract if re-tender required • Service delivery/reputation compromised • Legal challenge from contractors dissatisfied with Council processes and decisions. September 2018: following the ICT restructure the new Senior ICT Contracts Officer work is in progress to review contract management and commissioning arrangements across the ICT service to embed good practice and develop the service's strategic commissioning plan.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0002 Procurement to include definition of performance indicators and viability checks.	<p>Ensure that all procurements include definition of required performance indicators for the contract and financial viability checks before contracts are entered into.</p> <p>This will be an ongoing activity (no fixed end date).</p>	Ian Williams	Rob Miller	Ongoing	<p>September 2018: no further update - this is part of BAU. Analysis is taking place of exposure to risk due to Capita's recent profit warning. Following the ICT restructure the new Senior ICT Contracts Officer work is in progress to review contract management and commissioning arrangements across the ICT service to embed good practice and develop the service's strategic commissioning plan.</p>

	FR IT 0002b Carry out regular reviews of identified key suppliers, including reviewing their financial viability.	Ensure that supplier service reviews include supplier performance and independent validation of suppliers' financial viability (eg through credit checking). This should be used to identify any concerns re: the risk of supplier failure and poor performance so that appropriate mitigation plans can be made.	Ian Williams	Rob Miller	30 Dec 2018	September 2018: no further update - this is part of BAU. Analysis is taking place of exposure to risk due to Capita's recent profit warning. Following the ICT restructure the new Senior ICT Contracts Officer work is in progress to review contract management and commissioning arrangements across the ICT service to embed good practice and develop the service's strategic commissioning plan.
Page 64	FR IT 0002c Identify opportunities for joined up supplier management with other Council services and external partners.	Work with other Council services who share common suppliers and also with external partners to maximise the impact of supplier relationship management activity. This will be an ongoing activity (no fixed end date).	Ian Williams	Rob Miller	Ongoing	Ongoing – continues as business as usual. September 2018: following the ICT restructure the new Senior ICT Contracts Officer work is in progress to review contract management and commissioning arrangements across the ICT service to embed good practice and develop the service's strategic commissioning plan.
	FRDR 0015 A Contracting / partnering	Council's financial management procedures extended to partners where possible (e.g. financial regulations)	Ian Williams	Michael Honeysett	30 Nov 2018	Reviewed August 2018-ongoing.
	FRDR 0015 B Contracting / partnering	Monitoring of financial position by Section151 Officer and Director (Fin Man)	Ian Williams	Michael Honeysett	30 Nov 2018	Reviewed August 2018-ongoing.
	FRDR 0015 C Contracting / partnering	Post-implementation reviews carried out	Rotimi Ajilore	Procurement Manager	30 Nov 2018	Reviewed August 2018-ongoing.
	FRDR 0015 D Contracting / partnering	Compliance with Contract Standing Orders.	Rotimi Ajilore	Procurement Manager	30 Nov 2018	Reviewed August 2018-ongoing.
	FRDR 0015 E Contracting / partnering	Substantial Legal Services input into contract	Tim Shields	Rotimi	30 Nov 2018	Reviewed August 2018-

	formulation and on-going advice.		Ajilore; Suki Binjal		ongoing.
FRDR 0015 H Contracting / partnering	Improve and open information flows between the Council and its partners.	Tim Shields	Rotimi Ajilore; Suki Binjal	30 Nov 2018	Reviewed August 2018-ongoing.
FRDR 0015 I Contracting / partnering	Additional training on contract negotiation skills, contract management.	Rotimi Ajilore	Procurement	30 Nov 2018	Reviewed August 2018-ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR 0001 Building Availability INTERNAL RISK FUTURE RISK	The Council is unable to conduct its business due to problems with the some buildings from which it operates. This could be caused by having to catch up on the historical lack of maintenance of buildings. This could result in incident with severe financial or reputational impacts.	Finance & Corporate Resources		<p>June 2018 – Risk reviewed by Strategic Property Services Management team. Ongoing.</p>

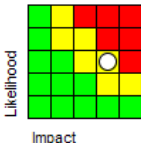

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 001 A: Building Availability	Rolling programme of building surveys initiated to identify condition and risks.	Ian Williams	Chris Pritchard; Karon West-Clarke	31-Mar-2019	June 2018 - ongoing. Also, testing and inspection works to civic buildings under the Directorate's financial control are ongoing, as well as 95% of voluntary sector properties.
FRDR 001 B: Building Availability	Funding for reactive maintenance included in the Capital Programme	Ian Williams	Chris Pritchard; Karon West-Clarke	31-Mar-2019	June 2018 ongoing. This is managed by Corporate Property & Asset Management, (CPAM), for buildings under the Directorates financial control, along with the management of buildings for some other directorates.
FRDR 001 C Building Availability	Planned maintenance arrangements for new campus covering whole building lifecycle has been introduced.	Ian Williams	Chris Pritchard; Karon West-	31-Mar-2019	Ongoing June 2018 - Planned maintenance contract now procured

			Clarke		and on site. CPAM able to cater for all statutory inspections subject to funding availability.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR 0004 Rental Income (Commercial) INTERNAL RISK FUTURE RISK Page 66	As a result of a worsening economy and challenging economic conditions, rent from commercial properties is not received, leaving income dependent service with a budgetary overspend. This creates a considerable risk of a higher incidence of tenant default, void properties, and lower rents being achieved for new lettings, rent reviews and lease renewals. This could have very damaging financial implications for the Council.	Finance & Corporate Resources		<p>June 2018 - Risk reviewed by Strategic Property Services Senior Management Team. There has been a considerable toughening in the commercial property market over the last 12 months, which is adding to this risk and increasing the likelihood. The team are keeping this under review and will ensure that the impact is taken into account in rental income forecasts</p>

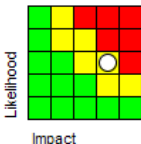

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 004 A Rental Income (Commercial)	Cleansing historic debt as an ongoing process to address rental income	Chris Pritchard	Jonathan Angell	30-Nov-2018	June 2018 - ongoing.
FRDR 004 B Rental Income (Commercial)	Debt collection function located within property service to chase debt and escalate where necessary	Chris Pritchard	Jonathan Angell	30-Nov-2018	June 2018 - ongoing.
FRDR 004 C Rental Income (Commercial)	Regular reporting as part of the OFP on income levels and historic debt.	Chris Pritchard	Jonathan Angell	30-Nov-2018	June 2018 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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FR DR 0009 Utilities cost INTERNAL RISK FUTURE RISK	Increase in utility costs or usage causes budgetary overspends. Also Services are unable to cope with the demands of Climate Change, which could lead to severe financial losses, a damage to Hackney's reputation and a negative impact on the quality of services offered to stakeholders.	Finance & Corporate Resources		June 2018 - Risk ongoing and remaining stable. 
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 0009 A Utilities Cost	EMU team reduce unit costs by monitoring the market and procuring utilities contracts when costs are lowest.	Ian Williams	Chris Pritchard; Karon West-Clarke	31-Mar-2019	Ongoing June 2018
FRDR 0009 B Utilities Cost	Reducing energy demand – a series of initiatives are underway across services. Also there is now an Environmental Sustainability manager in place.	Ian Williams	Chris Pritchard; Karon West-Clarke	31-Mar-2019	June 2018 - Ongoing with lots of proactive work undertaken by Environmental Sustainability Manager and teams.

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FS 0013 PCIDSS Compliance INTERNAL RISK FUTURE RISK	The Council has to be Payment Card Industry (PCI) Data Security Standard (DSS) compliant for all systems related activity, or escalating fines starting at €5,000 can be imposed by the credit card companies. The risk is that due to internal errors, we fail to reach this standard.	Finance & Corporate Resources		Reviewed and updated August 2018.  Software version which is PCI compliant is in place. PCI independent audit completed and identified two remediation points which have been completed.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFS 0013A PCIDSS Compliance	A work stream comprising of staff from Financial Management/HR /Core IT and Cashiers has been created in order to ensure the Council is working to meet the standards across all areas.	Michael Honeysett	John Delgado	15-Nov-2018	Reviewed and updated. August 2018 Software version which is PCI compliant is in place. PCI independent audit

					completed and identified two remediation points which have been completed.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FS 0015 Failure of managed service provider for financial systems INTERNAL RISK FUTURE RISK	Current managed service provider for the Council's main financial system and cash management system goes into liquidation. Council is then unable to raise purchase orders, make payments, raise invoices for sundry debt, maintain general ledger and monitor budgets.	Finance & Corporate Resources		 August 2018- Risk reviewed and ongoing

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 68 FR FS 0015a Failure of managed service provider for financial systems	Detailed contingency plans have been developed in order that the Council could bring back on line main stream financial processes within a couple of days. These include putting in place contingency plans with alternative providers ensuring that we could make payments to suppliers via other contractors and our own in-house facilities. The re-creation of the sundry debt ledger via a macro driven spreadsheet enables us to continue to collect sundry debts.	Michael Honeysett	John Delgado	04-Nov-2018	August 2018 ongoing. Detailed contingency plans have been developed and are tested regularly.
FR FS 0015b Failure of managed service provider for financial systems	We have requested copies of the configuration of the system as well as data from our existing managed service provider, in order that we can look at alternative disaster recovery facilities.	Michael Honeysett	John Delgado	04-Nov-2018	August 2018 - ongoing.
FR FS 0015c Failure of managed service provider for financial systems	The cash management system has been moved out of the existing contract and the service is now provided directly by the software owner (Northgate).	Michael Honeysett	John Delgado	04-Nov-2018	August 2018 - ongoing. Cash management system was moved in February 2014 to Northgate (now CIVICA), so this is completed and ongoing.
FR FS 0015d Failure of managed service provider for financial systems	Comprehensive documentation for the contingency plan has been developed.	Michael Honeysett	John Delgado	04-Nov-2018	August 2018 - ongoing. Detailed contingency plans have been

					developed. In addition, work has been completed for Council to have step in rights with Disaster Recovery company and connections from DR site directly to Hackney, have been set up.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 5 FR FSV 0040 Pensions - Assets Risk EXTERNAL RISK POTENTIAL & CURRENT RISK	Asset risks include: <ul style="list-style-type: none"> . Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. . Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. . Currency risk - The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities). . Environmental, social and governance ("ESG") - The risk that ESG related factors reduce the Fund's ability to generate long-term returns. . Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates. Asset risks are covered in more detail in the Fund's Investment Strategy Statement.	Finance & Corporate Resources		Reviewed September 2018- ongoing. Asset risk includes a number of significant threats to the financial health of the fund. Likelihood is high, as conditions for investment markets over the medium term are likely to be challenging. Impact is also high, given the potential threat to the Fund's ability to pay benefits as they fall due.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0040 A Investment in a range of asset classes	<ul style="list-style-type: none"> . The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes . Rebalancing arrangements in place to ensure the Fund's "actual allocation" does not deviate substantially from its target - The Fund invests in a range of investment mandates 	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018- ongoing.

	each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.				
FR FSV 0040 B Cashflow monitoring	. Investment across a range of assets, including liquid quoted equities and bonds, as well as property . Majority of the Fund's assets realisable at short notice . Medium term future cash flow position assessed at least triennially to indicate likely future income requirements. - Actual cashflows monitored on a regular (quarterly) basis to provide early warning of any insufficient funds	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018- ongoing.
FR FSV 0040 C Currency hedging	. Investment in a range of overseas markets, providing a diversified approach to currency markets. - Maintenance of a 50% hedge to USD, EUR and JPY exposures within active global equity mandates.	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018- ongoing.
Page 70 FR FSV 0040 D ESG Policy	The Fund has an ESG policy in place in its Investment Strategy Statement. More detail on the management of carbon specific ESG risks is provided in the 'Climate Change' risk section.	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018- ongoing.
FR FSV 0040 E Multiple Managers & Performance assessment	. Appointment of more than one manager . Having a proportion of the Scheme's assets managed on a passive basis. . Regular assessment of performance - Replacement of managers if underperformance persists	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0043 Pensions - Inaccurate or Late Pay Information Supplied to Hackney Pension Fund (LGPS)/Local Pensions Partnership (LGPS)/Teachers Pensions INTERNAL RISK CURRENT RISK	Inaccurate payroll data supplied to the Hackney Pension Fund introduces the following risks: <ul style="list-style-type: none"> Fund actuary unable to properly assess funding position – Council contributions rise as a result Inaccurate member pension records – potential under/overpayment of benefits and potential for claims against the Council. 	Finance & Corporate Resources		<p>Reviewed September 2018 – the likelihood of this risk remains very high. Significant problems with the payroll data being provided by the Council has meant that the quality of membership data has deteriorated since the introduction of the 2014 scheme. The</p>

	<ul style="list-style-type: none"> • Enforcement action against the Council by the Pensions Regulator • Reputational risks <p>Inaccurate payroll data supplied to the Local Pensions Partnership introduces the following risks:</p> <ul style="list-style-type: none"> • Inaccurate member pension records – potential under/overpayment of benefits and potential for claims against the Council. • Reputational risks • Costs recharged to the Council as a result of enforcement action against LPP by the Pensions Regulator <p>Inaccurate payroll data supplied to Teachers Pensions introduces the following risks:</p> <ul style="list-style-type: none"> • Inaccurate member pension records – potential under/overpayment of benefits and potential for claims against the Council. • Reputational risks <p>Enforcement action against the Council by the Pensions Regulator</p>			<p>complexity of the scheme has increased significantly and the Council's payroll provider has been unable to respond to these changes, resulting in consistently poor provision of vital data across the Fund's largest employer. A new payroll system was introduced in July 2017; although material progress has been made since the last review on developing pension reporting between the Council and Equiniti, progress has been slow and the results are not yet certain.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0043 A Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn; Lorraine Robinson	30-Dec-2018	Reviewed September 2018 - ongoing.
FRTP 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that	Michael Honeysett; Dan	Rachel	07-Dec-2018	Reviewed September

	employers paying across correct contributions along with membership data being supplied	Paul	Cowburn; Lorraine Robinson		2018. Good communication with payroll, as accurate data is very important.
FRTP 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance.	Michael Honeysett	Rachel Cowburn	07-Dec-2018	Reviewed September 2018
FRTP 0043 D Payroll development	Ongoing work with the Council's payroll team to assist in developing Business As Usual processes for iTrent (payroll system) which are them owned and run by the payroll team. The Council's payroll supplies data for the vast majority of the Fund – the Fund's involvement with the implementation helps ensure the importance of good quality pension reporting is recognised.	Michael Honeysett; Dan Paul	Rachel Cowburn	07-Dec-2018	Reviewed September 2018

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0053 Pension Funding Risk EXTERNAL RISK FUTURE RISK	<p>Funding risks include:</p> <ul style="list-style-type: none"> . Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities. . Inflation risk. The risk that price and pay inflation is significantly more than anticipated, increasing the value of pension benefits accrued by active and deferred members of the Fund as well as increasing the value of pensions in payment. . Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. . Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. <p>Further detail on the treatment of funding risks can be found within the Funding Strategy Statement</p>	Finance & Corporate Resources		<p>Reviewed September 2018– likelihood of risk materialising remains high, given the likelihood of challenging conditions in investment markets and the ongoing impact of changing demographics. Impact will vary, depending on the severity of issues faced, but this is one of the most significant risks faced by the Fund over the long term. Score has risen since earlier in year.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 0053B Pension - Valuation Monitoring	Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify: <ul style="list-style-type: none"> . financial mismatch . falling risk free returns on government bonds . higher than anticipated inflation. . Increasing fund maturity . Insufficient deficit reduction payments 	Michael Honeysett	Rachel Cowburn	30-Dec-2018	Reviewed September 2018- ongoing.
FRFSV 0053C Diversified Portfolio	The Fund seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.	Michael Honeysett	Rachel Cowburn	08-Dec-2018	Reviewed September 2018- ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 73 FR IT 0001 Information Assets INTERNAL RISK FUTURE RISK	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). 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.	Finance & Corporate Resources		<p>September 2018: The programme of work to implement enhancements to the Council's information governance arrangements in line with the requirements of the new Data Protection Act and the General Data Protection Regulation is continuing and progress is reported into the Council's Information Governance Group which meets quarterly. A recent (August 2018) internal audit review of the Council's preparations for GDPR gave an assessment of Reasonable Assurance.</p> <p>The Council's accreditations for the NHS IG Toolkit (which is being replaced by a new assurance framework) and the PSN Code of Connection are up to date and renewing these is part of BAU activity coordinated by the ICT Services division.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management Page 74	<p>Ensure effective information management policy and processes are in place so that the Council meets the 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>	Ian Williams	Matthew Cain	01-Dec-2018	September 2018: The programme of work to implement enhancements to the Council's information governance arrangements in line with the requirements of the new Data Protection Act and the General Data Protection Regulation is continuing and progress is reported into the Council's Information Governance Group which meets quarterly. A recent internal audit review of the Council's preparations for GDPR gave an assessment of Reasonable Assurance.
FR IT 0001c EU General Data Protection Regulation: preparing for compliance from May 2018	<p>Implement the programme of preparatory activity to support Hackney's compliance with the GDPR. 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	Matthew Cain	01-July-2018	September 2018: The programme of work to implement enhancements to the Council's information governance arrangements in line with the requirements of the new Data Protection Act and the General Data Protection Regulation is continuing and progress is reported into the Council's Information Governance Group which meets quarterly. A recent internal audit review of the Council's preparations for GDPR gave an assessment of Reasonable Assurance.

					Assurance.
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.</p> <p>It will be critical to ensure that 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 is an ongoing activity (no fixed end date).</p>	Ian Williams	Matthew Cain	01-July-2018	September 2018: Control ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 75</p> <p>FR IT 0003 Resilience of ICT systems / Disaster Recovery INTERNAL RISK FUTURE RISK</p>	<p>The Council does not currently have disaster recovery provision in place for recovery of critical ICT systems in the event of a major failure affecting the Council's hosting facility provider (Advanced 365). The clear risk here would be the loss/unavailability of the external data centre (single point of failure).</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>	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>September 2018 – The rating is judged to remain stable (after previously falling from an even higher likelihood). This was a reflection of the work that had taken place to improve resilience / DR provision.</p> <p>DR provision is in place for critical systems and 1200 <i>myoffice</i> desktop sessions as additional infrastructure capacity has been added.</p> <p>Successful DR testing has recently taken place, providing assurance of overall resilience.</p> <p>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</p>

				<p>critical part of future planning. The recent BA incident emphasises the importance of careful management within this area.</p> <p>As of September 2018, there are no further updates - the Council has tested DR provision in place and the ICT Services division's Business Continuity Plan has been signed off and tested. A review of DR provision was included in the 2017/18 internal audit plan and any new risks identified will be followed up as part of the division's audit responses.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>Page 76</p> <p>FR IT 0003a Resilience of ICT systems / Disaster Recovery</p>	<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	Henry Lewis	1 Dec 2018	<p>Migration to G Suite is completing by summer 2018. Options for cloud hosting of the Council website continue to be under consideration</p> <p>September 2018: no further update - the Council has tested DR provision in place and the ICT Services division's Business Continuity Plan has been signed off and tested. A review of DR provision was included in the 2017/18 internal audit plan and any new risks identified will be followed up as part of the division's audit responses.</p>
FR IT 0003b Review of Business Continuity Plans across the Council's services.	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	Rob Miller; Ian Williams	Henry Lewis	1 Dec 2018	A Business Continuity Management Group started regular meetings as of July 2017.

	that their plans are based on accurate expectations of the provision available. 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.				September 2018: the corporate review of Business Continuity Plans has completed.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 17 FR IT 0006 Cyber / Information Security INTERNAL / EXTERNAL RISK FUTURE RISK	There is a risk that the security of Council's systems, network and devices could be compromised.	Finance & Corporate Resources		 The likelihood slightly decreased (4 to 3) at the last review in light of positive progress made in making cyber security more robust. This remains stable. This is an ongoing risk and of increasing importance as more Council services are dependent on ICT and electronic information. Also, there is an increasing internal awareness (of staff) of the concept of cyber risks (and what precautions to take). With the move to the new system on G-suite, all transitions will be in line with Information Security risk management. September 2018: The Council's accreditations for the NHS IG Toolkit (which is being replaced by a new assurance framework) and the PSN Code of Connection are up to date and renewing these is part of BAU activity coordinated by the ICT Services division.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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; Ian Williams	Henry Lewis	22-Dec-2018	September 2018: enhanced training has been developed and these

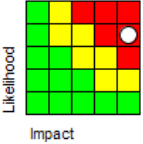

	This will be an ongoing activity (no fixed end date).				<p>are now being rolled out to all users as Digital Action Plans. As at the end of August over 1500 users had completed the training and this will continue to ensure full compliance (with annual refreshers thereafter).</p> <p>On a national scale, attacks have recently been reported in the media and a reminder was issued to all staff about the need to take care when clicking on links in emails. Systems have also been checked to ensure that the specific patch which closes this vulnerability has been applied.</p>
FR IT 0006c Ensure that all hardware and software is supported for security updates.	<p>Ensure that infrastructure and application lifecycle management practices are in place and functioning effectively so that the Council's systems remain supported.</p> <p>This will be an ongoing activity (no fixed end date).</p>	Rob Miller; Ian Williams	Henry Lewis	22-Dec-2018	<p>Priority updates have been completed in line with the PSN Code of Connection submission. The ICT Security Group are reviewing the processes for management of security patches and planned refresh of out of data software and hardware. This is ongoing as part of continuous maintenance and patching.</p> <p>September 2018: the Council's PSN accreditation was renewed in August 2018 and the ICT Security Group will continue to</p>

					monitor activity to deliver continual improvement to the Council's systems security and maintenance.
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; Ian Williams	Henry Lewis	22-Dec-2018	Feb 2018 - This is currently on hold pending completion of more time critical upgrade and refresh work. September 2018: no further update.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 18 RV 001 Impact of Universal Credit and other welfare reforms EXTERNAL RISK FUTURE & FUTURE RISK	Universal Credit is administered by the DWP/JCP (Job Centre Plus) and has been live within the borough since March 2016 for job seeking singles only. Universal Credit full service will roll out within borough later in 2018 for all claimant types for new claims. Failure to properly deal with these reforms could result in an increase in arrears, higher legal costs, increased evictions, a heavier administrative burden and pressure on the vulnerable. These impacts would be financial, legislative and reputational and directly affect the local community.	Finance & Corporate Resources		 September 2018. Rollout for Universal Credit full service for Hackney is now delayed until October 2018. Temporary accommodation has now been removed from Universal Credit, so partially mitigated, but the impact of the full rollout remains a challenge.

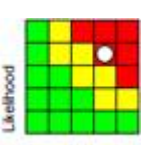
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR RV 1718 Impact of Universal Credit and new Welfare Reforms	The risks have been / are being managed by detailed programmes of training and briefings for staff, DHP training for frontline staff, and 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 also further contributing to making transitions as smooth as possible. Housing Services and the rest of the Council are working together to mitigate the effect through	Ian Williams	Kay Brown	30-May-2018	October 2018 - All welfare reforms have been implemented apart from full rollout of Universal Credit which will last until 2022. The rollout for Full Service Universal Credit remains a risk for the Council particularly in the areas of housing rent

	early engagement, budgeting and debt advice and employment signposting.				collection and the impact to the HRA. A corporate working group is in place and reports to Sonia Khan, Head of Policy and Partnerships. Communications and the advice partnership funding and contracts are being adjusted to cope with demand.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 80 FR RV 002 Impact of rising property prices and rents EXTERNAL RISK CURRENT & FUTURE RISK	Impact of rising property prices and rents. As Hackney has become a more desirable place to live, the steep increase in property prices and in turn rental costs has meant that it has become increasingly difficult for those on low incomes and welfare benefits to reside in the borough. This has led to an increase in overcrowding and in those making homeless applications and needing emergency accommodation.	Finance & Corporate Resources		 October 2018 - Property prices and rental rates are still high. The ability to discharge the Councils housing duty within the borough is high on impossible due to the issue of affordability. Analysis shows that only 6% of available private rented sector rents are affordable to those on low income and welfare benefits. Demand for affordable housing far outstrips supply even with the Councils regeneration and building programmes. Households are encouraged to re-locate in areas that they can afford the private rented sector as there is not enough social housing to satisfy demand. There has been limited success with assisting households to re-settle in Bradford and Birmingham. Numbers in temporary accommodation are stable through use of homeless prevention activities. Void units are still being passed over for use as temporary accommodation in batches. Pan London rates still adhered to for property procurement. Homeless applications

				stable but acceptance rate has increased.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR RV 002 Impact of rising property prices and rents.	The cost of which is expensive both to residents and the Council. These risks are mitigated by strict financial controls in place when procuring properties for placements, the use of empty Council owned buildings wherever possible and robust decision making on homeless applications. Move On Team now in existence to resettle households out of the borough into affordable accommodation.	Ian Williams	Kay Brown	18-Jul-2018	October 2018 - control ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 81 SRCR 0030 Pressures on Temporary Accommodation INTERNAL RISK CURRENT RISK	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	 Likelihood Impact	October 2018 – 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”. The Governments new Homelessness Reduction Act took effect from April 2018. Early impacts show that (April - July) approaches for housing advice and assistance have increased by 29% and correspondingly temporary accommodation placements have increased by 13%. Households in Temporary Accommodation have reached in excess of 3000, with 1000 of these placed outside the borough. Procurement of additional temporary accommodation is ongoing as well as discharging the Council housing duty into the private rented sector in more affordable parts of the UK. Overall, the Act decisively modifies and extends existing homelessness protection. Additionally, Benefits and Housing Needs are forecasting a 15% increase year on year of households in temporary accommodation, so it is always increasing. Risk score remains the same.

Control Title	Control Description	Responsible Group Director / Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0030a 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	31-Oct-2018	Control ongoing May 2018
SRCR 0030b 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	31-Oct-2018	Control ongoing May 2018
SRCR 0030c 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	31-Oct-2018	Control ongoing May 2018

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0002 Management of Capital Programmes / Schemes EXTERNAL RISK FUTURE RISK	<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.</p> <p>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>	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>May 2018 - 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. In terms of this financial year, the capital programme for 2018/19 is £429m (non-Housing schemes totalling £207m and Housing schemes totalling £222m). The plans for Britannia of course, go beyond Housing, which makes this scheme all the more important, and one of the most ambitious in the programme. There are detailed separate risk registers for projects such as Britannia. Britannia has a commercial lead on its senior</p>

				<p>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. This should also provide extra assurance about how a major project is being managed.</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 had to rise to a 5, however the likelihood could decrease to a 3 as the controls (and previous experience) provided assurance that the Council was well positioned to manage this risk. Since April, the risk has remained stable.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 88 SRCR 0002A Management of Capital Programmes / Schemes	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.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Michael Honeysett	31-Oct-2018	July 2018 – ongoing. The latest Capital Programme has been agreed (at £429m) and no revisions announced as yet. Last year’s actual capital expenditure to March 2018 was at £271,000,000, £8m below the current revised budget. Such regular (quarterly) reporting should provide increased assurance that everything is being astutely managed, especially with out-turns being below budget.
SRCR 0002B Management of Major Capital Schemes	Major schemes are managed via project boards to ensure appropriate actions are taken to ensure delivery of scheme to expected standards	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Michael Honeysett	31-Oct-2018	September 2018 - ongoing.
SRCR 0002C Management of Major Capital Schemes	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.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Michael Honeysett	31-Oct-2018	September 2018 - ongoing. A refresh of the capital programme has been completed as part of the budget process for 18/19 - and a review of the overall corporate strategy.



PERFORMANCE OVERVIEW

AUDIT COMMITTEE MEETING DATE
2018/19
15 October 2018

CLASSIFICATION:
Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. GROUP DIRECTOR'S INTRODUCTION

- 1.1. This overview provides an updated set of reports 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. It provides an updated set of key performance indicators along with an update on risk management with a Corporate Scorecard (summarising the highest risks to the organisation as a whole), and some accompanying commentary on the Council's risk approach.
- 1.2. The report also sets out the latest capital programme monitoring with some enhanced analysis of the variances to budget. Further enhancements to this section of the report are anticipated over future reports as discussed at previous Audit Committees, specifically in relation to the financing of the programme.

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 update in Appendix 3.**

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 (Appendix 1) 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 moving 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. Work is underway that will enable us in future to supplement this 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 It should be noted that the capital monitoring report to Cabinet and hence to Audit Committee now includes more discrete data regarding the actual delivery of the capital programme. This is in recognition that the previous reporting focused on the financial elements (i.e., actual outturn compared to budget expenditure) but did not give too much indication of progress of the schemes, 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 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. At each meeting, an updated scorecard of the Corporate

Risks will be presented, and this will form the main part **Appendix 2**. This will ensure a continual overview is supplied of the Council's strategic risks.

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 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 OFP re Capital Monitoring

BACKGROUND PAPERS

None

Report Author	Matt Powell ☎020-8356 2624 matthew.powell@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Michael Honeysett ☎020-8356 3332 michael.honeysett@hackney.gov.uk
Comments of Director, Legal	Dawn Carter-McDonald ☎020-8356 4817 dawn.carter-mcdonald@hackney.gov.uk

Audit Committee Report Q1 2018



PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19 Note	Annual Target 2018/19	DOT	Traffic Light	Chart																										
		Value	Value	Value																															
CACH CSC 010 Page 91	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	98.6%	99.0%	Not measured for Quarters		100%	↑	⚠	<p>CACH CSC 010 Percentage of child protection cases which were reviewed within required timescales (ex NI 67)</p> <table border="1"> <caption>CACH CSC 010 Data</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>95.0%</td> </tr> <tr> <td>2014/15</td> <td>92.0%</td> </tr> <tr> <td>2015/16</td> <td>95.0%</td> </tr> <tr> <td>2016/17</td> <td>98.0%</td> </tr> <tr> <td>2017/18</td> <td>98.0%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	95.0%	2014/15	92.0%	2015/16	95.0%	2016/17	98.0%	2017/18	98.0%														
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CE HROD 023	% of employees aged 50 or over	36.4%	38.6%	39.0%		Data Only	↓	📊	<p>CE HROD 023 % of employees aged 50 or over</p> <table border="1"> <caption>CE HROD 023 % of employees aged 50 or over</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>34.6%</td></tr> <tr><td>Q2 2015/16</td><td>34.4%</td></tr> <tr><td>Q3 2015/16</td><td>34.8%</td></tr> <tr><td>Q4 2015/16</td><td>33.8%</td></tr> <tr><td>Q1 2016/17</td><td>35.9%</td></tr> <tr><td>Q2 2016/17</td><td>36.0%</td></tr> <tr><td>Q3 2016/17</td><td>36.4%</td></tr> <tr><td>Q4 2016/17</td><td>37.2%</td></tr> <tr><td>Q1 2017/18</td><td>37.1%</td></tr> <tr><td>Q2 2017/18</td><td>38.0%</td></tr> <tr><td>Q3 2017/18</td><td>38.1%</td></tr> <tr><td>Q4 2017/18</td><td>38.6%</td></tr> <tr><td>Q1 2018/19</td><td>39.0%</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	Value	Q1 2015/16	34.6%	Q2 2015/16	34.4%	Q3 2015/16	34.8%	Q4 2015/16	33.8%	Q1 2016/17	35.9%	Q2 2016/17	36.0%	Q3 2016/17	36.4%	Q4 2016/17	37.2%	Q1 2017/18	37.1%	Q2 2017/18	38.0%	Q3 2017/18	38.1%	Q4 2017/18	38.6%	Q1 2018/19	39.0%
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Q1 2018/19	39.0%																																				
CE HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	27.10%	27.01%	25.22%		25.00%	↓	✅	<p>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</p> <table border="1"> <caption>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>25.84%</td></tr> <tr><td>Q2 2015/16</td><td>27.22%</td></tr> <tr><td>Q1 2016/17</td><td>28.19%</td></tr> <tr><td>Q2 2016/17</td><td>27.72%</td></tr> <tr><td>Q3 2016/17</td><td>26.63%</td></tr> <tr><td>Q4 2016/17</td><td>25.84%</td></tr> <tr><td>Q1 2017/18</td><td>26.46%</td></tr> <tr><td>Q2 2017/18</td><td>25.73%</td></tr> <tr><td>Q3 2017/18</td><td>25.45%</td></tr> <tr><td>Q4 2017/18</td><td>27.01%</td></tr> <tr><td>Q1 2018/19</td><td>25.22%</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	Value	Q1 2015/16	25.84%	Q2 2015/16	27.22%	Q1 2016/17	28.19%	Q2 2016/17	27.72%	Q3 2016/17	26.63%	Q4 2016/17	25.84%	Q1 2017/18	26.46%	Q2 2017/18	25.73%	Q3 2017/18	25.45%	Q4 2017/18	27.01%	Q1 2018/19	25.22%				
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PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																												
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CE HROD 030a	Top 5% of earners: Women (ex BV 11a)	49.58%	52.41%	54.39%		50.00%	↑	🟢	<p>CE HROD 030a Top 5% of earners: Women (ex BV 11a)</p> <table border="1"> <caption>CE HROD 030a Top 5% of earners: Women (ex BV 11a)</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>49.28%</td></tr> <tr><td>Q2 2015/16</td><td>49.53%</td></tr> <tr><td>Q1 2016/17</td><td>48.72%</td></tr> <tr><td>Q2 2016/17</td><td>49.15%</td></tr> <tr><td>Q3 2016/17</td><td>49.78%</td></tr> <tr><td>Q4 2016/17</td><td>50.67%</td></tr> <tr><td>Q1 2017/18</td><td>48.29%</td></tr> <tr><td>Q2 2017/18</td><td>51.00%</td></tr> <tr><td>Q3 2017/18</td><td>49.73%</td></tr> <tr><td>Q4 2017/18</td><td>52.41%</td></tr> <tr><td>Q1 2018/19</td><td>54.39%</td></tr> </tbody> </table>	Quarter	Percentage	Q1 2015/16	49.28%	Q2 2015/16	49.53%	Q1 2016/17	48.72%	Q2 2016/17	49.15%	Q3 2016/17	49.78%	Q4 2016/17	50.67%	Q1 2017/18	48.29%	Q2 2017/18	51.00%	Q3 2017/18	49.73%	Q4 2017/18	52.41%	Q1 2018/19	54.39%				
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CE PPD 021	Number of Resolution Stage complaints received by the Council	3367	2967	724		Data Only	↓	📊	<p>CE PPD 021 Number of Resolution Stage complaints received by the Council</p> <table border="1"> <caption>CE PPD 021 Number of Resolution Stage complaints received by the Council</caption> <thead> <tr> <th>Quarter</th> <th>Number of Complaints</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>704</td></tr> <tr><td>Q2 2015/16</td><td>616</td></tr> <tr><td>Q3 2015/16</td><td>627</td></tr> <tr><td>Q4 2015/16</td><td>736</td></tr> <tr><td>Q1 2016/17</td><td>875</td></tr> <tr><td>Q2 2016/17</td><td>837</td></tr> <tr><td>Q3 2016/17</td><td>812</td></tr> <tr><td>Q4 2016/17</td><td>843</td></tr> <tr><td>Q1 2017/18</td><td>758</td></tr> <tr><td>Q2 2017/18</td><td>765</td></tr> <tr><td>Q3 2017/18</td><td>730</td></tr> <tr><td>Q4 2017/18</td><td>714</td></tr> <tr><td>Q1 2018/19</td><td>724</td></tr> </tbody> </table>	Quarter	Number of Complaints	Q1 2015/16	704	Q2 2015/16	616	Q3 2015/16	627	Q4 2015/16	736	Q1 2016/17	875	Q2 2016/17	837	Q3 2016/17	812	Q4 2016/17	843	Q1 2017/18	758	Q2 2017/18	765	Q3 2017/18	730	Q4 2017/18	714	Q1 2018/19	724
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PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																												
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FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	10.0 days (YTD)	13.2 days (YTD)	8.7 days (YTD)		20.0 days (YTD)	↑	🟢	<p>FCR RB BHN 002 Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure</p> <table border="1"> <caption>Data for FCR RB BHN 002 Chart</caption> <thead> <tr> <th>Quarter</th> <th>Days (YTD)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>11.3</td></tr> <tr><td>Q2 2015/16</td><td>10.6</td></tr> <tr><td>Q3 2015/16</td><td>10.5</td></tr> <tr><td>Q4 2015/16</td><td>9.1</td></tr> <tr><td>Q1 2016/17</td><td>11.3</td></tr> <tr><td>Q2 2016/17</td><td>11.8</td></tr> <tr><td>Q3 2016/17</td><td>11.8</td></tr> <tr><td>Q4 2016/17</td><td>10.0</td></tr> <tr><td>Q1 2017/18</td><td>15.7</td></tr> <tr><td>Q2 2017/18</td><td>17.4</td></tr> <tr><td>Q3 2017/18</td><td>17.4</td></tr> <tr><td>Q4 2017/18</td><td>13.2</td></tr> <tr><td>Q1 2018/19</td><td>8.7</td></tr> </tbody> </table>	Quarter	Days (YTD)	Q1 2015/16	11.3	Q2 2015/16	10.6	Q3 2015/16	10.5	Q4 2015/16	9.1	Q1 2016/17	11.3	Q2 2016/17	11.8	Q3 2016/17	11.8	Q4 2016/17	10.0	Q1 2017/18	15.7	Q2 2017/18	17.4	Q3 2017/18	17.4	Q4 2017/18	13.2	Q1 2018/19	8.7
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FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	2,900	2,867	2,887		Data Only	↓	📊	<p>FCR RB BHN 007 Number of households living in temporary accommodation (ex NI 156)</p> <table border="1"> <caption>Data for FCR RB BHN 007 Chart</caption> <thead> <tr> <th>Quarter</th> <th>Number of Households</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>2,155</td></tr> <tr><td>Q2 2015/16</td><td>2,285</td></tr> <tr><td>Q3 2015/16</td><td>2,377</td></tr> <tr><td>Q4 2015/16</td><td>2,485</td></tr> <tr><td>Q1 2016/17</td><td>2,624</td></tr> <tr><td>Q2 2016/17</td><td>2,723</td></tr> <tr><td>Q3 2016/17</td><td>2,801</td></tr> <tr><td>Q4 2016/17</td><td>2,900</td></tr> <tr><td>Q1 2017/18</td><td>2,949</td></tr> <tr><td>Q2 2017/18</td><td>2,885</td></tr> <tr><td>Q3 2017/18</td><td>2,843</td></tr> <tr><td>Q4 2017/18</td><td>2,867</td></tr> <tr><td>Q1 2018/19</td><td>2,887</td></tr> </tbody> </table>	Quarter	Number of Households	Q1 2015/16	2,155	Q2 2015/16	2,285	Q3 2015/16	2,377	Q4 2015/16	2,485	Q1 2016/17	2,624	Q2 2016/17	2,723	Q3 2016/17	2,801	Q4 2016/17	2,900	Q1 2017/18	2,949	Q2 2017/18	2,885	Q3 2017/18	2,843	Q4 2017/18	2,867	Q1 2018/19	2,887
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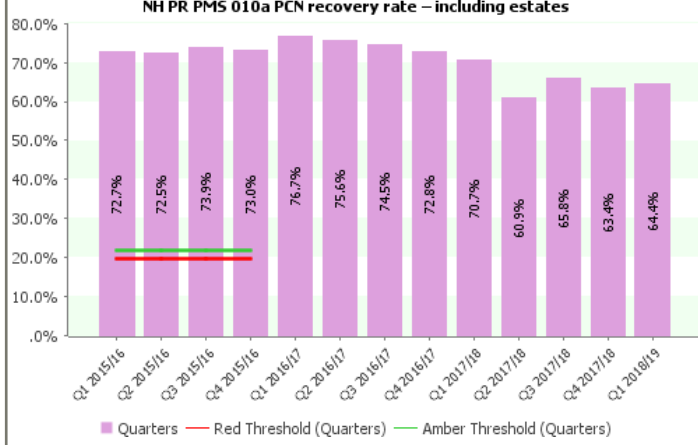
PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																												
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FCR RB REV 003	% of current year Council Tax collected (QRC basis)	94.5%	95.0%	26.9%		94.5%	↓	🟢	<p>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</p> <table border="1"> <caption>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>27.0%</td></tr> <tr><td>Q2 2015/16</td><td>50.1%</td></tr> <tr><td>Q3 2015/16</td><td>73.1%</td></tr> <tr><td>Q4 2015/16</td><td>94.1%</td></tr> <tr><td>Q1 2016/17</td><td>27.3%</td></tr> <tr><td>Q2 2016/17</td><td>50.5%</td></tr> <tr><td>Q3 2016/17</td><td>73.5%</td></tr> <tr><td>Q4 2016/17</td><td>94.5%</td></tr> <tr><td>Q1 2017/18</td><td>27.1%</td></tr> <tr><td>Q2 2017/18</td><td>50.1%</td></tr> <tr><td>Q3 2017/18</td><td>73.4%</td></tr> <tr><td>Q4 2017/18</td><td>95.0%</td></tr> <tr><td>Q1 2018/19</td><td>26.9%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	27.0%	Q2 2015/16	50.1%	Q3 2015/16	73.1%	Q4 2015/16	94.1%	Q1 2016/17	27.3%	Q2 2016/17	50.5%	Q3 2016/17	73.5%	Q4 2016/17	94.5%	Q1 2017/18	27.1%	Q2 2017/18	50.1%	Q3 2017/18	73.4%	Q4 2017/18	95.0%	Q1 2018/19	26.9%
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FCR RB REV 005	Percentage of non-domestic rates collected	96.40%	97.87%	26.06%		95.00%	↓	🟡	<p>FCR RB REV 005 Percentage of non-domestic rates collected</p> <table border="1"> <caption>FCR RB REV 005 Percentage of non-domestic rates collected</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>29.10%</td></tr> <tr><td>Q2 2015/16</td><td>60.00%</td></tr> <tr><td>Q3 2015/16</td><td>82.43%</td></tr> <tr><td>Q4 2015/16</td><td>96.10%</td></tr> <tr><td>Q1 2016/17</td><td>29.07%</td></tr> <tr><td>Q2 2016/17</td><td>61.48%</td></tr> <tr><td>Q3 2016/17</td><td>81.00%</td></tr> <tr><td>Q4 2016/17</td><td>96.40%</td></tr> <tr><td>Q1 2017/18</td><td>28.00%</td></tr> <tr><td>Q2 2017/18</td><td>55.36%</td></tr> <tr><td>Q3 2017/18</td><td>81.00%</td></tr> <tr><td>Q4 2017/18</td><td>97.87%</td></tr> <tr><td>Q1 2018/19</td><td>26.06%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	29.10%	Q2 2015/16	60.00%	Q3 2015/16	82.43%	Q4 2015/16	96.10%	Q1 2016/17	29.07%	Q2 2016/17	61.48%	Q3 2016/17	81.00%	Q4 2016/17	96.40%	Q1 2017/18	28.00%	Q2 2017/18	55.36%	Q3 2017/18	81.00%	Q4 2017/18	97.87%	Q1 2018/19	26.06%
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		Value	Value	Value	Note																																
Page 96 NH H IM 005	Rent Arrears as a % of rent debit	3.21 %	3.52 %	3.62 %	IT problems saw some downtime for Universal Housing which resulted in a negative outturn for quarter 1. A week later, arrears percentage levels had reduced to 3.52% as the team recovered from this downtime. Although arrears levels have stabilised following a long period of increase, the current structure and working practices will not deliver results to target. The implementation of a new IT platform is critical to turn this situation around, and it is anticipated testing of this new platform will be completed in August. To ensure that we remain fit for purpose as the rollout of Universal Credit intensifies from October a revised operating structure has been proposed.	3.40 %	↓	⚠	<p>NH H IM 005 Rent Arrears as a % of rent debit</p> <table border="1"> <caption>NH H IM 005 Rent Arrears as a % of rent debit</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2016/17</td><td>3.33 %</td></tr> <tr><td>Q2 2016/17</td><td>3.33 %</td></tr> <tr><td>Q3 2016/17</td><td>3.46 %</td></tr> <tr><td>Q4 2016/17</td><td>3.21 %</td></tr> <tr><td>Q1 2017/18</td><td>3.32 %</td></tr> <tr><td>Q2 2017/18</td><td>3.41 %</td></tr> <tr><td>Q3 2017/18</td><td>3.65 %</td></tr> <tr><td>Q4 2017/18</td><td>3.52 %</td></tr> <tr><td>Q1 2018/19</td><td>3.62 %</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2016/17	3.33 %	Q2 2016/17	3.33 %	Q3 2016/17	3.46 %	Q4 2016/17	3.21 %	Q1 2017/18	3.32 %	Q2 2017/18	3.41 %	Q3 2017/18	3.65 %	Q4 2017/18	3.52 %	Q1 2018/19	3.62 %								
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NH H IM 006	Total value of rent arrears YTD (Total)	£4,055,527.23	£4,414,846.32	£4,616,847.00		£3,805,854.00	↓	⚠	<p>NH H IM 006 Total value of rent arrears YTD (Total)</p> <table border="1"> <caption>NH H IM 006 Total value of rent arrears YTD (Total)</caption> <thead> <tr> <th>Quarter</th> <th>Value (£)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>£4,247,514.73</td></tr> <tr><td>Q2 2015/16</td><td>£4,114,982.88</td></tr> <tr><td>Q3 2015/16</td><td>£4,415,871.84</td></tr> <tr><td>Q4 2015/16</td><td>£4,238,766.20</td></tr> <tr><td>Q1 2016/17</td><td>£4,296,632.65</td></tr> <tr><td>Q2 2016/17</td><td>£4,273,049.97</td></tr> <tr><td>Q3 2016/17</td><td>£4,398,455.77</td></tr> <tr><td>Q4 2016/17</td><td>£4,055,527.23</td></tr> <tr><td>Q1 2017/18</td><td>£4,220,588.72</td></tr> <tr><td>Q2 2017/18</td><td>£4,308,321.90</td></tr> <tr><td>Q3 2017/18</td><td>£4,598,598.35</td></tr> <tr><td>Q4 2017/18</td><td>£4,414,846.32</td></tr> <tr><td>Q1 2018/19</td><td>£4,616,847.00</td></tr> </tbody> </table>	Quarter	Value (£)	Q1 2015/16	£4,247,514.73	Q2 2015/16	£4,114,982.88	Q3 2015/16	£4,415,871.84	Q4 2015/16	£4,238,766.20	Q1 2016/17	£4,296,632.65	Q2 2016/17	£4,273,049.97	Q3 2016/17	£4,398,455.77	Q4 2016/17	£4,055,527.23	Q1 2017/18	£4,220,588.72	Q2 2017/18	£4,308,321.90	Q3 2017/18	£4,598,598.35	Q4 2017/18	£4,414,846.32	Q1 2018/19	£4,616,847.00
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Page 97 NH H RespRep 001	% of Repair Appointments Kept	78.04%	92.82%	96.30%	This PI has seen a positive trend similar to other operational repairs PIs and has now exceeded the Service Target. In the last few weeks a Business Intelligence Analyst, from the Housing Transformation team, has been spending two days a week with the DLO team, working directly with managers to help them interrogate/fully utilise Qlikview to identify and resolve any emerging issues. This exercise has helped to resolve a number of issues and improve performance.	95.00%	↑	🟢	<p>NH H RespRep 001 % of Repair Appointments Kept</p> <table border="1"> <caption>NH H RespRep 001 % of Repair Appointments Kept</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>82.39%</td></tr> <tr><td>Q2 2015/16</td><td>81.54%</td></tr> <tr><td>Q3 2015/16</td><td>81.25%</td></tr> <tr><td>Q4 2015/16</td><td>81.41%</td></tr> <tr><td>Q1 2016/17</td><td>78.72%</td></tr> <tr><td>Q2 2016/17</td><td>76.89%</td></tr> <tr><td>Q3 2016/17</td><td>77.61%</td></tr> <tr><td>Q4 2016/17</td><td>78.81%</td></tr> <tr><td>Q1 2017/18</td><td>93.97%</td></tr> <tr><td>Q2 2017/18</td><td>92.72%</td></tr> <tr><td>Q3 2017/18</td><td>91.98%</td></tr> <tr><td>Q4 2017/18</td><td>92.73%</td></tr> <tr><td>Q1 2018/19</td><td>96.30%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	82.39%	Q2 2015/16	81.54%	Q3 2015/16	81.25%	Q4 2015/16	81.41%	Q1 2016/17	78.72%	Q2 2016/17	76.89%	Q3 2016/17	77.61%	Q4 2016/17	78.81%	Q1 2017/18	93.97%	Q2 2017/18	92.72%	Q3 2017/18	91.98%	Q4 2017/18	92.73%	Q1 2018/19	96.30%
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NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction)	72.11%	62.97%	65.9%	The indicator has remained red, but the Q1 2018/19 outturn of 65.9% is the highest reported figure since the introduction of the new satisfaction survey methodology in Q2 2017/18. In order to maintain the progress that has been seen, a range of dashboards have been developed via Qlik and rolled out to managers so that they can effectively monitor and manage operative RFT performance. These dashboards provide managers with daily access to (a) RFT operational data for each operative, (b) all new satisfaction survey returns so that they can quickly identify resident dissatisfaction and take immediate action to resolve the issues that have been raised regarding the service provided.	85%	↑	🔴	<p>NH H RespRep 002 % of repairs completed on first visit (based on tenant satisfaction)</p> <table border="1"> <caption>NH H RespRep 002 % of repairs completed on first visit (based on tenant satisfaction)</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>74.83%</td></tr> <tr><td>Q2 2015/16</td><td>76.61%</td></tr> <tr><td>Q3 2015/16</td><td>74.7%</td></tr> <tr><td>Q4 2015/16</td><td>73.06%</td></tr> <tr><td>Q1 2016/17</td><td>75.92%</td></tr> <tr><td>Q2 2016/17</td><td>67.98%</td></tr> <tr><td>Q3 2016/17</td><td>76.14%</td></tr> <tr><td>Q4 2016/17</td><td>70.09%</td></tr> <tr><td>Q1 2017/18</td><td>54.81%</td></tr> <tr><td>Q2 2017/18</td><td>64.97%</td></tr> <tr><td>Q3 2017/18</td><td>63.1%</td></tr> <tr><td>Q4 2017/18</td><td>65.9%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	74.83%	Q2 2015/16	76.61%	Q3 2015/16	74.7%	Q4 2015/16	73.06%	Q1 2016/17	75.92%	Q2 2016/17	67.98%	Q3 2016/17	76.14%	Q4 2016/17	70.09%	Q1 2017/18	54.81%	Q2 2017/18	64.97%	Q3 2017/18	63.1%	Q4 2017/18	65.9%		
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NH H RespRep 003	% of repairs completed on first visit (based on system generated data)	92.3%	40.63%	82.6%	The shift to mobile working and the joint working between the DLO and the Housing Transformation team described above has yielded highly positive results in relation to this PI. At end Q4 2017/18 the corresponding figure was 51.3%.	85%	↑	▲	<p>NH H RespRep 003 % of repairs completed on first visit (based on system generated data)</p> <table border="1"> <caption>NH H RespRep 003 % of repairs completed on first visit</caption> <thead> <tr> <th>Quarter</th> <th>% of repairs completed on first visit</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>93.99%</td></tr> <tr><td>Q2 2015/16</td><td>93.29%</td></tr> <tr><td>Q3 2015/16</td><td>92.38%</td></tr> <tr><td>Q4 2015/16</td><td>92.18%</td></tr> <tr><td>Q1 2016/17</td><td>91.82%</td></tr> <tr><td>Q2 2016/17</td><td>91.97%</td></tr> <tr><td>Q3 2016/17</td><td>93.05%</td></tr> <tr><td>Q4 2016/17</td><td>92.26%</td></tr> <tr><td>Q1 2017/18</td><td>42.73%</td></tr> <tr><td>Q2 2017/18</td><td>26.67%</td></tr> <tr><td>Q3 2017/18</td><td>41.36%</td></tr> <tr><td>Q4 2017/18</td><td>51.3%</td></tr> <tr><td>Q1 2018/19</td><td>82.6%</td></tr> </tbody> </table>	Quarter	% of repairs completed on first visit	Q1 2015/16	93.99%	Q2 2015/16	93.29%	Q3 2015/16	92.38%	Q4 2015/16	92.18%	Q1 2016/17	91.82%	Q2 2016/17	91.97%	Q3 2016/17	93.05%	Q4 2016/17	92.26%	Q1 2017/18	42.73%	Q2 2017/18	26.67%	Q3 2017/18	41.36%	Q4 2017/18	51.3%	Q1 2018/19	82.6%
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NH H Voids 001	Average time taken to re-let local authority housing [all voids including major & minor voids]	64 days	70 days	72 days	Performance has improved during the Quarter, from an average time taken of 83 days in April 2018 to 66 days in June - 72 days average for the Quarter. However, the average time taken for the month of June is still outside of the target of 62 days. The Service continues to deal with a number of long term voids, which disproportionately affect turnaround times and budgets. For example, there were 2 properties during the quarter that were re-let after being void for a year, and there were 10 others that had been vacant for between 3 to 6 months. The issues that affected these properties varied from structural works, asbestos works, new kitchens and bathrooms being fitted and the replacement of heating systems. A final report was considered and approved by HSMT on 28 March 2018, which identifies processes where the	62 days	↑	⬮	<p>NH H Voids 001 Average time taken to re-let local authority housing [all voids including major & minor voids]</p> <table border="1"> <caption>NH H Voids 001 Average time taken to re-let local authority housing</caption> <thead> <tr> <th>Quarter</th> <th>Average time taken to re-let (days)</th> </tr> </thead> <tbody> <tr><td>Q1 2016/17</td><td>68 days</td></tr> <tr><td>Q2 2016/17</td><td>62 days</td></tr> <tr><td>Q3 2016/17</td><td>63 days</td></tr> <tr><td>Q4 2016/17</td><td>62 days</td></tr> <tr><td>Q1 2017/18</td><td>73 days</td></tr> <tr><td>Q2 2017/18</td><td>70 days</td></tr> <tr><td>Q3 2017/18</td><td>64 days</td></tr> <tr><td>Q4 2017/18</td><td>73 days</td></tr> <tr><td>Q1 2018/19</td><td>72 days</td></tr> </tbody> </table>	Quarter	Average time taken to re-let (days)	Q1 2016/17	68 days	Q2 2016/17	62 days	Q3 2016/17	63 days	Q4 2016/17	62 days	Q1 2017/18	73 days	Q2 2017/18	70 days	Q3 2017/18	64 days	Q4 2017/18	73 days	Q1 2018/19	72 days								
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					management and maintenance of our properties could be improved or changed to reduce void costs in the future, and in addition how the Asset Management and investment works should be better targeted in order to reduce the scale of future void works. Discussions are now underway to address the organisational and structure options for the Voids function.																															
NH PR PMS 007a	Number of PCNs issued - total	122277	118363	40457	<p>The sharp growth in the number of PCNs issued in June, July and August is solely due to the commencement of enforcement of a timed banned left turn from Mare Street into Richmond Road, which is part of the council's pioneering school streets initiative which is improving air quality and making it easier and safer for families to walk and cycle to and from school.</p> <p>While the signage around the junction met all Department for Transport requirements prior to enforcement beginning, Streetscene have now added additional signage to ensure all drivers comply and help make our children's school journeys healthier.</p> <p>Driver's compliance with the restrictions is improving, and the number of PCNs issued in September is expected to be well down in the numbers issued in the preceding months.</p>	Data Only		<p>NH PR PMS 007a Number of PCNs issued - total</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Number of PCNs</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>28601</td></tr> <tr><td>Q2 2015/16</td><td>30687</td></tr> <tr><td>Q3 2015/16</td><td>26360</td></tr> <tr><td>Q4 2015/16</td><td>26419</td></tr> <tr><td>Q1 2016/17</td><td>26856</td></tr> <tr><td>Q2 2016/17</td><td>28505</td></tr> <tr><td>Q3 2016/17</td><td>32568</td></tr> <tr><td>Q4 2016/17</td><td>31049</td></tr> <tr><td>Q1 2017/18</td><td>32434</td></tr> <tr><td>Q2 2017/18</td><td>31683</td></tr> <tr><td>Q3 2017/18</td><td>30642</td></tr> <tr><td>Q4 2017/18</td><td>27124</td></tr> <tr><td>Q1 2018/19</td><td>40457</td></tr> </tbody> </table>	Quarter	Number of PCNs	Q1 2015/16	28601	Q2 2015/16	30687	Q3 2015/16	26360	Q4 2015/16	26419	Q1 2016/17	26856	Q2 2016/17	28505	Q3 2016/17	32568	Q4 2016/17	31049	Q1 2017/18	32434	Q2 2017/18	31683	Q3 2017/18	30642	Q4 2017/18	27124	Q1 2018/19	40457
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NH PR PMS 010a	PCN recovery rate – including estates	75.1%	66.5%	64.4%	<p>Q1 2017: 64.37% Number of PCN issued - 28918 Number of PCN paid - 18614</p> <p>PCN's take a year to go through its life cycle therefore we are always looking back 12 months to calculate the recovery rate. The key issues due to the drop in recovery rate are as follows: The drop in the PCN recover rate coincides with the implementation of the new parking PCN processing system where we encountered a number of teething issues. We also changed contractor with our cashless parking supplier which resulted in a high cancellation of PCN's. We have now ironed out all the issues and we should see an improvement by quarter 4.</p> <p>We have increased our PCN's by 9% compared to 2015/16, this is the result of additional two parking zones introduced, improved CEO retention compared to the previous year, a reduction in travel time ensuring that beat patrols times were covered more frequently. We are not projecting any reduction in income.</p>	Data Only			<p>NH PR PMS 010a PCN recovery rate – including estates</p>  <table border="1"> <caption>NH PR PMS 010a PCN recovery rate – including estates</caption> <thead> <tr> <th>Quarter</th> <th>Recovery Rate (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>72.7%</td></tr> <tr><td>Q2 2015/16</td><td>72.5%</td></tr> <tr><td>Q3 2015/16</td><td>73.9%</td></tr> <tr><td>Q4 2015/16</td><td>73.0%</td></tr> <tr><td>Q1 2016/17</td><td>76.7%</td></tr> <tr><td>Q2 2016/17</td><td>75.6%</td></tr> <tr><td>Q3 2016/17</td><td>74.5%</td></tr> <tr><td>Q4 2016/17</td><td>72.8%</td></tr> <tr><td>Q1 2017/18</td><td>70.7%</td></tr> <tr><td>Q2 2017/18</td><td>60.9%</td></tr> <tr><td>Q3 2017/18</td><td>65.8%</td></tr> <tr><td>Q4 2017/18</td><td>63.4%</td></tr> <tr><td>Q1 2018/19</td><td>64.4%</td></tr> </tbody> </table>	Quarter	Recovery Rate (%)	Q1 2015/16	72.7%	Q2 2015/16	72.5%	Q3 2015/16	73.9%	Q4 2015/16	73.0%	Q1 2016/17	76.7%	Q2 2016/17	75.6%	Q3 2016/17	74.5%	Q4 2016/17	72.8%	Q1 2017/18	70.7%	Q2 2017/18	60.9%	Q3 2017/18	65.8%	Q4 2017/18	63.4%	Q1 2018/19	64.4%
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NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	84.00%	100.00%	100.00%		70.00%	■	🟢	<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>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>100.00%</td></tr> <tr><td>Q2 2015/16</td><td>100.00%</td></tr> <tr><td>Q3 2015/16</td><td>100.00%</td></tr> <tr><td>Q4 2015/16</td><td>86.00%</td></tr> <tr><td>Q1 2016/17</td><td>67.00%</td></tr> <tr><td>Q2 2016/17</td><td>92.00%</td></tr> <tr><td>Q3 2016/17</td><td>80.00%</td></tr> <tr><td>Q4 2016/17</td><td>100.00%</td></tr> <tr><td>Q1 2017/18</td><td>100.00%</td></tr> <tr><td>Q2 2017/18</td><td>100.00%</td></tr> <tr><td>Q3 2017/18</td><td>100.00%</td></tr> <tr><td>Q4 2017/18</td><td>100.00%</td></tr> <tr><td>Q1 2018/19</td><td>100.00%</td></tr> </tbody> </table> <p>■ Quarters — Red Threshold (Quarters) — Amber Threshold (Quarters)</p>	Quarter	Value (%)	Q1 2015/16	100.00%	Q2 2015/16	100.00%	Q3 2015/16	100.00%	Q4 2015/16	86.00%	Q1 2016/17	67.00%	Q2 2016/17	92.00%	Q3 2016/17	80.00%	Q4 2016/17	100.00%	Q1 2017/18	100.00%	Q2 2017/18	100.00%	Q3 2017/18	100.00%	Q4 2017/18	100.00%	Q1 2018/19	100.00%
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NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	80.00%	78.00%	76.00%		75.00%	↓	🟢	<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>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>73.00%</td></tr> <tr><td>Q2 2015/16</td><td>78.00%</td></tr> <tr><td>Q3 2015/16</td><td>78.00%</td></tr> <tr><td>Q4 2015/16</td><td>80.00%</td></tr> <tr><td>Q1 2016/17</td><td>80.00%</td></tr> <tr><td>Q2 2016/17</td><td>83.00%</td></tr> <tr><td>Q3 2016/17</td><td>83.00%</td></tr> <tr><td>Q4 2016/17</td><td>74.00%</td></tr> <tr><td>Q1 2017/18</td><td>73.00%</td></tr> <tr><td>Q2 2017/18</td><td>80.00%</td></tr> <tr><td>Q3 2017/18</td><td>77.00%</td></tr> <tr><td>Q4 2017/18</td><td>83.00%</td></tr> <tr><td>Q1 2018/19</td><td>76.00%</td></tr> </tbody> </table> <p>■ Quarters — Red Threshold (Quarters) — Amber Threshold (Quarters)</p>	Quarter	Value (%)	Q1 2015/16	73.00%	Q2 2015/16	78.00%	Q3 2015/16	78.00%	Q4 2015/16	80.00%	Q1 2016/17	80.00%	Q2 2016/17	83.00%	Q3 2016/17	83.00%	Q4 2016/17	74.00%	Q1 2017/18	73.00%	Q2 2017/18	80.00%	Q3 2017/18	77.00%	Q4 2017/18	83.00%	Q1 2018/19	76.00%
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PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart
		Value	Value	Value	Note				
Page 102	NH PR PRS 001c	88.00%	85.00%	83.00%		80.00%	↓	🟢	<p>NH PR PRS 001c % of Other planning applications determined within 8 weeks (ex NI 157c)</p> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>
	NH PR PRS 009	70.0%	61.0%	64.0%		80.0%	↑	🔴	<p>NH PR PRS 009 % of open planning enforcement cases less than 4 years old</p> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>

PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																						
		Value	Value	Value	Note																										
NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	2.50%	1.88%	2.66%		1.50%	↓	🚦	<p>NH PR WS 045a Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)</p> <table border="1"> <caption>Litter Levels Data</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>3.28%</td></tr> <tr><td>Q3 2015/16</td><td>3.44%</td></tr> <tr><td>Q4 2015/16</td><td>2.19%</td></tr> <tr><td>Q1 2016/17</td><td>1.72%</td></tr> <tr><td>Q3 2016/17</td><td>3.91%</td></tr> <tr><td>Q4 2016/17</td><td>1.88%</td></tr> <tr><td>Q1 2017/18</td><td>2.97%</td></tr> <tr><td>Q3 2017/18</td><td>1.41%</td></tr> <tr><td>Q4 2017/18</td><td>1.25%</td></tr> <tr><td>Q1 2018/19</td><td>2.66%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	3.28%	Q3 2015/16	3.44%	Q4 2015/16	2.19%	Q1 2016/17	1.72%	Q3 2016/17	3.91%	Q4 2016/17	1.88%	Q1 2017/18	2.97%	Q3 2017/18	1.41%	Q4 2017/18	1.25%	Q1 2018/19	2.66%
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NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	2.45%	2.71%	4.84%	Tranche 1 included Hackney Wick which is notorious for graffiti and also subject to considerable building work (which can often be a contributor to high levels of detritus). Much better scores are expected for Tranche 2.	2.50%	↓	🚦	<p>NH PR WS 045b Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)</p> <table border="1"> <caption>Detritus Levels Data</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>5.78%</td></tr> <tr><td>Q3 2015/16</td><td>6.41%</td></tr> <tr><td>Q4 2015/16</td><td>2.66%</td></tr> <tr><td>Q1 2016/17</td><td>2.81%</td></tr> <tr><td>Q3 2016/17</td><td>2.50%</td></tr> <tr><td>Q4 2016/17</td><td>2.03%</td></tr> <tr><td>Q1 2017/18</td><td>4.22%</td></tr> <tr><td>Q3 2017/18</td><td>1.88%</td></tr> <tr><td>Q4 2017/18</td><td>2.03%</td></tr> <tr><td>Q1 2018/19</td><td>4.84%</td></tr> </tbody> </table>	Quarter	Value	Q1 2015/16	5.78%	Q3 2015/16	6.41%	Q4 2015/16	2.66%	Q1 2016/17	2.81%	Q3 2016/17	2.50%	Q4 2016/17	2.03%	Q1 2017/18	4.22%	Q3 2017/18	1.88%	Q4 2017/18	2.03%	Q1 2018/19	4.84%
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PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																						
		Value	Value	Value	Note																										
Page 104 NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	2.76%	.21%	4.84%	Tranche 1 included Hackney Wick which is notorious for graffiti and also subject to considerable building work (which can often be a contributor to high levels of detritus). Much better scores are expected for Tranche 2.	2.00%	↓	🛑	<p>NH PR WS 045c Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)</p> <table border="1"> <caption>Data for NH PR WS 045c Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>1.72%</td></tr> <tr><td>Q3 2015/16</td><td>4.53%</td></tr> <tr><td>Q4 2015/16</td><td>2.34%</td></tr> <tr><td>Q1 2016/17</td><td>1.56%</td></tr> <tr><td>Q3 2016/17</td><td>2.81%</td></tr> <tr><td>Q4 2016/17</td><td>3.91%</td></tr> <tr><td>Q1 2017/18</td><td>2.66%</td></tr> <tr><td>Q3 2017/18</td><td>-0.3%</td></tr> <tr><td>Q4 2017/18</td><td>2.66%</td></tr> <tr><td>Q1 2018/19</td><td>4.84%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2015/16	1.72%	Q3 2015/16	4.53%	Q4 2015/16	2.34%	Q1 2016/17	1.56%	Q3 2016/17	2.81%	Q4 2016/17	3.91%	Q1 2017/18	2.66%	Q3 2017/18	-0.3%	Q4 2017/18	2.66%	Q1 2018/19	4.84%
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NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	0.57%	2.29%	1.56%		2.00%	↓	✅	<p>NH PR WS 045d Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)</p> <table border="1"> <caption>Data for NH PR WS 045d Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>-0.31%</td></tr> <tr><td>Q3 2015/16</td><td>-0.47%</td></tr> <tr><td>Q4 2015/16</td><td>-0.47%</td></tr> <tr><td>Q1 2016/17</td><td>-0.47%</td></tr> <tr><td>Q3 2016/17</td><td>-0.63%</td></tr> <tr><td>Q4 2016/17</td><td>-0.63%</td></tr> <tr><td>Q1 2017/18</td><td>-0.47%</td></tr> <tr><td>Q3 2017/18</td><td>1.56%</td></tr> <tr><td>Q4 2017/18</td><td>-0%</td></tr> <tr><td>Q1 2018/19</td><td>1.56%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2015/16	-0.31%	Q3 2015/16	-0.47%	Q4 2015/16	-0.47%	Q1 2016/17	-0.47%	Q3 2016/17	-0.63%	Q4 2016/17	-0.63%	Q1 2017/18	-0.47%	Q3 2017/18	1.56%	Q4 2017/18	-0%	Q1 2018/19	1.56%
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PI Code	Short Name	2016/17	2017/18	Q1 2018/19	Q1 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																												
		Value	Value	Value	Note																																
NH PR WS 047	Residual household waste per household (ex NI 191)	572.2Kg	545.1Kg	134.7Kg		518.0Kg	↓	⚠	<p>NH PR WS 047 Residual household waste per household (ex NI 191)</p> <table border="1"> <caption>Data for NH PR WS 047 Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (kg)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>149.7</td></tr> <tr><td>Q2 2015/16</td><td>154.6</td></tr> <tr><td>Q3 2015/16</td><td>155.4</td></tr> <tr><td>Q4 2015/16</td><td>141.8</td></tr> <tr><td>Q1 2016/17</td><td>151.9</td></tr> <tr><td>Q2 2016/17</td><td>146.5</td></tr> <tr><td>Q3 2016/17</td><td>140.9</td></tr> <tr><td>Q4 2016/17</td><td>134.4</td></tr> <tr><td>Q1 2017/18</td><td>143.4</td></tr> <tr><td>Q2 2017/18</td><td>139.5</td></tr> <tr><td>Q3 2017/18</td><td>134.8</td></tr> <tr><td>Q4 2017/18</td><td>127.5</td></tr> <tr><td>Q1 2018/19</td><td>134.7</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	Value (kg)	Q1 2015/16	149.7	Q2 2015/16	154.6	Q3 2015/16	155.4	Q4 2015/16	141.8	Q1 2016/17	151.9	Q2 2016/17	146.5	Q3 2016/17	140.9	Q4 2016/17	134.4	Q1 2017/18	143.4	Q2 2017/18	139.5	Q3 2017/18	134.8	Q4 2017/18	127.5	Q1 2018/19	134.7
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Q4 2017/18	127.5																																				
Q1 2018/19	134.7																																				
NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	26.00%	27.40%	27.36%		28.00%	↓	⚠	<p>NH PR WS 048 Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</p> <table border="1"> <caption>Data for NH PR WS 048 Chart</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>25.48</td></tr> <tr><td>Q2 2015/16</td><td>23.87</td></tr> <tr><td>Q3 2015/16</td><td>25.02</td></tr> <tr><td>Q4 2015/16</td><td>24.94</td></tr> <tr><td>Q1 2016/17</td><td>25.50</td></tr> <tr><td>Q2 2016/17</td><td>25.52</td></tr> <tr><td>Q3 2016/17</td><td>26.03</td></tr> <tr><td>Q4 2016/17</td><td>26.44</td></tr> <tr><td>Q1 2017/18</td><td>27.09</td></tr> <tr><td>Q2 2017/18</td><td>27.43</td></tr> <tr><td>Q3 2017/18</td><td>27.65</td></tr> <tr><td>Q4 2017/18</td><td>27.42</td></tr> <tr><td>Q1 2018/19</td><td>27.36</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	Value (%)	Q1 2015/16	25.48	Q2 2015/16	23.87	Q3 2015/16	25.02	Q4 2015/16	24.94	Q1 2016/17	25.50	Q2 2016/17	25.52	Q3 2016/17	26.03	Q4 2016/17	26.44	Q1 2017/18	27.09	Q2 2017/18	27.43	Q3 2017/18	27.65	Q4 2017/18	27.42	Q1 2018/19	27.36
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PI Status		Long Term Trends		Short Term Trends	
	Alert		Improving		Improving
	Warning		No Change		No Change
	OK		Getting Worse		Getting Worse
	Unknown				
	Data Only				



Corporate Risk Management Performance Overview October 2018 (Appendix 2)

1. INTRODUCTION

- 1.1 This report summarises the latest position in respect of Corporate Risk Management across the Council, providing an update on the overall Council's strategic risks, as well as some additional commentary on relevant areas of interest.

2. CORPORATE RISK REGISTER

- 2.1 The table below is a scorecard of the Council's Corporate Risks, as ratified by the Hackney Management Team on June 5th 2018, after being updated, reviewed and monitored by appropriate teams in the first six months of 2018. There has been a further review since the HMT sign off in June.

Corporate Risks		Current Risk	Direction of Travel	Previous Score	Target Risk
1	National / International Economic Downturn (SRCR001)	20	↔	20	12
2	Brexit Implications(SRCR001A)	20	↑	15	12
3	Management of Major Capital Programmes (SRCR002)	15	↔	15	9
4	Regeneration Programmes (SRCR003)	16	↔	16	12
5	Reputation Management (SRCR 009)	9	↔	9	6
6	Pension fund (SRCR 0010)	15	↔	15	12
7	Impact of New Legislation / Welfare reform (SRCR 0013)	12	↔	20	12
8	Workforce (SRCR 0018)	12	↔	16	9
9	Recruitment and Retention (SRCR 0018B)	8	↓	12	9
10	Information Assets (SRCR 0020)	16	↔	16	9
11	Corporate Resilience (SRCR 0020B)	15	↔	15	12
12	Information Security	8	↓	12	9
13	Person suffers significant harm, injury or death (SRCR 0023)	15	↔	15	12
14	Devolution (SRCR 0024)	12	↔	12	12
15	Contract Procurement and Management (SRCR 0025)	12	↔	12	8
16	Impact of government reforms on education service delivery (SRCR 0027)	20	↔	20	12
17	SEND funding (SRCR 0028)	25	↔	25	12
18	Serious safeguarding failure in school (SRCR 0029)	12	↔	12	9
19	Temporary Accommodation (SRCR 0030)	16	↔	16	12
20	Fire Safety (SRCR 0031)	10	↔	10	12
21	Integrated Commissioning (SRCR 0032)	16	↔	16	12
22	Inaccurate or late pay information supplied to LGPS (SRCR 0033)	20	↔	20	12
23	Major Fraud not identified (SRCR 0034)	9	↔	9	6

Additional Risks		Current Risk	Direction of Travel	Previous Score	Target Risk
1	North London Waste Authority (NLWA)	12	↔	12	9
2	Local Economic Development	9	↔	9	8
3	Insurance: Premiums exceed budget	16	↔	16	12
4	Building Control / Dangerous Structures	12	↔	12	9
5	Breach of Statutory Requirements on Elections and Electoral Registration	12	↔	12	8

- 2.2 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 which means that scores can remain static for periods of time. This is not a reflection of a lack of dynamism within the approach, 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).
- 2.3 In terms of this latest iteration of the (Corporate) register, there are 13 red risks and 10 amber risks. Clearly, numerous external events and influences are having a considerable impact on the Council's objectives, whether budget cuts, security breaches, or political upheaval (in the form of recent elections, new legislation, interest rate changes or the Brexit negotiations). There was one new risk featuring on this register in June (major fraud occurring) and other risks remained 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. Areas which are alluded to in the Corporate register, such as Integrated Commissioning and major programmes like Britannia, have their own separate registers going into much more detail with regards to all areas of risk.

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 (which may be on the threshold of being escalated to the Corporate Register). This should assist in providing an even more comprehensive overview.

3. FUTURE REPORTING TO AUDIT COMMITTEE

- 3.1 The reporting of the Corporate risks to Audit Committee will continue at future meetings, on a quarterly basis. With twice yearly updates of the full Corporate Register, the next one is scheduled for January 2019, so the full detail on all risks will be provided then.

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4.7 CAPITAL

This is the first OFP Capital Programme monitoring report for the financial year 2018/19. The actual year to date capital expenditure for the four months April 2018 to July 2018 is £37.1m and the forecast is currently £323.3m, £130m below the revised budget of £453.3m. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary

Table 1 – London Borough of Hackney Capital Programme – Q1 2018/19	Revised Budget Position	Spend as at end of Q1	Forecast	Variance (Under/Over)
	£'000	£'000	£'000	£'000
Chief Executive	87	0	87	0
Children, Adults & Community Health	55,906	550	16,865	-39,040
Finance & Corporate Resources	119,370	17,955	108,935	-10,436
Neighbourhoods & Housing (Non-Housing)	48,431	1,960	27,022	-21,410
Total Non-Housing	223,794	20,466	152,909	-70,886
AMP Capital Schemes HRA	81,786	7,425	81,735	-51
Council Capital Schemes GF	1,728	373	1,542	-186
Private Sector Housing	2,501	156	1,550	-951
Estate Renewal	99,869	7,260	57,346	-42,523
Housing Supply Programme	32,398	540	20,985	-11,413
Other Council Regeneration	11,268	911	7,268	-4,000
Total Housing	229,549	16,665	170,425	-59,124
Total Capital Expenditure	453,344	37,130	323,334	-130,010

CHIEF EXECUTIVE SERVICES

The current forecast is in line with the revised budget of £0.87m. The planned spend for this project will continue throughout 2018/19.

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £16.9m, £39m below the revised budget of £55.9m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	£'000	£'000	£'000
Adult Social Care	3,834	114	734	-3,100
Education Asset Management Plan	5,835	-100	3,788	-2,046
Building Schools for the Future	853	118	551	-302
Other Education & Children's Services	911	-55	31	-879
Primary School Programmes	17,250	93	4,096	-13,154
Secondary School Programmes	27,223	379	7,664	-19,559
TOTAL	55,906	550	16,865	-39,040

Adult Social Care

The main variance in Adult Social Care relates to the £2.5m budget set aside for a potential project at Median Road Resource Centre. A CPRP bid will go to September 2018 Cabinet to resource the first phase of the project for £0.60m for the development of concept designs and will cover architect, engineering and cost consultancy fees. This will lead to a business case setting out the range of options and the recommended approach for a more extensive capital project.

Education Asset Management Plan

The main variance relates to Betty Layward School Early Years and Comet Nursery School Early Years which are showing underspends. Both schemes will no longer go ahead as the parameters have been deemed unattainable. This is due to the time set for completing the works not being in line with the Education Funding Agency (EFA) timeline.

Primary School Programmes

Woodberry Down Relocation is reporting an underspend of £0.60m. The variance is a result of planning decisions and the scheme is now under review. The budget may be re-profiled if no decisions are made this financial year.

Shacklewell School is reporting an underspend of £0.75m against the respective in-year budget of £1.6m. The project is in the procurement stage and any underspend will be re-profiled at the next re-profiling exercise to enable the scheme to proceed through into 2019/20.

Secondary School Programme

The main variance relates to the budget set aside to resource additional secondary school provision which is showing an underspend of £18.5m against the respective in-year budget of £19m. The first phase of works is complete and work will be continuing into 2021 with any underspend to be re-profiled at the next re-profiling exercise to better reflect delivery of the programme.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £109m, £10.4m under the revised budget of £119.4m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	£'000	£'000	£'000
Property Services	8,265	398	8,922	657
ICT	7,499	970	3,490	-4,008
Financial Management	1,084	-132	483	-602
Other Schemes	205	16	174	-31
Mixed Use Development	102,318	16,703	95,865	-6,452
TOTAL	119,370	17,955	108,935	-10,436

Strategic Property Services - Strategy & Projects

Vacant possession is now granted for Flat 16 and 17 Cranwood Court and once the property is checked the purchase will move along should come in on budget.

ICT Capital

End-User Devices is showing an underspend of £2.1m. This project relates to the roll out of the device refresh model for council staff and meeting room devices across the core Hackney campus. The device refresh model will be based on a mix of desktop and laptop devices for staff depending on job role, and different equipment for meeting rooms depending on the size of the room. Any variance will be re-profiled at the next re-profiling exercise.

Mixed Used Development

Tiger Way Development and Nile Street are forecasting to come in line with the revised budget of £84m. There was a delay on the contract programme but currently there is no impact on the overall budget.

BSF PRU is reporting an underspend of the revised budget of £6.4m. This budget is the contingency budget for which there is currently no call. The variance will be re-profiled to next year in line with the anticipated scheme delivery timetable.

Britannia Site is reporting to come in line with the revised budget of £11.8m. Phase 1 procurement stage 1 has been completed and the standstill period has ended. It is now progressing to Stage 2 of the procurement. A planning re-consultation will take place and the planning committee date is estimated for September 2018.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING):

The overall forecast in Neighbourhoods and Housing (Non) is £27m, £21.4m under the revised budget of £48.4m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£'000	£'000	£'000	£'000
Museums and Libraries	1,522	30	583	-939
Leisure Centres	1,750	0	1,750	0
Parks and Open Spaces	6,535	740	3,615	-2,920
Infrastructure Programmes	14,388	690	13,672	-716
EHPC Schemes	3,308	97	427	-2,881
TFL	4,361	384	4,361	0
Parking and Market Schemes	305	0	221	-83
Other Services	450	0	450	0
Regulatory Services	79	0	79	0
Safer Communities	1,078	20	1,078	0
Regeneration	14,656	0	786	-13,870
Total	48,431	1,960	27,022	-21,410

Museums & Libraries

The main variance relates to the overall Library Capital Works management system, security and capital works programme which is showing an overall underspend of £0.84m against the respective in-year budget of £1.4m. The planned spend is likely to be in 2019/20 and the variance will be re-profiled in the next re-profiling exercise.

Environmental and Health Committee (EHPC) Schemes

The main variance relates to the budget held for the replacement of the Council's Waste and Fleet Vehicles which is showing an underspend against the respective budget of £2.6m. A business case will be done to set out the options for spend for 2018/19.

Regeneration

The main variance relates to Hackney Wick Regeneration and Dalston Regeneration. In this quarter there is currently no planned spend. An update will be provided in quarter 2 and depending on this review any variance will be re-profiled to next year in line with any revised scheme delivery timetable.

HOUSING:

The overall forecast in Housing is £170.4m, £59.1m below the revised budget of £229.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance	Comments
	£'000	£'000	£'000	£'000	
AMP Capital Schemes HRA	81,786	7,425	81,735	-51	There are a number of projects active within Asset Management, spend and progress to be reviewed in Q2
Council Capital Schemes GF	1,728	373	1,542	-186	Historic underspend of budget to refurbish properties to be used for temporary accommodation. Any underspend at year end will be carried over for the acquisition of new properties and for the conversion of existing stock.
Private Sector Housing	2,501	156	1,550	-951	Due to a reduction in grant applications Private Sector Housing is likely to underspend therefore the budget will be reviewed for re-profiling in next quarter
Estate Renewal	99,869	7,260	57,346	-42,523	Contracts have been awarded and expenditure has started for Tower Court, St Leonards, Frampton Arms and Lyttleton House. The completion of KER and

					Aitkin Court have slipped and will be reviewed over the financial year.
Housing Supply Programme	32,398	540	20,985	-11,413	Design development cost (architects and Employers Agents/Cost consultants) continue to be incurred. 2 schemes have moved to procurement stage; however, the majority of the scheme has not reached tender stage.
Other Council Regeneration	11,268	911	7,268	-4,000	There has been limited progress on Phase 3 leaseholder buybacks. However, negotiations with remaining leaseholders and progress to CPO continues.
Total Housing	229,549	16,665	170,425	-59,124	

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AUDIT AND ANTI-FRAUD PROGRESS REPORT SEPTEMBER 2018

**AUDIT COMMITTEE
MEETING DATE 2018/19**

15 October 2018

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 of Finance & Corporate Resources

1. INTRODUCTION AND PURPOSE

- 1.1 The purpose of this report is for the Audit Committee to consider the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation teams.
- 1.2 This is part of the Committee's role in overseeing corporate governance and the report is presented for information and comment.

2. RECOMMENDATION

The Audit Committee is recommended to:

- 2.1. Note and consider Audit & Anti Fraud's progress and performance to August 2018.

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. These Standards were updated in April 2016 and again in April 2017.
- 3.2. The PSIAS requires the Chief Audit Executive (or equivalent) to report functionally to a board and to communicate the internal audit service's performance relative to its plan and other matters. For the purposes of the PSIAS the Audit Committee has been designated the 'board'.

4. BACKGROUND

- 4.1 The Audit Committee approved the Internal Audit Plan 2018-19 in April 2018 and this report notes the progress against that plan and progress against high and medium priority recommendations. The Progress Report of the Internal Audit Service is provided in Appendix 1 and includes a summary of:

- Performance against key performance indicator targets
- Internal Audit work carried out up to the end of August 2018
- Implementation of high and medium audit recommendations
- School audits

Details of progress with planned audits are provided in Appendix 2.
Definitions of the assurance levels used are provided in Appendix 3.

- 4.2 A statistical summary of the work undertaken by the Audit Investigation service is provided in Appendix 4. In summary, the key financial benefits to arise from these enquiries are as follows:

Investigation area	Estimated saving arising from enquiries £
Tenancy Fraud	966,000 (minimum)
Overstaying Families	746,633
National Fraud Initiative 2016	41,718
Blue Badge/Parking	3,610
Total	1,757,961

4.3 Policy Context

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

4.4 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

4.5 Sustainability

Not applicable.

4.6 Consultations

Consultation on the internal audit plan took place with senior management and the Audit Committee.

4.7 Risk Assessment

The work of Internal Audit is based upon a risk assessment which covers all areas of the Council's activity and is continually changing to reflect new initiatives, emerging risk areas and new legislation. There is also continuous reassessment of risk as audits are undertaken, plus regular consultation with directors, chief officers and senior managers to ensure that account is 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 Audit and Anti-Fraud's performance and opinion. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Internal Audit Progress Report – August 2018

Appendix 2 - Progress with planned audits

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to September 2018

BACKGROUND PAPERS

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

Description of document

None

Report Author	Michael Sheffield Michael.sheffield@hackney.gov.uk	☎ 020-8356 2505
Comments of the Group Director of Finance and Corporate Resources	Michael Honeysett Michael.honeysett@hackney.gov.uk	☎ 020-8356 3332
Comments of the Director of Legal	Dawn Carter-McDonald Dawn.carter-mcDonald@hackney.gov.uk	☎ 020-8356 4817



Audit & Anti-Fraud Progress Report

1 April – 31 August 2018

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April to August 2018, the areas of work undertaken, progress with implementing audit recommendations and information on current developments in the service area.
- 1.2 Internal Audit provides an independent continuous review of key and high-risk activities across the Council. It is important that the effectiveness of the work of Internal Audit is monitored and reported in order to comply with the requirements of the Accounts & Audit regulations 2015 and to provide the necessary assurance on the adequacy of the Internal Audit service. This report, in part, meets these requirements.

2. INTERNAL AUDIT RESOURCES AVAILABLE

- 2.1 The Internal Audit function is an in-house service consisting of two Principal Auditors and four Auditors and is supplemented by specialist IT skills from an external provider in order to undertake technical IT audit reviews. Internal Audit supports the Council's CIPFA trainee programme and trainees rotate every six months and gain experience of internal audit. Resources have been impacted by a recent auditor vacancy and maternity leave.
- 2.2 2018/19 consists of 73 specific audits, although one audit has been postponed since the plan was agreed and management have requested that an additional audit be included. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

- 3.1 Internal Audit's performance for 2018/19 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.2

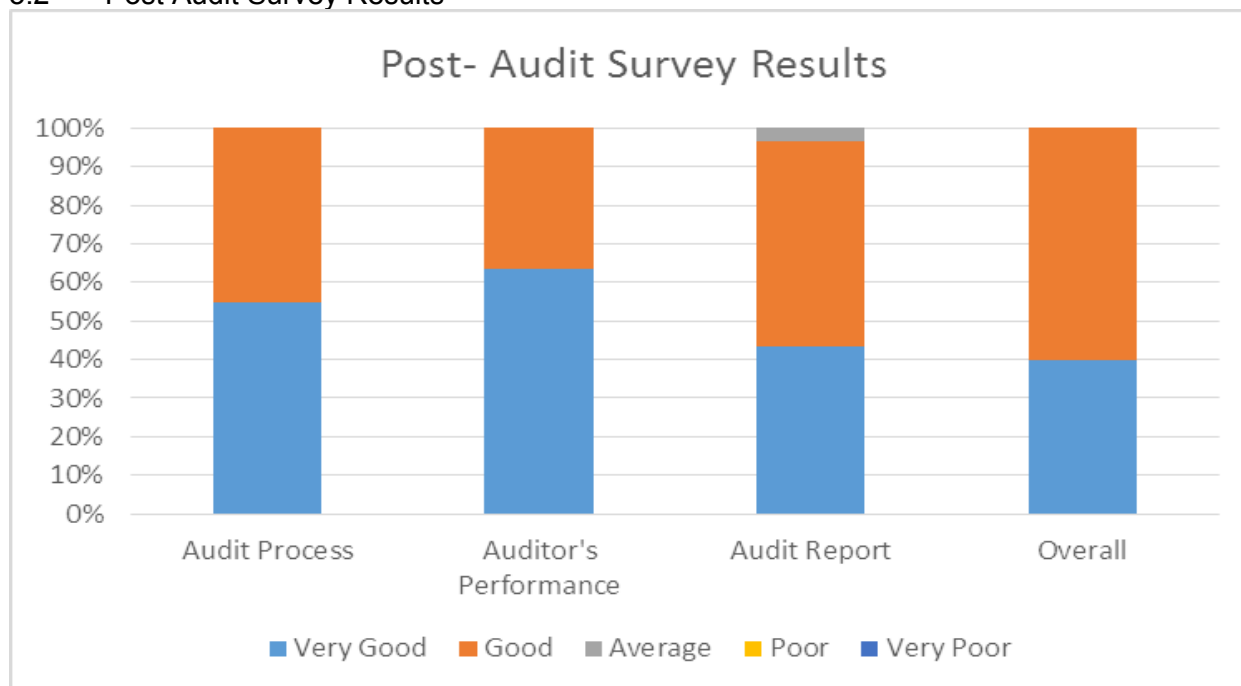
Objective	KPIs	Targets	Actual
Cost & Efficiency <i>To ensure the service provides Value for Money</i>	1) Percentage of planned audits completed to final/draft report stage 2) Average number of days between the end of fieldwork to issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 35% complete or in progress by 31 August 2018 2) 5 days
Quality <i>To ensure recommendations made by the service are agreed and implemented</i>	1) Percentage of significant recommendations made which are agreed 2) Percentage of agreed high priority recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 67% - fully implemented** 20% - partially implemented
Client Satisfaction <i>To ensure that clients are satisfied with the service and consider it to</i>	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires	1) Responses meeting or exceeding expectations 2) Satisfactory	1) 100% (99% exceeded expectations and excellent) 2) N/A

Objective	KPIs	Targets	Actual
<i>be good quality</i>	3) No. of Complaints / Compliments	3) Actual numbers reported	3) None

Table 1

** See paragraph 6.2 for explanation.

3.2 Post Audit Survey Results



3.3 As at 31 August 2018 a total of 29 internal audit reviews have been started from the 2018/19 Plan, 5 have been finalised and a further audit is at the draft report stage. In addition during this period, 18 reviews have been completed from the 2017/18 Audit Plan and a further 6 are in draft.

4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2017/18 audits not previously reported and 2018/19 planned audits is detailed in Appendix 2. Progress with the 2018/19 Audit Plan is summarised in Table 2 below:

2018/19 Audit Plan Stage of Audit Activity	Number of assignments	% of the original plan
Scoping/TOR agreed	16	22
Fieldwork in progress	5	7
Draft report issued	3	4
Completed	6	8
Total work completed and in progress	30	41%
Original Plan	73	
Cancelled and Postponed	1	
Additional requests	1	
Total Revised Plan	73	

Table 2

- 4.2 The table shows that 41% of planned assignments have been completed or are in progress (31% at the same stage in 2017/18).
- 4.3 The postponed audit relates to Capital Schemes (Public Realm) which has been postponed to the following year to align better with the re-tender of this contract. An additional review has been requested to provide assurance over the process for checking Troubled Families quarterly claims.
- 4.4 Each completed audit is given an overall assurance grading. These are categorised 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given so far this year are included in Appendix 2. Full definitions can be found in Appendix 3. For those audits finalised since the last Audit Committee report, the assurance levels are as follows:

Assurance Level	2018/19	2017/18
No	0	1
Limited	3	4
Reasonable	1	7
Significant	1	5
Not Applicable	1	1
Total	6	18

- 4.5 Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as 'High', 'Medium' or 'Low' priority. The numbers of High and Medium recommendations issued up to 31 August 2018 are shown in Table 3 below.

Categorisation of Risk	Definition	Number 2018/19 Plan	Number 2017/18 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	5	19
Medium	Important issues which should be addressed by management in their areas of responsibility.	18	46
Total		23	65

Table 3

5. SCHOOLS

- 5.1 The results of schools' audits are reported to the Hackney Learning Trust (HLT) within the Children's, Adults and Community Health Directorate. In addition, progress with the implementation of recommendations agreed since 2016/17 up to the current date are regularly followed up and reported.
- 5.2 As at 31 August 2018, fieldwork is taking place at four of the 15 schools and children centres listed in the plan and one Audit was completed. The remaining 10 audits will be scheduled across the autumn and spring terms to ensure completion by the end of the financial year. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.

- 5.3 During the period the 2017/18 School's audit programme of reviews across 18 schools was completed and reports finalised. The overview of assurance levels for these school assignments are shown in Table 4 below. A comparison with assurances provided in previous audits is also shown.

Table 4

School	High Priority Recs	Medium Priority Recs	Audit Assurance 2017/18	Previous Assurance	Direction of Travel
Yesodey Hatorah	1	10	Limited	Significant	↓
Haggerston – high level review	0	1	Significant	Significant	=
Gainsborough incl. Childrens Centre	2	5	Limited	Reasonable	↓
Grasmere	0	4	Reasonable	Reasonable	=
Holmleigh Follow Up	3	3	Limited	No	↓
Holy Trinity CE (draft as at 2/10/18)	1	4	Limited	Reasonable	↓
Lauriston	0	2	Significant	Significant	=
Millfields PS and Childrens Centre	0	3	Reasonable	Reasonable	=
Morningside incl. Childrens Centre	2	5	Limited	Reasonable	↓
Nightingale	0	4	Reasonable	Reasonable	=
Rushmore	0	8	Reasonable	Limited	↑
St Matthais	1	2	Reasonable	Reasonable	=
St John and St James	0	2	Significant	Significant	=
Comet Children Centre	0	2	Significant	Significant	=
Linden's Children Centre	0	3	Reasonable	Reasonable	=
Princess May	6	9	No	Reasonable	↓
Springfield	0	5	Reasonable	Reasonable	=
Harrington Hill	4	5	No	Reasonable	↓

6. IMPLEMENTATION OF RECOMMENDATIONS

- 6.1 In order to track the Council's response to improving the control environment, progress with implementation of agreed internal audit recommendations is tracked. The results of this work for the 'High' priority recommendations from audits undertaken from 2016/17 to date that were due to be implemented by 31 August 2018 are presented in Table 5.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	9	1	0	2	10
Neighbourhoods and Housing	20	6	7	16	33
Finance & Corporate Resources	6	2	1	1	9
Chief Executive's	4	0	0	0	4
Corporate	1	3	0	0	4
Total number	40	12	8	19	60
Percentage (%)*	67%	20%	13%	n/a	100%

* Does not include "Not Yet Due"

Table 5

- 6.2 The Council's target for 2018/19 is that 90% of 'High' priority recommendations should be implemented in accordance with the agreed timescale. The implementation rate currently stands at 67% fully implemented by the agreed implementation date, with a further 20% partially implemented. The main reason for this is due to the large number of 'High' category recommendations arising from 4 TMO audits during 2017/18. These recommendations should now have been implemented, but it is proving hard to obtain progress updates which can be verified. Internal Audit are working with TMO Services Team and have scheduled a series of follow up visits to those TMOs audited last year.
- 6.3 There were 222 'Medium' priority recommendations followed up. Of these, 72% were assessed as implemented and 14% partially implemented. Details are shown in Table 6 below:

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults and Community Health	45	2	2	20	49
Neighbourhoods and Housing	53	11	11	34	75
Finance & Corporate Resources	40	15	11	20	66
Chief Executive's	13	2	7	5	22
Corporate	9	1	0	3	10
Total number	160	31	31	82	222
Percentage (%)	72%	14%	14%	n/a	100%

* Does not include "Not Yet Due"

Table 6

6.4. SCHOOLS

Recommendations made during school audits are followed up in the same way as for other recommendations. In circumstances where audits are categorised as 'No' or 'Limited' assurance, or where the school fails to provide progress updates with implementation of 'High' category recommendations, a follow up review is scheduled.

Recommendation Priority	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
High	9	0	6	9	15
Medium	130	4	18	18	152
Total Number	139	4	24	27	167
Percentage (%)	83%	2%	15%	n/a	100%

* Does not include "Not Yet Due"

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Internal Audit Service uses a contractor to carry out technical ICT reviews. Mazars LLP have performed this work for the last two years. Mazars are well known across the London Boroughs and have a number of contracts with other London Boroughs. However, Mazars recently won the contract to provide external audit services to a number of local authorities, and from 2018/19 financial year, will be the Council's external auditor. Following a competitive procurement process, Gateway Assure Ltd have been appointed to provide IT audit services in support of the 2018/19 Audit Plan.

8. ANTI FRAUD SERVICE

8.1 The Anti-Fraud Service consists of three distinct teams; the Audit Investigation Team (AIT), the Tenancy Fraud Team (TFT) and the Pro-Active Fraud Team (PAFT).

8.2 Statistical information relating to all the work of the Council's Anti-Fraud Teams is attached as Appendix 4.

9. CONCLUSIONS

9.1 This report provides details of the performance of the Council's Internal Audit and Anti Fraud Services. It provides assurance that the service is being delivered to meet statutory responsibilities and is continually seeking to improve the standard of its service.

9.2 Using the cumulative knowledge and experience of the systems and controls in place, including the results of previous audit work and the work undertaken to date, it is considered that overall, throughout the Council there continues to be a sound internal control environment.

Internal Audit Annual Plan 2018/19 Progress to August 2018 (including 2017/18 audits not previously reported)				
Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2017/18 Audits not previously reported				
Commercial voids	0	2	Significant	FINAL
Housing Transfers - process map	3	2	Limited	FINAL
Network/firewall/wireless security/ use of CIS (DWP) system	0	3	Reasonable	FINAL
Home Care/Domicilliary Services	0	5	Reasonable	FINAL
CILS (Section 106 Agreements)	0	4	Reasonable	FINAL
Building Control Fees	2	1	Limited	FINAL
Gainsborough & Childrens Centre	2	6	Limited	FINAL
Planning enforcement - Breaches	0	1	Significant	FINAL
Morningside & Childrens Centre	2	5	Limited	FINAL
M3 - application review	0	2	Significant	FINAL
Social Housing/RSLs - follow up	1	0	N/A	FINAL
Roll numbers in schools (Census Survey)	0	0	Significant	FINAL
IT Services in schools	0	0	Significant	FINAL
Information Governance - GDPR	1	3	Reasonable	FINAL
iTrent-new HR/payroll system	1	1	Reasonable	FINAL
Car Mileage Claims	0	6	Reasonable	FINAL
Contract monitoring - lift servicing report	7	2	No	FINAL
Speakers Office	0	3	Reasonable	FINAL
Software licensing	0	3	Reasonable	DRAFT
Holy Trinity CE	1	4	Limited	DRAFT
Gifts and Hospitality				DRAFT
Rent collection – (arrears & debt recovery)				DRAFT
Disaster recovery				DRAFT
Voluntary Sector Grants				WIP
Telephone contracts - monitoring				DRAFT
Adults with Learning Difficulties				TOR - defer
Adoption Allowances				TOR
Service Payroll				WIP
2018/19 Audit Plan				
CORPORATE CROSS CUTTING				
AGS co-ordination 2017/18 and 2018/19	N/A	N/A	N/A	Complete for 2017/18
Payroll				
Subject Access Requests (SARs)				
IR35				
Matrix agency contract management				TOR
Commercialisation				TOR
Pension Fund				
Purchasing/procurement cards				WIP
CHIEF EXECUTIVE'S				
Disclosure & Barring Service (DBS) Checks				TOR

Internal Audit Annual Plan 2018/19 Progress to August 2018 (including 2017/18 audits not previously reported)				
Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
CHILDREN, ADULTS & COMMUNITY HEALTH				
Adult Services/Public Health				
Appointeeships/Court of Protection	0	4	Reasonable	FINAL
Public Health Contracts - contract letting				
Health & Social Care Integration/Integrated Commissioning				
Mortuary Statutory Review				
Children & Families				
Looked After Children (LAC)	1	3	Reasonable	Draft
Special Educational Needs (SEN) Transport including 2017/18 follow up				
S17 Children in Need spend				
Multi-Agency Working (adults and children)				
Troubled Families – process review	0	0	Significant	FINAL
Education & Schools				
Schools overview report 2017/18			N/A	FINAL
Follow up schools reviews				
Facilities Management contract in schools	1	6	Limited	FINAL
FINANCE & CORPORATE RESOURCES (EXCL ICT)				
Strategic Property				
Health & Safety				TOR
Asset management				WIP
Capital Projects - Morning Lane (Tesco site)				WIP
Commercial property - debt management				
Financial Management				
VAT				
NNDR/Business Rates				
Accounts Payable				
Treasury and Investments				TOR
General Ledger - Cedar				TOR
Customer Services				
Council Tax				
Housing Benefits				
Cash receipting/banking				
Registrars Services				TOR
Temporary Accommodation				TOR
Procurement				
Single Tender Action (STA) Process				
ICT				
Academy IT application review				TOR
iTrent application post implementation review				
IT equipment disposals	1	7	Limited	FINAL
IT Asset Management				TOR
End user devices - security (incl. mobile devices, remote access)				
IT risk/needs assessment				

Internal Audit Annual Plan 2018/19 Progress to August 2018 (including 2017/18 audits not previously reported)				
Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
NEIGHBOURHOODS AND HOUSING				
Housing				
Fire related safety work and H&S compliance				
TMOs –Wenlock Barn, Downs				TOR
- Clapton Park – follow up				Draft
- Tower – follow up				
- Cranston – follow up				
- Wick – follow up				
Housing Rents				
DLO				
Housing Asset Management				
Housing Service Control Framework				WIP
Housing Asset Management Contracts				
Public Realm				
Libraries				
Leisure Centres Management (GLL) - contract monitoring				
APCOA parking contract				
CCTV monitoring contract				
Capital schemes				Defer to 2018/19
Waste Collection				
Regeneration				
Hackney Sales				TOR
Schools				
Baden Powell PS				
Betty Layward PS				
Viridis Federation (3 schools)				TOR
Daubeney PS+CC				
New Wave Teaching School Alliance (3 schools)				WIP
Harrington Hill PS (follow up)				Draft
Holmleigh PS				
London Fields PS				
Mandeville PS				
Princess May PS				TOR
Stoke Newington School and Sixth Form				TOR
Yesodey Hatorah SGS				
Ickburgh School	3	5	Limited	FINAL
Stormont House School				TOR
St Pauls with St Michael				

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

Level of assurance	Description	Link to risk ratings
Significant	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.
Reasonable	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.
Limited	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 organisational 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.
No	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 organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Anti-Fraud Service:

Statistical Information 1 April to 30 September 2018

1. Investigations Referred

The number of non-benefit related investigations undertaken by the Anti-Fraud Service has increased significantly in recent years, from 150 in 2009/10 to 782 in 2017/18. As new fraud threats have emerged, investigative responses have been developed in partnership with other Council teams and external partners.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2018/19 to date	Referrals 2017/18
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	6	7	3	6	12
	Hackney Homes	1	6	21	1	13
	Tenancy Fraud	126	136	294	126	394
	Parking	96	83	71	96	243
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	2	1	4	2	5
	Overstaying Families Intervention Team (OFIT)	39	62	62	39	104
	Hackney Learning Trust	2	0	2	2	0
Finance & Corporate Resources (F&CR)	Finance & Resources	3	4	3	3	9
Chief Executive Directorate	Chief Executive Directorate	1	1	2	1	2
Total		276	300	462	276	782

Table 1

- Note 1:** Departments from the old Council structure are shown under the new Group Directorates that most closely approximate to them. While the large majority of pre-2016/17 investigations listed above are appropriate to the Group Directorates shown, there will be isolated exceptions (for example, some H&CS operations are now performed by N&H).
- Note 2:** Fraud reporting is now provided at Group Directorate level, with additional detail being provided for areas that were previously separate organisations (Hackney Homes and The Learning Trust) and specific Anti-Fraud projects (Tenancy, Parking and OFIT).
- Note 3:** Cases closed and under investigation may include those carried forward from previous reporting periods.

2. Fraud Enquiries

Investigative support is provided to other bodies undertaking criminal enquiries, including the Police, Home Office and other Local Authorities. The team also supports other LBH teams to obtain information where they do not have direct access and it is available under the Data Protection Act crime prevention and detection gateways.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	2018/19 to date	2017/18
Internal	75	78	0	75	206
Other Local Authorities	31	32	1	31	74
Police	40	41	0	40	51
Immigration	5	5	0	5	10
DWP	448	448	0	448	872
Other	27	27	0	27	24
Total	626	631	1	626	1,237

Table 2

3. National Fraud Initiative (NFI) Matches

The NFI is a biennial data matching exercise, the majority of datasets were most recently received on 20 January 2017 (with the exception of the Council Tax matches which were received in January 2018). Matches are investigated by various LBH teams over the 2 year cycle, AIT investigate some matches and coordinate the overall response. The total number of matches includes 5,954 outcomes that are identified as high priority, participants are expected to further risk assess the results to determine which are followed up.

Type of Match	Number of Matches – Total & (recommended)	Cases Currently Under Investigation	Number Matches Cleared NFI2016	Number Matches Cleared NFI2014
Payroll	119 (36)	3	61	35
Housing Benefit	4,202 (325)	1	51	19
Housing Tenants	1,368 (972)	1,224	30	344
Right to Buy	139 (49)	1	1	224
Housing Waiting List	2,841 (2,740)	20	88	62
Concessionary travel / parking	225 (188)	36	169	22
Creditors	5,943 (721)	638	0	4,724
Pensions	172 (110)	1	171	169
Council Tax	22,580 (601)	2,715	69	3,163
Council Tax Reduction Scheme	3,555 (158)	3	22	n/a
Other	88 (54)	0	29	34
Total	41,232 (5,954)	4,642	691	5,633

Table 3

On 1 December 2014, Hackney's Housing Benefit Counter Fraud Team was transferred to the Department for Work & Pensions (DWP) as part of their Single Fraud Investigation

Service. Whilst the Council is no longer responsible for undertaking Housing Benefit investigations, Audit & Anti-Fraud (AAF) are required to undertake a large volume of enquiries in support of DWP investigations.

DWP advised Hackney that limited financial support would be provided to the Council to support Housing Benefit investigations in 2017/18. Hackney has continued to fund a part time resource to address specific investigation enquiries, but it is insufficient to allow for review of the thousands of benefit concerns identified by the NFI. The officers that previously undertook this work have all transferred to DWP.

4. Analysis of Outcomes

Investigations can result in differing outcomes from prosecution to no further action. Table 4 below details the most common outcomes that result from investigations conducted by the Anti-Fraud Teams.

Outcome	Reporting Period	2018/19 to date	2017/18
Disciplinary action	7	7	5
Resigned as a result of the investigation	4	4	3
Referred to Police or other external body	3	3	13
Prosecution	1	1	7
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	9	9	12
Council service or discount cancelled	48	48	100
Blue Badges recovered	23	23	64
Other fraudulent parking permit recovered	6	6	36
Parking misuse warnings issued	5	5	28
Penalty Charge Notice (PCN) issued	12	12	60
Vehicle removed for parking fraud	2	2	44
Recovery of tenancy	23	23	66
Housing application cancelled or downgraded	20	20	40
Legal action to recover tenancy in progress	104	104	98
Right to Buy application withdrawn or cancelled	3	3	14

Table 4

Disciplinary Action

As a result of the investigations conducted by the Audit Investigation Team (AIT) disciplinary action was taken against four members of staff and three agency workers in the period 1 April to 30 September 2018 for the following reasons: -

- Suspected theft by two agency workers;
- Two employees failing to follow procedure;
- False sickness claim;
- Immigration status did not give the right to work in the UK;
- Suspected fraud.

Prosecution

A Hackney tenant was sentenced in August 2018 after pleading guilty to three criminal offences under the Fraud Act 2006 for subletting and submitting two false applications for the right to buy. They received a 2 year suspended prison sentence, 250 hours community service and a 3 month curfew. The criminal prosecution followed separate legal proceedings in the civil court to end the tenancy which resulted in an award of outright possession to the Council.

A conviction for certain criminal offences enables the Council to take further action under the Proceeds of Crime Act (POCA). POCA sets out to support the principle that crime should not pay. It does this by enabling the confiscation of criminal assets, regardless of whether they are directly linked to the original conviction, providing that certain criteria are met. POCA proceedings concluded at Snaresbrook Crown Court on 19 September resulting in a confiscation order for £147,998.97.

5. Financial Losses as a Result of Fraud

The most apparent consequence of many frauds is a financial loss, however, it needs to be noted that it is not always possible to put a value in monetary terms.

In many cases the financial loss accounts for only a small amount of the total cost of the fraud, with the additional amount comprising intangibles such as reputational damage, the cost of the investigation and prosecution, additional workplace controls, replacing staff involved and management time taken to deal with the event and its' aftermath.

The following are estimates of the monetary cost for some of Hackney's priority investigation areas based (where relevant) upon the values that the Audit Commission previously calculated as a reasonable estimate of the value nationwide:

5.1 Tenancy Fraud Team (TFT)

During the period April to August 2017 a total of 23 tenancies have been recovered by the TFT. Using the Audit Commission figure for the estimated cost of temporary accommodation of £18,000 pa, this equates to a saving of £414,000.

In the same period 20 housing applications have been cancelled following TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission has variously reported the potential benefit to the public purse of each cancelled application as between £4,000 and £18,000, so the value of this work represents a potential saving of between £80,000 and £360,000.

During this period three Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £108,000 on the sale of a Council asset. The value of the discount for the RTBs that were declined represents a total of £324,000.

5.2 Overstaying Families Intervention Team (OFIT)

An average weekly support package valued at c£387 is paid to each family supported (applicable to the majority of the 'service cancelled' category in Table 4). Thirty seven support packages were cancelled or refused following AAF investigation between April and September 2018. This equates to a saving in the region of £14,319 per week, if these had been paid for the full financial year it would have cost Hackney approximately £746,633.

5.3 Parking Concessions

The Audit Commission estimated the cost of each fraudulently used Blue Badge to be £100 (equivalent to on-street parking costs in the Hackney Central parking zone for 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. In this period AIT recovered 23 Blue Badges, this equates to £2,300, and enforcement charges of £1,310 also arose.

The cost for these types of fraud is far greater in terms of the denial of genuine blue badge holders and residents being able to make use of dedicated parking areas, and the reputational damage that could be caused to Hackney if we were seen not to be tackling the abuse of parking concessions within the borough.

5.4 Proactive Fraud Team

AAF successfully bid for government funding for new counter fraud initiatives. The funding, allocated for 2015/16 only, has enabled AAF to focus investigation resources on the project management of the former Hackney Homes decent homes and planned maintenance contracts. Currently, a significant sum of money has been retained against a contract because works claimed to have been carried out are under dispute. Evidence of substantial over-claiming for work has emerged which may lead to further financial claims by Hackney.

There are ongoing enquiries involving possible criminal matters therefore it is not possible to expand here on this important work at this time.

6. **Matters Referred from the Whistleblowing Hotline**

All Hackney staff (including Hackney Homes and Hackney Learning Trust) can report concerns about suspected fraud and other serious matters in confidence to a third party whistleblowing hotline. Other referral methods are available (and may indeed be preferable from an investigatory perspective), however, the hotline allows officers to raise a concern that they might not otherwise feel able to report. One referral was received via the hotline in the reporting period.

7. **Regulation of Investigatory Powers Act (RIPA) Authorisations**

RIPA is the legislation that regulates the use of surveillance by public bodies. Surveillance is one tool that may be used to obtain evidence in support of an investigation, where it can be demonstrated to be proportionate to the seriousness of the matter concerned, and where there is no other less intrusive means of obtaining the same information.

Because surveillance has the potential to be a particularly intrusive means of evidence gathering, the approval process requires authorisation by a nominated senior Hackney officer (Corporate Head of Audit, Investigations & Risk Management/Director/Chief Executive) and approval by a magistrate. Although Hackney will use its surveillance powers conferred by RIPA when it is appropriate to do so, no application has been made in the current financial year.

8. **Proceeds of Crime Act (POCA) Investigations**

POCA investigations can only be undertaken by accredited officers, as are currently employed by AAF and Trading Standards. POCA supports the Council's investigation processes in four principal ways: -

- Providing access to financial information in connection with a criminal enquiry, subject to approval by Crown Court by way of a **Production Order**.

- Preventing the subject of a criminal enquiry from disposing of assets prior to a trial, where these may have been obtained from criminal activity, by use of a **Restraint Order**, subject to Court approval.
- Recognising that offenders should not be able to benefit from their criminal conduct through the use of **Confiscation Orders**. These allow the courts to confiscate any benefit that a defendant may have received as a result of their crime.
- Under the confiscation process the courts are also able to ensure that victims are compensated for their loss by way of a **Compensation Order**.

Type of Order	Number authorised in period	2018/19 to date	2017/18 total
Production	4	4	4
Restraint	0	0	0
Compensation	1	1	0
Confiscation	1	1	2
Total	6	6	4

Table 5

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**CORPORATE RISK MANAGEMENT POLICY AND STRATEGY
REVIEW 2018**

**AUDIT COMMITTEE MEETING DATE
2018/19**

15 October 2018

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

- 1.1 This report informs Members about the recently revised and reviewed Corporate Risk Management Policy and Strategy. The Policy details the framework for managing risk within the Council and the Strategy outlines how the Council intends to proceed in terms of managing its risks. It also outlines which approaches and techniques will be used to successfully carry this out. Both documents are provided in the Appendices.

2. RECOMMENDATION(S)

Audit Committee is recommended to:

- 2.1 **Approve and ratify the contents of this report and the attached Policy and Strategy.**

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 those 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 (and the work the Corporate Risk Team undertakes) helps us to make such judgements, and as such it is important that the Audit Committee is aware of how we manage our risks in order that this Committee fulfils its own objectives as set out in its Terms of Reference.

4. BACKGROUND

- 4.1 The Corporate Risk Management Policy is a concise document setting out the objectives and detailing the structures in place within the Council to manage risk. The Policy can be understood to define the 'what' in terms of what the Council has in place to manage its risk, whereas the Strategy represents the question of 'how' – in respect of how the Council will operate in order to achieve the objectives set out in the Policy.
- 4.2 The Council's full approach for managing risk is outlined in its Corporate Risk Management Strategy. The Strategy provides a template for all matters relating to risk within the Council. There is a description of how the Council perceives risk, and its appetite is discussed, as are the methods for scoring and appraising risks. It is important that the Strategy is kept up to date and is formally approved by those responsible for overseeing this important function (i.e. Audit Committee).
- 4.3 Changes have been made to both the Policy and Strategy to take account of recommendations received from a review conducted by Zurich and the training provided to Audit Committee earlier in the year (January 2018).

4.4 The Policy and Strategy are reviewed biennially by the Corporate Risk Team and also approved every other year by Risk Champions within each group directorate, as part of their regular review of both divisional risk registers and the management of risk within the Council as a whole. Additionally this year, the Strategy has been reviewed and ratified by the Chief Executive, who commences this revised Strategy with an introduction, illustrating senior management commitment. The Strategy acts as a guide in determining how risk is tackled in the Council and it is important to achieve 'buy-in' and consensus of opinion regarding its contents. Ratification by the Audit Committee provides gravitas and is an indication of the support from those responsible for overseeing this important function. Awareness and an understanding of the contents of both the Policy and Strategy are key to the management of risk being effectively embedded throughout the Council.

4.5 The Council's intranet provides comprehensive information on Hackney's risk processes and provides access to relevant information and documentation. This further contributes to the embedding of risk management throughout the Council.

4.6 The Policy and Strategy were last reviewed by Corporate Committee in September 2016.

4.7 **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.

4.8 **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.

4.9 **Sustainability**

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

4.10 **Consultations**

In order for risk registers to progress to Audit Committee, they will already have been reviewed by the relevant Senior Management Team within the corresponding Directorate. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.11 **Risk Assessment**

This report sets out the Policy and Strategy for the management of risks throughout the Council.

5 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

5.1 There are no additional financial implications arising directly from this report. Any financial impacts associated with the information set out in the Appendices will be dealt with as part of the risk management process from within the Council's current resources.




6 COMMENTS OF THE GROUP DIRECTOR OF LEGAL SERVICES

- 6.1 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.
- 6.2 There are no immediate legal implications arising from this report.

APPENDICES

Appendix 1 – Corporate Risk Management Strategy – September 2018

Appendix 2 – Corporate Risk Management Policy – September 2018

Report Author	Matt Powell  020 8356 2624 Matthew.powell@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Michael Honeysett  020 8356 3332 Michael.honeysett@hackney.gov.uk
Comments of the Director of Legal Services	Patricia Narebor  020 8356 2029 Patricia.narebor@hackney.gov.uk



RISK Management Strategy

“Your Risk – Your Responsibility”
September 2018

Foreword

This Strategy aims to improve the effectiveness of managing risks across the Council and constitutes a very important part of the Council's overall policy on risk. Effective management of risk allows us to:

- have increased confidence in achieving priorities and outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- Improve partnership working arrangements and corporate governance.

Ultimately, effective management of risk will help the Council maximise its opportunities and minimise the impact of the risks it faces, thereby improving its ability to deliver priorities and improve outcomes for residents. There are clearly a wide range of risks internal to Hackney, but it's also important to acknowledge and monitor the external influences and risks.

This Strategy explains the Council's approach to risk management, and the framework that will operate to ensure that risks are effectively managed. Whilst the Policy sets out 'what' the Council is looking to accomplish in terms of its risk management, the Strategy expands on 'how' this will be achieved.

I encourage all officers to adopt the strategy and use as a template for approaching Risk across the Council.



Tim Shields, Chief Executive
September 2018

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Information Box	
Title	Risk Management Strategy “Your Risk – Your Responsibility” version 9.0 revised September 2018
Description	Hackney Council Risk Management Strategy (which also serves as a toolkit)
Primary audience	Members, Chief Executive, Hackney Management Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	Corporate Risk Team, Finance & Corporate Resources Tel: 020 8356 2624
Revised	September 2018

1. Introduction

- 1.1 Management of risk is both a statutory requirement (from the Accounts and Audit Regulations 2015), an indispensable element of good management, and not simply a compliance exercise. As such, its implementation is crucial to the Council and essential to its ability to discharge its various functions: as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds and a significant employer.
- 1.2 This Risk Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully. It also defines a practical approach to risk.
- 1.3 Management of risk in Hackney is about improving the ability to deliver strategic objectives by managing threats, enhancing opportunities and creating an environment that adds value to ongoing operational activities.
- 1.4 Risk management is a key part of corporate governance, which is essentially the systems by which the organisation manages its business, determines strategy and objectives and goes about achieving these objectives. Risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals.
- 1.5 The benefits of successful risk management include:
- **Improved service delivery**
Enhanced corporate policies, fewer surprises, added value across service areas, more targets achieved, improved internal controls, consistent management of risk and opportunities resulting in improved service delivery.
 - **Improved financial performance**
Higher percentage of objectives achieved, lower level of fraud, increased capacity through reduction in the number of decisions that need reviewing or revising, decreased number of and impact of critical risks, better income generation and fewer alterations and losses. A clear overall picture of budgets is maintained, and work undertaken is mindful of potential financial limitations.
 - **Improved human resources management**
Potentially reduced staff turnover and absenteeism due to less stressful working environment. Fewer surprises occur, and change is managed in a more controlled and diligent manner.
 - **Improved corporate governance and compliance systems**
Fewer regulatory visits, fewer legal challenges, and an improved annual governance statement that is better substantiated and evidenced. Also increased assurance across the Council about the robustness of processes designed to achieve objectives.
 - **Improved insurance management**
Lower insurance premiums and number and level of claims, lower total of uninsured losses.
- 1.6 Further advice and assistance on risk management is available from the Corporate Risk Advisor within the Finance & Corporate Resources Group Directorate.

2. Aims and Objectives

AIM

- 2.1 The aim of this Strategy is to improve the ability to deliver strategic priorities by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities. This Strategy should also serve as a toolkit for officers looking to clearly acquaint themselves with Hackney's approach to risk.

OBJECTIVES

- 2.2 The objectives of the Strategy are to:
- Set out the roles and responsibilities for risk management throughout the organisation
 - Fully integrate the management of risk into the culture of the Council and into the Council's strategic planning processes
 - Ensure that the framework for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the Council is implemented and understood by all relevant staff (and partners)
 - Communicate to stakeholders the Council's approach to risk management
 - Improve co-ordination of risk management activity across the Council
 - Ensure that the Executive, Hackney Management Team (HMT) and external regulators are provided with the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.
 - Ensure consistency throughout the Council in the management of risk.

3. Definitions

- 3.1. This section provides brief definitions of the terms used within this Strategy and the definitions that the Council is working to.

RISK

- 3.2. Hackney's definition is:

“Risk is the probability of an event occurring and its consequences”

- 3.3. A brief explanation of the key words used in this definition is given below:

Probability – the likelihood of an event occurring

Event – the occurrence of a particular set of circumstances

Consequences – outcomes arising from the event. There may be more than one consequence from the same event and consequences can be both positive and negative.

Issues can sometimes be confused with risks, however there is a distinct difference between these two concepts. An issue is something that is actually happening (or has occurred), whereas a risk is something that might happen. With an issue, one must figure out how to resolve something at the present time. A risk is something which needs mitigation plans which will hopefully eliminate the possibility of the risk occurring or reduce the impact should it occur. So a risk is in the future, whilst an issue occurs at the current time. Therefore, when the risk materialises it becomes an issue.

RISK MANAGEMENT

- 3.4. There are many slightly different definitions of risk management that cover essentially the same points. Hackney's approach to managing risk is based upon best practice and is defined as:

“The process by which Hackney Council manages threats, enhances opportunities and creates an environment that adds value to its activities.”

- 3.5. The focus of good risk management is the identification and treatment of such risks. Its objective is to add maximum sustainable value to all the activities of the organisation. It aids the understanding of the potential upside and downside of all the factors that can affect the organisation's ability to deliver its objectives. It increases the probability of success, and reduces both the probability of failure and the uncertainty that the organisation will achieve its overall objectives. Risk is one of life's few certainties. Nothing can be achieved without some element of risk. The essence of risk management is managing these potential opportunities and threats which could ultimately impact on objectives.
- 3.6. Risk management should support improved decision-making through a good understanding of the risks associated with decisions and their likely impact.
- 3.7. Risk management should be a continuous and developing process that runs throughout the organisation's corporate strategy and the implementation of that strategy, methodically addressing all risks surrounding the organisation's activities past, present and future.
- 3.8. Hackney, like all Councils, has a wide range of internal risks, but it is also essential to acknowledge and monitor the external influences and risks. Something like a change to government policy needs to be considered as this continues to test our strategies, financial position, and ability to deliver political priorities. Areas like this need to be managed as their potential can impact on the Council in so many ways.

4. Risk Appetite

- 4.1 Risk Appetite refers to the level of risk that an organisation (and within that a service area) would be comfortable to accept in order to reach strategic objectives. If outside an appetite, it would be difficult to justify pursuing such a course of action. Even though an organisation admits to an appetite for risk, the risks still need to be managed and monitored very closely. Once out of the boundaries of the appetite, then serious consideration needs to be applied to whether the risk can be managed properly. Clearly, some risks are unavoidable (especially of an external nature) and will be managed extremely closely. Other risks which are comfortably beyond the appetite will simply not be taken. It is the risks where the organisation has a clear choice that appetite becomes especially relevant.
- 4.2 Risk tolerance is a similar principle to risk appetite but concerns the specific maximum risk (or exposure) an organisation would be (theoretically) capable of taking. Therefore, the level of risk an organisation is comfortable in pursuing is their appetite but they may be able to tolerate or absorb a different level of risk without significant pain and impact on achieving their strategic objectives. This is their tolerance.
- 4.3 Theoretically there are some risks the Council may be able to tolerate within its resources but for other reasons (perhaps political or reputational) it might still not be within their appetite. Once outside of boundaries of appetite (red), a risk is a serious concern and must be reviewed and treated and such. This will be something that needs to be consistently reappraised.
- 4.4 Risk appetite can vary depending on a service area and the sensitivities of the work it undertakes. For example within Children's, Adults and Community Health, the potential for harm to any of Hackney's vulnerable stakeholders is something that would be guarded against with no appetite or tolerance for any example of this. Conversely, in a service concerned with regeneration and property, the Council is trying to capitalise on a buoyant market to achieve the appropriate rent for its property assets, here the appetite for slight uncertainty is greater because of the beneficial (financial) opportunities it can bring. Although recent fluctuations in the market make the appetite here even more important (and fragile?).
- 4.5 When the Council admits to an 'open' attitude to risk (as it does in the table below for major capital programmes and more commercial schemes), there is an acceptance that an element of financial risk is involved. However, within these risks, there are so many (break) clauses built in to a project, and other options / mitigations, with stages to pull back, that the Council can provide clear assurance that it is well positioned to manage this more open approach to risk taking. There are considerable sums of investment involved, but careful planning should justify this open approach. With the numerous ongoing Regeneration project / programmes, innovative ways of working have been established and developers have ensured any financial risk on the Council can be dealt with safely, and even in the instance of a serious crash of the Property market, the Council would be able to temporarily rent property whilst waiting for the market to recover.
- 4.6 All risks identified should be managed in accordance with the Council's "risk appetite", and assessed within the particular appetite of that actual service area. Table 4 (on the next page) contains a general statement of the Council's Risk Appetite – a high level guide as to how this should be approached.

Table 4 – Hackney Council’s Statement of Risk Appetite

In order to achieve objectives and deliver beneficial outcomes to stakeholders, the Council does need to take some risks. However these risks will be taken in a considered and controlled manner.

Exposure to risks will be kept to a level of impact deemed acceptable according to parameters agreed by Senior Management (Directorate & Hackney Management Teams). The acceptable level may vary from time to time.

Some particular risks (above the generally agreed level) may be accepted because:

- *The likelihood of the risk occurring is deemed to be sufficiently low*
- *They have the potential to enable realisation of a considerable reward/benefit which is too high to ignore*
- *They are considered too costly to control given other priorities*
- *The cost of controlling them would be greater than the cost of the impact should they materialise*
- *There is only a short period of exposure to them*
- *They are considered essential to the achievement of aims and objectives*



Risk Appetite chart	FINANCE / COMMERCIAL	COMPLIANCE	SAFETY	SERVICE DELIVERY	REPUTATION
AVERSE (safe / v low level exposure / very low reward / no empowerment beyond senior staff)	Minor loss < £1000 (In pursuit of progressive, dynamic and effective services, most areas could tolerate this loss)	Trivial, v short term single non-compliance. In pursuit of an overall objective, this could usually be tolerated.	Insignificant Injury (no intervention) – CYPS maintain this approach.	Negligible impact, unnoticed by stakeholders – clearly this is accepted.	Insignificant damage (eg – vague online negativity) - can be tolerated.
CAUTIOUS (guarded, low reward, empowerment just to Senior / middle managers.)	Small loss £1000 - £10,000 (eg – services like Treasury, Revenues & Benefits / Cashiers will not tolerate such losses so very little appetite here in this respect. But accepted in other areas)	Small, single, short-term non-compliance. (eg Elections Services cannot afford non-compliances so have very cautious approach). Other services could be more flexible	Minor Injury (Local intervention) Adult Social Care would need to be cautious	Small impact inconvenience (usually acceptable – if managed properly – in a project.)	Minor / v short term damage (Negative coverage from local media) – tolerable if backing a justified position.
MODERATE (balanced approach / medium reward / empowerment to frontline managers.)	Moderate loss £10,000 - £100,000 (Depending on a service, this could be countenanced in the context of a high level complex project, pensions strategy.)	Sustained single or a few short term non compliances. (this could be tolerated in pursuit of the greater good – eg printing free paper / allowing flexibility within housing / events etc)	Moderate Injury (professional intervention) – this falls outside tolerance / appetite.	Medium level impact & inconvenience (Sometimes acceptable – if managed properly – in a project / programme)	Moderate or short to medium term damage – (damaging coverage London-wide) – if the Council are clear in a position, it is right to defend.
OPEN (creative, higher exposure & empowerment to wide selection of staff)	Significant loss £100,000 - £1,000,000 (The delivery of the overall capital programme / investment strategy permits appetite for this possibility – albeit with many layered controls and mitigations)	Multiple sustained non – compliances. This would not be an expected approach and would be very difficult to ever justify.	Major Injury (hospital stay) – a risk like this could not be pursued.	Significant impact / serious inconvenience – could only be accepted in exceptional circumstances.	Major / medium term damage (negative national exposure). Unlikely to be tolerable – unless exceptional circumstances.
HUNGRY (pioneering / substantial risk exposure & reward / empowerment to all with few controls)	Substantial loss - >£1,000,000. This is not an amount the Council would be comfortable in actively allowing in pursuit of objectives.	Multiple, long-term, significant non compliances. (This hungry appetite in compliance is just not conceivable in Local Government.)	Fatal injury – this will obviously be out of the tolerance of our organisation.	Substantial / complete service failure. Not tolerable.	Substantial or sustained damage. (International coverage). Not within appetite.

Level of risk	Level of concern	Action required
High	Very concerned	Action is required immediately
Medium	Concerned	Action is required within three months
Low	Content	The Council is willing to accept this level of risk

- 4.6 A risk may be considered acceptable if it is sufficiently low that treatment is not considered cost-effective; this applies if the risk scores 'low' on the Council's scoring matrix. The cost of mitigating the risk here is not proportionate to the benefit that treating it would provide. Low risks do not require inclusion on either the Council's Corporate or a Directorate's risk register, but they should be entered onto the risk database and be reviewed annually as a minimum standard. The key is that risk conversations are taking place, with decisions backed up by discussions of varied appetites.
- 4.7 Risks that are 'unlikely' or 'rare' to occur, but would have a 'major' or 'catastrophic' impact will probably score either 'low' or 'medium' on the Council's scoring matrix. It is probable that many of these risks fall within the Council's Business Continuity Management Process (e.g. flooding).

5. Scope

- 5.1 Management of risk is something that everyone within the Council undertakes almost daily, in varying degrees. Although it is difficult to draw clear boundaries around risk management areas because of the cross-cutting nature of risk, management of risk within Hackney falls into five main areas:
- Health and Safety
 - Insurance of risk: where some serious risks are mitigated within Insurance cover (eg – a fire on a Council property).
 - Emergency / Business Continuity Planning
 - Project: both physical (e.g. the Britannia project) and strategy-related. This area is closely aligned to and may overlap with business risk, although each have a separate matrix.

- Business: risks identified that could prevent the Council achieving its priorities – either top-level priorities (e.g. failure to deliver the Mayor's agenda) or operational-level priorities (e.g. failure to deliver actions within a team plan).

5.2 The risk management process outlined within this Strategy applies primarily to the business and project risk management areas but can, where appropriate, be used for any area. All risk areas identified above include high-level / long-term risks (strategic risks) through to low-level / day-to-day risks (operational risks), as well as both internal and external partnerships.

Lead responsibility for the development of the five areas of risk management identified is shared between directorates outlined below (see Table 1).

Table 1 – Risk Areas

Risk Area	Service Area with Lead Responsibility
Health and Safety	Strategic Property Services, Finance and Corporate Resources Directorate
Insurance of Risk	Insurance team within Finance and Corporate Resources.
Emergency / Business Continuity Planning	Emergency Planning Unit, Neighbourhoods and Housing – also overseen by the Corporate Resilience Group
Project	Lead officers based in the Chief Executive's Directorate
Business	All Chief Officers / Heads of Service

HEALTH AND SAFETY

5.3 The Council has in place long-established and effective processes for the management of risks falling within health and safety. The established processes already in place in these areas should be followed; they are not superseded by this Strategy.

BUSINESS CONTINUITY MANAGEMENT & EMERGENCY PLANNING

5.4 Business continuity management (BCM) and risk management have clear inter-dependencies and are closely aligned. However, BCM is concerned with events that typically have a very low probability of occurring but would have a catastrophic impact on the Council's ability to deliver services, and business continuity planning is based around time-critical activities. BCM tends to be concerned with the aftermath of an event occurring, whereas Risk deals with an event in advance of its potential occurrence. Consequently, any risk identified through the risk assessment process as likely to have a catastrophic impact upon the Council's ability to deliver its services will probably be mitigated through the Council's BCM Process. The Council's Emergency Planning

Management Team, hold responsibilities for managing the external impacts of risks of this nature.

- 5.5 Hackney's approach to BCM is outlined in the Business Continuity Strategy. In summary, a Council-wide business impact analysis has been undertaken and Business Continuity Plans (BCPs) are now in place (at corporate and directorate levels), having all been updated in recent months. The Council has also ensured that Council-wide BCPs are in place covering activities in high-priority areas (e.g. customer services) and high-risk areas (e.g. IT). Regular testing also occurs in these areas. There is also an overall community wide Business Continuity/Emergency Planning Risk Register, which is updated annually.
- 5.6 The Council's approach to BCM is to ensure that a generic response is in place to deal with the likely impact of an incident, regardless of the cause of the incident. This means that the Council is able to produce one generic plan rather than a series of plans to deal with different scenarios. If BCPs aren't in place and properly prepared, this in itself will constitute a serious risk to the Council. There is an additional Corporate Resilience group currently in place chaired by the Group Director of Neighbourhoods and Housing.

PROJECT RISKS

- 5.7 Project risks can be managed using one, or a combination, of the following risk management processes:
- the Capital Bid Programme risk assessment pro forma
 - Risk management techniques associated with the project management methodology used (e.g. Project Management Handbook and Prince2). A separate matrix has been developed specifically for project risks.
- 5.8 Management of risk is incorporated into project management right from the outset (e.g. initial risk assessment as part of the Project Brief). The size and scope of the project will dictate the best way of managing the attached risks. However, ALL projects MUST undertake full risk assessments. All formal project management training within the Council includes project risk management.

BUSINESS RISKS

- 5.9 The risk management process outlined within this Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (e.g. delivery of the community strategy themes) and operational activities (e.g. delivery of actions identified in team plans). The term 'business risks' relates to risks that might prevent objectives being achieved at all levels, including:
- strategic priorities - e.g. delivery of the Mayor's Priorities (ie: cleaner, safer, greener Hackney)
 - planned actions identified in the Sustainable Communities Strategy (new version due in 2018)
 - service area priorities identified in service plans
 - priorities identified in team plans

- individual objectives
- partnerships and situations which might impact upon their successful operation.

Business risks are logged and regularly reviewed on Pentana, the Council's software application for risk and performance. Risks entered on Pentana are immediately assigned an owner, along with specific actions intended to mitigate the risk. Reports are run within this system to produce risk registers, the more high level ones of which get escalated to Audit Committee.

6. Roles and Responsibilities

- 6.1 Everyone in the Council is involved in the management of risk and must be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with: -
- the Mayor and Cabinet
 - The Chief Executive and HMT
- 6.2 In order to ensure the successful implementation of this Strategy, responsibilities for management of risk are detailed in Table 2.

Table 2 – Roles and responsibilities

Role	Responsibilities
Elected Members	<ul style="list-style-type: none"> ➤ Ensuring that business risks are being identified and effectively managed. ➤ Scrutinising corporate decisions to ensure that they meet the requirements of effective risk management. ➤ Helping facilitate and support a risk management culture across the Council. ➤ Seeking assurance on the overall risk framework, and specifically the risk registers presented to Audit Committee

Audit Committee	<ul style="list-style-type: none"> ➤ Supporting and monitoring the implementation and ongoing processes for identifying and managing key risks of the authority. ➤ Overseeing effective management of risk across the Council by agreeing the Council's Risk Management Policy / Strategy / statement of Risk Appetite. ➤ Ensuring that risk management is delivered by the Chief Executive and HMT on behalf of the overall Council. ➤ Ensuring that a Corporate Risk Register, including details of the actions taken to mitigate the risks identified, is established and regularly monitored (full version at every other meeting).
Chief Executive and HMT	<ul style="list-style-type: none"> ➤ Leading / co-ordinating risk management across the Council, with the Chief Executive as the designated HMT lead on risk. ➤ Advising members on effective risk management and ensuring that they receive regular monitoring reports. Also helping define the overall risk appetite. ➤ Identifying and managing the business risks and opportunities facing the Council (including those highlighted within received reports). Also deciding to escalate these risks, sometimes to the Corporate Register, which they regularly review. Also ensuring the Council complies with all Corporate Governance requirements.
Chief Officers / Directorate Management Teams (DMT)	<ul style="list-style-type: none"> ➤ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Policy and Strategy and the Standard for Performance Management. ➤ Appointing a risk champion, ideally a senior officer, who is authorised to progress across their directorate effective risk management that adheres to corporate guidelines. ➤ Identifying and managing risks within their directorate and ensuring that mitigating actions are regularly reported.
Risk Champions	<ul style="list-style-type: none"> ➤ Assist in ensuring effective risk management throughout particular Directorate, helping prepare Committee reports and acting as a conduit for the Corporate Risk Advisor to work on risk around the Council.
Heads of Service	<ul style="list-style-type: none"> ➤ Ensuring that all employees within their Service understand and complies with the corporate risk management policy/strategy and procedures. ➤ Identifying, evaluating and managing operational risks and reporting any possible corporate risks to their Group Director and Departmental Management Team for consideration. Understanding the need to escalate certain risks. ➤ Ensuring that risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed.

Corporate Risk Team	<ul style="list-style-type: none"> ➤ Providing strategic direction on the Council's approach to risk management. ➤ Ensuring effective liaison between risk areas (see Table 1 on page 7). ➤ Co-ordinating the Council's approach to risk management ➤ Ensure appropriate training is available to members and officers relevant to individual roles. All members of staff have access to training if required. The Intranet provides detailed libraries of information on risk management. Training has regularly been delivered to members to ensure the same approach is embedded throughout the Council.
Staff	<ul style="list-style-type: none"> ➤ Understanding their accountability for individual risks. ➤ Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures. ➤ Making the effort to acquaint themselves with the basics of risk, as clearly outlined on the Council's intranet pages.
Audit	<ul style="list-style-type: none"> ➤ Providing independent assurance of controls / risk, as well as promoting a risk aware culture through audits. There is a separate risk / audit protocol which clearly defines how the two areas exist together.

7. Risk Management Process

- 7.1 The approach to risk management in the Council is based on the best practice outlined in varied international risk management standards (eg – IRM, ALARM).
- 7.2 Hackney's risk management process consists of seven steps:

1	Knowing the strategic and operational priorities and overall objectives
2	Defining risks
3	Scoring risks
4	Treating risks
5	Compiling a risk database and register (on Pentana)
6	Monitoring and reporting risks
7	Reviewing risks

KNOWING THE STRATEGIC AND OPERATIONAL PRIORITIES

- 7.3 The starting point for management of risk is a clear understanding of what the organisation is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the business planning process and should take into account the environment within which the Council operates. Similarly, this needs to be applied to all activities and processes to ensure focus on achievement of priority objectives.

DEFINING/DESCRIBING RISKS/OPPORTUNITIES

- 7.4 Here, we are concerned with identifying events that can impact on business objectives – ‘what could happen’. This could have a positive effect on the objectives rather than a negative one. An initial overview can be achieved through a simple SWOT (strengths, weaknesses, opportunities & threats analysis) It is useful to bear in mind business objectives as these are what we consider when assessing impacts. As a minimum, a PESTLE(P) analysis should be undertaken. This helps establish the context of a situation where risks may occur. PESTLE(P) requires those involved in the risk management process to consider the risks that might prevent a priority or objective being achieved, under the following headings: -

Political **Economic** **Social**
Technological **Legislative** **Environmental** **Partnership**

- 7.5 It also helps to think of risks being driven by two basic categories – Strategic and Operational. These categories are not mutually exclusive, and one can move to the other. If we use a school as an example, at a strategic level, the school would consider threats to its long terms objectives (e.g. issues such as expansion, raising standards, recruiting staff, attracting students and demographic factors). At an operational level, it would be more concerned with the day to day running of the school (e.g. physical hazards to the students / teachers, budget shortfalls, the performance of external contractor).
- 7.6 Expressing a risk as a clear and succinct statement is important to begin with, as scoping risks can often be difficult. For example, “no resources” is not in itself a complete description; you need to consider not only a symptom, but also a result. There essentially need to be three parts in the description of a risk.

EVENT > CONSEQUENCE > IMPACT

A typical phrasing could be: -

Loss of...leads to.....resulting in...
Lack of...	
Partnership of...	
Development of...	

Opportunities are always important to consider. For example, one of the risks to a partnership arrangement may be that a partnership organisation is reluctant to share information. This could actually be expressed as an opportunity (e.g. improving communication between partnership organisations leads to more effective decision making and implementation of shared objectives). Considering opportunities can allow bolder and more creative or innovative solutions, essentially to take greater, but calculated risks.

SCORING RISKS

- 7.7 In order to decide on the best treatment option and to prioritise the treatment of the risks identified, the risks must first be scored. Risks are scored by identifying the likelihood of the event occurring and multiplying this by a factor representing the impact or consequences of the event if it did occur.
- 7.8 Hackney uses a five-by-five matrix to determine the risk score. To differentiate between the significant changes in impact between “moderate”, “major” and “catastrophic” risks, the scoring has been weighted; see Table 3.

Table 3 – Scoring risks

LIKELIHOOD (PROBABILITY)	5	Almost certain: > 80%	Low (5)	Medium (10)	High (15)	High (20)	High (25)
	4	Likely: 51% – 80%	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
	3	Possible: 21% – 50%	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely: 6 – 20%	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare: < 6%	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
SCORING SCALES (each score for likelihood and impact is multiplied to attain overall score)			1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
IMPACT (CONSEQUENCES)							

Consider the impact on the following when scoring: -

- Achievement of strategic priorities
- Health and safety of employees, residents or service users
- Ability to deliver services (in particular key services)
- Financial – e.g. budgets, fraud, claims, fines and penalties
- Council’s reputation

TREATING AND MANAGING RISKS

7.9 There are four general approaches to managing risk:-

- *Terminate (Avoid)* – not undertaking the activity that is likely to trigger the risk.
- *Treat (Reduce)* – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.
- *Transfer* – handing the risk on elsewhere, either totally or in part – (e.g. insurance.)
- *Tolerate (Accept)* – acknowledging that the ability to take effective action is limited or that the cost of taking action may be disproportionate to the potential benefits gained. Risks here will continue to be monitored.

7.10 Assessment of each response option is used to provide the basis for selecting the best option to manage each risk identified.

7.11 Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

COMPILING A RISK DATABASE AND REGISTER

7.12 Any risk identified should be fully assessed and entered onto the risk management database, Pentana.

7.13 Risks that could adversely impact upon the achievement of the Council's priorities and that score 'medium' or 'high' on the Council's risk scoring matrix could be classified as Corporate Risks.

7.14 Service-specific risks that score a 'medium' or 'high' rating must be included in the directorates' strategic risk registers, which should be incorporated in the relevant service plan. These will also be presented annually to Audit Committee. This would be agreed upon at the relevant Directorate Management Team meetings.

MONITORING AND REPORTING RISKS

7.15 All risks on the Corporate and Directorate Risk Registers are consistently monitored, and reports (from Pentana) are considered at least annually by Hackney Management Team before reporting to Audit Committee for scrutiny. Low level risks are reviewed annually, and if they are perceived to no longer present a threat (or opportunity) to objectives, they will be deactivated. They are not deleted and so remain on the system, but will no longer be 'live' within the registers. Of course, if the risk does become more serious and likely once again, it can then be reactivated. The Risk Management process should be a continuous cycle for supporting objectives. It is also important to highlight risks that cut across services so a consistent approach can be taken across the organisation to managing these risks.

7.16 Service-specific business risks should be included within service risk registers and monitored through the directorate's performance management arrangements. This will include reporting, at least annually, to Audit Committee.

- 7.17 As a recent development, a new balanced Scorecard has been created to accompany the Corporate register each time it is presented to Committee. This includes the current score of the risk and well as a target score which the Management of each particular risk should strive towards. Also a direction of travel makes it clear how the risk is progressing which should provide Audit Committee with assurance that risks are being effectively managed.

REVIEWING RISKS

- 7.18 All risks should be reviewed annually and assessed at management meetings as to whether they should be escalated to directorate or corporate level.

RISK MATURITY

- 7.19 The concept of risk maturity is important to consider on a regular basis. The maturity level is essentially a well-defined evolutionary plateau towards achieving a mature process. In achieving this, five levels are often cited: -

- **Initial** – Where an organisation undertakes the minimum risk identification and assessment to satisfy compliance requirements. There is no defined appetite, no formal risk process and management actions are primarily reactive, rather than proactive.
- **Repeatable** – Here, a risk framework has been established, including definitions of appetite, the risk management process, and when it will be applied. There will also be an understanding of the sources of risk facing the organisation and their impact. Risk roles and responsibilities will be defined and allocated.
- **Defined** - A central risk management function will have been created with a consistent approach. The board debate high level risks and risk management is used to improve business performance.
- **Managed** - The risk management culture is led by the Chief Executive and Senior Management Team, and the practice of managing risk is driven by more rigorous analysis. There is a stronger emphasis on measuring, aggregating and managing risks across the organisation.
- **Optimising** – This is the highest state of maturity with a culture of continual improvement. Here, the organisation fully aligns its risk management policies, process, framework and resources. Training programmes are available for all business unit heads, and risk management responsibilities are included in job descriptions, the staff induction process and performance appraisals.

To categorise an organisation's level of maturity, an assessment is required of numerous elements of its work practices. Questions are addressed towards how management of risk is conducted and what practices are already embedded within the organisation's approach. If there are areas where details are clearly lacking, the maturity of an organisation will be lower and it will perhaps only attain an 'initial' level of maturity status. If however, methodologies, strategies and frameworks are all comprehensive, reviewed and up to date, senior management and stakeholders all play an active role, then it is reasonable to credit an organisation with a more advanced level of maturity, e.g. - 'defined' or 'managed'. The Council consistently strives to move up the scales of maturity, and any deficiencies will be worked upon in order to satisfy maturity criteria. Maturity will be reviewed internally on a biennial basis, and reported to the Audit Committee as part of the Annual Report.

8. Alignment of Risk Management and Performance Management

INTER – DEPENDENCIES BETWEEN RISK MANAGEMENT AND PERFORMANCE MANAGEMENT

- 8.1 Risk management and performance management can be viewed as two sides of the same coin. Whereas performance management identifies and monitors what is needed to achieve our priorities, risk management focuses on the things that may happen that might prevent the Council achieving its priorities/objectives. The upside of managing risk (identifying actions that will help achieve priorities) is in effect performance management.
- 8.2 The ultimate outcome that both systems support is the achievement of the Council's priorities. The interim steps in both systems include: -
- (for performance management) a list of actions required to achieve the priority; (for risk management) a list of actions to mitigate risks that could prevent the priority being achieved
 - SMART targets (Specific, Measurable, Achievable, Relative, Timely)
 - regular review of the actions and targets, and overall annual review.
- 8.3 The starting point for identifying both the actions required under the performance management framework and the mitigating actions required by the risk management framework is the same: the Council's priorities. Each year, the Council refreshes its overall corporate priorities. Therefore, the resulting actions and SMART targets from both the performance management framework and the risk management framework should be broadly similar and in some cases identical, albeit arrived at via different routes. Priorities underpin both disciplines, with performance being concerned with how to achieve something, and risk looking at what might impact on the priorities being achieved. A performance update is submitted to Audit Committee on a quarterly basis.

INTEGRATION OF PROCESSES

- 8.4 Hackney has a well-established business planning cycle that includes setting priorities and ensuring that the Council's budget is aligned to the Council's priorities. The Council's performance management framework monitors the delivery of these priorities and ensures that they are achieved within budget. The performance management framework includes regular reporting to the Executive, Scrutiny and HMT.
- 8.5 The Council's priorities are also the starting point within the risk management process. The first step in risk management is 'understanding the Council's priorities' the second is 'identifying risks that might prevent the Council achieving its priorities'. It is essential that the risks identified and actions taken to mitigate them are regularly monitored and reported to the appropriate audience. A well-established and effective performance management framework is already in place and so has been expanded to integrate the risk management requirements. The cross Council completion of service plans has slowed in recent years (in the light of restructures) but services should strive to complete the plans with a detailed section on risk. It is also very useful within these plans to have clear objectives stated.

BENEFITS ARISING FROM INTEGRATING THE TWO PROCESSES

- 8.6 There are many benefits to be realised by closely aligning the performance and risk management frameworks. These include: -
- strengthened actions - actions are identified through two different processes, which look at the Council's priorities from two different angles; a positive and a negative view. Consequently, the resulting actions are likely to be more comprehensive and robust.
 - reduced duplication
 - the use of a single computerised system for the management of both performance and risk management (Pentana)
 - performance and risk can be monitored together using existing processes
 - performance and risk can be reported once using existing processes
 - clear links established between performance and risk.

THE INTEGRATED PROCESS

- 8.7 The integrated performance management and risk management processes are implemented in the following way:-
- Through the normal service planning processes, directorates identify their priorities and the actions required to achieve them.
 - While identifying priorities and actions, directorates also identify the risks that might prevent the priorities being achieved. In this way, opportunities and risks are considered at the same time. Headline examples of each are presented on a quarterly basis at Audit Committee.
 - Comprehensive details of the actions and the risks are entered into the performance and risk management database, and monitored regularly.
 - Planned actions are monitored quarterly through the performance management system.
 - Directorate actions are monitored via the directorates' performance management arrangements, which must include reporting to the relevant Member at least twice per year.

9. Links to Corporate Governance

- 9.1 Governance is the system by which organisations direct and control their functions and relate to their communities. In other words, it is the way in which they manage their business, determine strategy and objectives, and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.
- 9.2 This Risk Management Strategy forms part of Hackney Council's corporate governance arrangements.

INTERNAL CONTROL

- 9.3 Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the

achievement of objectives. Internal financial control systems form part of the wider system of internal controls.

- 9.4 A council's system of internal controls is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. For example, the Council's policy and decision-making processes require all executive reports to include an option appraisal/risk assessment.

HEALTH AND SAFETY

- 9.5 The Council's Health and Safety Policy is also a key component of the Council's structure of controls contributing to the management and effective control of risk affecting staff, contractors, volunteers, service users and the general public.

INTERNAL AUDIT

- 9.6 The Internal Audit function is a component of the Council's system of controls protecting its financial and other physical assets. The risk management process, in turn, serves the Internal Audit function by enabling it to identify areas of higher risk, and so target its resources more effectively.
- 9.7 Where controls are found to be non-existent or inadequate then this is reported to the Risk team and the Directorate risk champion can take appropriate action. Risk and Internal Audit are part of the same service area and are able to support each other work in an effective manner. A working protocol has also been drafted to illustrate the specifics of the working relationship and is available on the staff intranet.
- 9.8 Internal Audit produce an annual risk based Audit Plan which ensures that audit activity is focused in those areas where there are higher risks posed to the Council achieving its objectives.

10. Monitoring and Indicators of Success

- 10.1 Hackney's Corporate Risk Register is reviewed every three months. Progress against the actions identified to mitigate risks will be monitored quarterly through the performance management process.
- 10.2 The ultimate measure of effective risk management is that the Council has the resilience to deliver its services and core objectives and is able to identify, and take maximum advantage of the occurrence of positive risk.

For further information, contact

**Corporate Risk Team
Finance & Corporate Resources
Telephone: 020 8356 2624**

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CORPORATE RISK MANAGEMENT POLICY

September 2018

Foreword

Hackney Council is committed to the effective management of risk at every level within the Council and to providing:

- a framework to help maximise opportunities for the Council and manage uncertainties, which could impact on objectives.
- a safe environment for its employees and customers
- training to enable its employees to undertake their work effectively, efficiently and safely.

The purpose of this Corporate Risk Management Policy is to state the Council's risk management objectives, appetites, approach, responsibilities and procedures. There is more detailed information on specifically how the Council approaches managing risk in the accompanying Corporate Risk Management Strategy. In simple terms, the Policy details 'WHAT' we do in terms of managing risk, whilst the Strategy elaborates on 'HOW' we do it.

APPROVAL:

- . This policy was last ratified by the Audit Committee on 21 September 2016 - to be ratified now in 2018.
- . This Policy version is number 3.0
- . Next review date: 2020

For further information, contact

Corporate Risk Service
Finance & Corporate Resources Directorate
Telephone: 020 8356 2624

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Information Box	
Title	Risk Policy Version 3.0 September 2018
Description	Hackney Council Risk Policy
Primary audience	Members, Chief Executive, Hackney Management Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	Corporate Risk Team, Finance & Corporate Resources Tel: 020 8356 2624
Revised / Created	September 2018

1. Objectives

The purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- promote corporate governance by integrating risk management and internal controls
- promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
- enhance and protect the local environment
- improve business performance
- provide management with the confidence that objectives can be achieved.

2. Risk Management Approach

AIM

- 2.1 To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and (the Mayor's) priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences, and using appropriate expertise.
- 2.2 Risk management must be proactive to ensure that corporate and operational risks are:
- identified
 - assessed by considering the impacts and likelihoods of their occurrence
 - effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.
- 2.3 Effective risk management anticipates and avoids risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control (e.g. severe weather, nationwide austerity measures). Key services and mission critical activities are therefore required to develop Business Continuity Plans in order to reduce the impact should a major event occur. These are managed by a separate Business Continuity Team.
- 2.4 **Risk Appetite and Tolerances** - Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk tolerance' levels, these are defined as:

- i) **Acceptable Risks** – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable (categorised as yellow or green under the risk matrix). Particular care is needed in considering actions that could: -
- have an adverse effect on the Council’s reputation and/or performance
 - undermine the independent and objective review of activities
 - result in censure or fines being imposed by regulatory bodies
 - result in financial loss

Any threat or opportunity that could have a significant impact on the Council or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate director. Where there is both a significant potential impact and a high likelihood of occurrence, the director must report the risk to the Senior / Hackney Management Team.

- ii) **Prohibited Risks** – risks that could result in physical harm; non-compliance with legislation or Government regulations; or non-compliance with the Council’s policies, rules and procedures are not acceptable. Therefore, any opportunity or innovative approach that could result in such outcomes must not be pursued and must be reported to the appropriate director. The Council operates a 5 x 5 matrix and there is a separate guide with more specific explanations of how to score likelihood and probability. This is detailed within the Strategy, along with more information on the Risk Appetite.

2.5 **Risk Treatment** - There are four basic ways of responding to risk, known as the 4 T’s:

- i) **Terminate (Avoid)** – deciding not to continue or proceed with the activity in view of the level of risks involved, wherever possible. (Note: statutory requirements cannot be avoided)
- ii) **Transfer** – which involves another party bearing or sharing the risk, a typical example is the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged)
- iii) **Treat (reduce)** – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary.
- iv) **Tolerate (accept)** – certain risks cannot be adequately treated by termination, transfer or treatment. In such cases, there is no alternative but for the Council to tolerate / accept the residual (‘remaining’) risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the services, and where appropriate, Corporate Risk Register, and subject to regular review.

2.6 Framework

The Council maintains a Corporate Risk Register that details: -

- events that may impact upon the Council and its services
- possible risks and consequences, both negative (risks and threats) and positive (opportunities) that could happen should the hazards occur
- original risk scores (i.e. before any controls), between 1 and 5, of the potential impact and likelihood of the hazards occurring on the basis that there is no mitigation in place
- controls and countermeasures that are in place in order to mitigate the risks
- current scores (i.e. after being treated / controlled), between 1 and 5, of the potential impact and likelihood of the hazard occurring taking into account the mitigation in place
- further actions planned to reduce the risks, the timescales and responsible persons. There is also the option to enter a target risk score (where we want to be once the controls have been applied.)

3. Responsibilities and Procedures

- 3.1 All responsibilities and procedures are based upon the principle of the Council operating an effective system of Enterprise Risk Management. (ERM). ERM provides a framework towards managing an entire enterprise, looking first from the perspective of the main, overarching objectives of the organisation. Risk is managed by viewing each risk as part of the entity of the organisation and clearly some risks are more serious than others and can be escalated as such. To achieve effective ERM, risk management must be embedded from the very top of the Council right down to each individual unit, service, employee and elected members.

Individual responsibilities for managing risk are detailed within the Risk Strategy.

AUDIT COMMITTEE WORK PROGRAMME 2018/19

	June 2018	Decision	Group Director & Lead Officer
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 2017/18	For information and comment	Ian Williams (Michael Sheffield)
5	FRAUD AND IRREGULARITY ANNUAL REPORT 2017/18	For information and comment	Ian Williams (Michael Sheffield)
6	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
7	AUDIT COMMITTEE WORK PROGRAMME 2018/19	To approve	All

	July 2018 – SPECIAL MEETING	Decision	Group Director & Lead Officer
1	FINANCIAL STATEMENTS AUDIT 2017/18 – ANNUAL GOVERNANCE REPORT (COUNCIL & PENSION FUND)	For information and comment	Ian Williams (Michael Honeysett)
2	STATEMENT OF ACCOUNTS 2017/18	To approve	Ian Williams (Michael Honeysett)

	October 2018	Decision	Group Director & Lead Officer
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	DIRECTORATE RISK REGISTER REVIEW – FINANCE CORPORATE RESOURCES	For information and comment	Ian Williams (Michael Honeysett)
6.	REVIEW OF THE RISK POLICY AND STRATEGY	For information and comment	Ian Williams (Matt Powell)
7	AUDIT COMMITTEE WORK PROGRAMME 2018/19	To approve	All

	January 2019	Decision	Group Director & Lead Officer
1	CERTIFICATION OF GRANTS & RETURNS 2017/18	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 2018/19	To approve	All

	April 2019	Decision	Group Director and Lead Officer
1	EXTERNAL AUDIT OPINION PLAN 2018/19	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 2019/20	To approve	All
10	AUDIT COMMITTEE – ANNUAL REPORT	For information and comment	Cllr Nick Sharman (Chair)/ Michael

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