



AUDIT COMMITTEE

Monday, 28th January, 2019

at 6.30 pm

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 Officer
Tel: 020 8356 3326
Email: Peter.Gray@hackney.gov.uk

The press and public are welcome to attend this meeting

AGENDA

Monday, 28th January, 2019

ORDER OF BUSINESS

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Access and Information

Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite Hackney Picturehouse.

Trains – Hackney Central Station (London Overground) – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

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

Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in the Committee Rooms and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: www.hackney.gov.uk

Paper copies are also available from local libraries and from Governance Services whose contact details are shown on page 1 of the agenda.

Council & Democracy- www.hackney.gov.uk

The Council & Democracy section of the Hackney Council website contains details about the democratic process at Hackney, including:

- Mayor of Hackney
- Your Councillors
- Cabinet
- Speaker
- MPs, MEPs and GLA
- Committee Reports
- Council Meetings
- Executive Meetings and Key Decisions Notices
- Register to Vote
- Introduction to the Council
- Council Departments

RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

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



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AUDIT COMMITTEE

MONDAY, 15TH OCTOBER, 2018

Present: Councillors:

**Cllr Nick Sharman in the Chair
Cllr Brian Bell (Vice-Chair),
Cllr Michelle Gregory, Cllr Ajay Chauhan,
Cllr Patrick Spence and Cllr Harvey Odze**

**Officers: Ian Williams, Michael Sheffield,
Pradeep Waddon, Matt Powell, Dawn Carter
McDonald, Peter Gray**

Also present: Councillor Rebecca Rennison

Lucey Nutley and Stuart Frith (Mazars)

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillor Yvonne Maxwell.

2 Declarations of Interest

2.1 Councillor Michelle Gregory declared that she was a member of a Board of a Tenants Management Organisation

3 Minutes of previous meetings

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

Matters Arising

3.1.1 Update on Payroll Data

The Committee noted that an update had been provided at the July meeting of the Committee on this matter. Significant progress had been made on the interface with pensions. 4000 to 7000 Annual Benefits Statements had been issued. It was anticipated that the remainder would be issued next month. The Chair expressed concerns that the risk remained red. It was confirmed that the risk was red as the report interface was still subject to testing.

3.1.2 Integrated Commissioning Review Outcome

The Committee noted that the PwC review was ongoing with detail of likely timescale to follow. The Chief Executives had reviewed the governance arrangements. An update of integrated commissioning would be circulated to members.

ACTION: Ian Williams

3.1.3 School Places

It was noted that there was very significant pressure on school places in the Borough. The Greater London Authority reported that the most recent birth data from 2016 suggested that the birth rate in London was slowing and would continue to slow until a levelling off from around 2024. The projections would continue to be monitored closely to assess any sudden increase in projected primary numbers. The Committee noted the update on primary and secondary projections.

3.1.4 Update on Housing Staff Turnover

This was not due until January meeting of the Committee.

3.1.5 Priorities raised by the Chair (repairs, contractor performance, and Milestones

The Committee noted the update from the Director of Housing

3.1.6 Provision of milestones around the Director of Housing's priorities

The Committee noted that action to arrange for the provision of milestones was in progress.

3.1.7 Provision of temporary accommodation costs

The Committee note the update from the Director of Housing

3.1.8 Provision of milestones around the Director of Housing's priorities

The Committee noted the update from the Director Housing

3.1.9 Stephen Haynes to be invited to a Brexit risks

The Committee noted that action to arrange this was under way.

3.1.10 Provide report on sustainability board with Cllr Burke

Ian Williams will circulate a paper on this when this was available

Action: Ian Williams

3.1.11 Training to be provided re. Treasury Management

The Committee noted that the training session was in preparation and a date would be circulated.

Action: Ian Williams

3.1.12 SEND Update

Noted that this matter had been covered at the Audit Committee meeting in July. A Sub-group had discussed the matter in detail prior to that meeting.

3.1.13 Update on Universal Credit risks

The Committee noted that the matter had been covered under the F & F risk register update

3.1.14 Agreed to circulate Housing Development Board risk register

To be circulated.

3.1.15 Request for separate data re. repairs carried by DLO

The Committee noted that an update was awaited from the Housing Department.

3.1.16 Details requested of factors behind extended void turnaround times

Noted that the Council had a high number of major works voids with 14 properties exceeding the 62 day turnaround time. There were 4 properties which had a detrimental impact, taking between 112 and 147 days to re-let. Turnaround time were exceeded due to – ongoing leaks, letting delays, structural issues. The Department was working collaboratively with other departments to improve the turn-around times. In August this decreased to 52 days.

3.1.17 DLO and Contractors

Bruce Deville would circulate data for contractors, separately highlighting works carried out by the DLO and Contractors.

ACTION: Bruce Devile

4 Introduction to External Auditors - Mazars

4.1 Lucy Nutley and Stuart Frith (Mazars) introduced the report. Lucy Nutley told the Committee that Mazars had been appointed as external auditors for the coming five years. She went on to provide the Committee with an introduction to the company, including that it had 83 global partnerships in 83 countries and had much experience of working with Local Authorities. In response to comments of the chair on the robustness of audit Lucy Nutley assured the Committee that accounts had been produced in good time, i.e. 31st July and she agreed to look into the suggestion of an internal audit KPI.

4.2 The Chair stressed the partnership arrangement with the External auditors and that the aim was to take an active role on compliance and the use of audit measures in examining risk. A performance and risk framework was in place that complimented individual risk. The Chair also identified Value for Money as a priority area to work on with the External Auditors.

RESOLVED:

To note the contents of the presentation by Mazars.

5 Treasury Management - Update Report

5.1 Pradeep Waddon introduced the report updating the Committee on treasury management activity during quarter 2 2018/ 19 as well as the outturn for the 2017/18 financial year.

5.2 The Chair referred to the fact that the move to more external funding would result in higher risk funding of new capital and would add additional cost. He stated that in relation to Capital scheme monitoring the rate prevalent at the time was used. Efforts were made to have better use of investments.

5.3 Ian Williams agreed to circulate a briefing on the removal of the debt cap.

ACTION: Ian Williams

5.4 Councillor Patrick Spence highlighted that investment levels had decreased to £102 million at the end of September 2018. Ian Williams referred to the fact that cash flow varies over time. Payments had been made to the Pensions fund and the City and Hackney CCG would repay funds to the Council. The lower figure was triggered by events such as investment in capital. Further, he reported that there had been a number of investments in the Council's fleet.

6 Directorate Risk Register Review - Finance and Corporate Resources

6.1 Matthew Powell introduced the report updating members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2018. The report also identified how risks within the Council were identified and managed throughout the financial year together with the Council's approach to embedding risk management.

6.2 Matthew Powell reported there had not been any dramatic changes to the Risk Register. He confirmed that the accounts closure score had slightly decreased and steadied in light of positive progress. There was now clear assurance that the new deadlines are achievable. Brexit continued to be corporate risk with associated uncertainty. The Council was considering all possible outcomes and impact including whether European funding was at risk. The Chair emphasised the need to closely observe the ongoing negotiations. Ian Williams advised that a further update would be provided at the next meeting when the corporate risk register is reviewed.

6.3 Ian Williams reported that a lead officer was now in post to ensure that the necessary arrangements were in place for Brexit with the necessary support mechanisms. Further, business contingency plans would need to be in place.

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6.4 Councillor Michelle Gregory asked whether there was a London wide strategy with regard to Brexit. Ian Williams reported that discussions were ongoing with London Council's on areas of greatest exposure. Councillor Rennison highlighted a number of risk areas of importance such as house prices and labour supply. The Committee expressed concerns at the possible loss of front line staff and the consequent impact on service delivery as a result of Brexit.

6.5 Ian Williams would circulate a briefing on measures that could be put in place in regard to universal credit.

ACTION: Ian Williams

6.6 Matthew Powell highlighted a number of areas of risk, including, universal credit, pensions and volatility of the markets, homeless reduction act, ICT and risks around security.

6.7 Councillor Ajay Chauhan asked about employing additional frontline staff to improve rental turn around and increase income. Ian Williams told the Committee of changing patterns of spending and the continued pressure on the high street. It was now taking longer to rent out properties and that an increase in front line staff number would not assist in increasing the turn around.

6.8 The Chair referred to the risk of the impact of rising property prices and rents and how this was being mitigated. Ian Williams confirmed that Housing Benefits did not cover the higher rents. Councillor Rebecca Rennison told the Committee that it was not possible to control costs but that the Council could invest in temporary accommodation and allocate social rent properties. She referred to the continued pressure on temporary accommodation.

6.9 The Chair asked for an update to the January meeting on progress on initiatives in ICT, including on G Suite and the staff survey.

ACTION: Rob Miller

RESOLVED:

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

7 Performance Overview

7.1 Ian Williams introduced the report providing an updated set of reports that were selected to be reviewed by the Committee on a regular basis as part of the Committee's overview of the Council's performance. It provided an updated set of key performance indicators along with an update on risk management with a corporate Scorecard and some accompanying commentary on the Council's risk approach.

7.2 Bruce Devile reported difficulties in the numbers of PCNs issued with new traffic restrictions.

7.3 Councillor Michelle Gregory stressed the need to have more detailed information on capital expenditure.

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7.4 The Committee referred to the fact that the top 5% of earners were from ethnic minorities. Bruce Devile told the Committee that this related to changes to workforce numbers rather than individuals in post, He referred to the fact that there had been an increase in agency staff and that the figures were based on permanent staff. Following a request from Councillor Michelle Gregory it was agreed that the percentage of agency staff employed would be circulated to members of the Committee.

ACTION: Bruce Devile

7.5 In response to committee concerns, Bruce Devile reported that there was a need to close the gap in relation to the percentage of repairs completed on first visits. He referred to the fact that completion depended on the complexity of the repairs carried out. The Chair stressed the need for continued pressure on this long term objective.

7.6 Following a committee request, Bruce Devile agreed to circulate information around NH PR PRS 009, open planning enforcement cases less than 4 years old which had been under target for some time.

ACTION: Bruce Devile

RESOLVED:

To note the performance indicators presented at appendix 1 and the risk management scorecard in appendix 2 and to note the current capital monitoring update at appendix 3.

8 Audit & Anti-Fraud Quarterly - Progress Report

8.1 Michael Sheffield introduced the report on the performance of the Audit and Anti-Fraud Service, the areas of work undertake, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work in the investigation teams.

8.2 Michael Sheffield told the Committee that 41 % of planned assignments have been completed or were in progress. This compared to 31 % in the previous year. 18 audits from the 17/18 audit plan had also been concluded. Assurance levels stood at 22% significant, 37% reasonable and 4% not applicable. It was noted that those ratings were lower than previously. He told the Committee that the implementation rate had fallen short as a result of a large number of 'High' category recommendations arising from 4 TMOs audits during 2017/18.

8.3 The estimated savings arising from enquiries was £1,757,961. There had been 23 recoveries of tenancies. POCA proceedings had resulted in a confiscation order of £147, 998, 97.

8.4 The National Fraud initiative was continuing and outcomes would be received early in 2019. Matches are investigated by various LBH teams over the 2 year cycle. AIT investigate some matches and coordinate the overall response. The council sets its priority areas.

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8.5 Councillor Brian Bell asked whether the disciplinary action referred to related to agency staff or permanent employees. It was confirmed that disciplinary action concerned 4 permanent employees and 3 agency workers.

8.6 Councillor Harvey Odze asked what the implications of the procurement investigation was in terms of risk. Michael Sheffield reported that the charge had only recently been laid in court and the process was at a sensitive stage, and that the Council is fully supporting the Police prosecution.

RESOLVED:

To note Audit and Anti-Fraud's progress and performance to August 2018.

9 Review of Risk Policy and Strategy

9.1 Matthew Powell introduced the report advising members about the recently revised and reviewed corporate risk management policy and strategy. The policy detailed the framework for managing risk within the Council and the strategy outlined how the Council intended to proceed in terms of managing its risks. It also outlined which approaches and techniques would be used to successfully carry this out. Matthew Powell told the Committee that the policy and strategy document was evolving.

9.2 The Chair suggested that this issue be the focus of a future training session and that others in the Council could attend. He confirmed that the role of attendees at the Committee would need to be differentiated. On the suggestion of the chair the Committee agreed to the establishment of a small group to monitor risk.

RESOLVED:

To approve and ratify the contents of the report and the attached policy and strategy.

10 Audit Committee Programme 2018/19

10.1 The Committee agreed that the external audit opinions plan would be submitted to the January meeting of the Committee.

RESOLVED:

To note the Audit Committee work programme and make the necessary amendments.

11 Any other business that is, in the opinion of the Chair, urgent

There was no urgent business

Duration of the meeting: 6:30 – 8:15

Chair at the meeting on
Monday, 15 October 2018

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External Audit Plan 2018/19

**AUDIT COMMITTEE MEETING
DATE 2018/19**

28 April 2019

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. GROUP DIRECTOR'S INTRODUCTION

- 1.1. This report introduces the 2018/19 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts. These set out the detail regarding the anticipated delivery of the audits.
- 1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. The Memorandums have been agreed with relevant officers of the Council.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

Consider and note the contents of the attached reports from Mazars, the Council's external auditor.

3. REASONS FOR DECISION

- 3.1 The Audit Committee are "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2018/19 Statement of Accounts for both the Council and Pension Fund.

4. BACKGROUND

4.1 Policy Context

The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

4.2 Equality Impact Assessment

This report does not require an equality impact assessment.

4.3. Sustainability

Not Applicable.

4.4 Consultations

Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

4.5 Risk Assessment

As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

4.6 Audit Strategy Memorandums 2018/19

4.6.1 Mazars have identified four significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood for potential financial misstatement, these being in respect of the management override of controls, revenue and expenditure recognition, the valuation of property, plant and equipment and the valuation of the Pension liabilities. Details of these risks and the audit approach to these is set out on page 9 and 10 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.6.2 A further area of audit focus has also been identified relating to judgements made in respect of significant property developments, as set out on page 11 of the Memorandum. Whilst noted as worthy of audit emphasis it is noted that this presents less likelihood of giving rise to material error in the accounts.

4.6.3 In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of unquoted investments, set out on page 9 of the Pension Fund Memorandum at appendix 2.

4.6.4 In completing the initial planning VFM risk assessment the auditors have identified two significant risk to the VfM conclusion, set out on page 12 of Appendix 1 – the management of the forecast overspend and the requirement for further savings to be made in future alongside planned council tax increases. The approach to this work is set out on pages 12 of the Memorandum at Appendix 1.

4.6.5 At the time of writing this report, planning for the interim and main fieldwork has already started with the interim audit planned to take place during February to March. The

main fieldwork will take place in June and July with completion toward the end July 2019, when the auditors will report their findings to Audit Committee, prior to issuing the audit opinion.

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

- 5.1 As set out in the Audit Strategy Memorandums, the overall fee to be charged in respect of the annual audit of accounts is expected to be £174,266, a reduction of some £52,054 from the previous year. It should be recognised that this is based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact on the final fee charged.
- 5.2 In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £16,170, a reduction of £4,830.
- 5.3 Additional fees in respect of the audit of the Housing Benefits grant claimare expected to be £22,000.
- 5.4 The costs outlines above are all contained within existing budgets.

6. COMMENTS OF THE DIRECTOR, LEGAL

- 6.1 The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.
- 6.2 The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).
- 6.3 The Audit Strategy Memorandum proposals accord with the required arrangements

APPENDICES

Appendix 1 - Audit Strategy Memorandum – LB Hackney

Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund

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	Dawn Carter-McDonald ☎020-8356 2029 dawn.carter-mcdonald@hackney.gov.uk

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Audit Strategy Memorandum

London Borough of Hackney

Year ending 31 March 2019





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2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

This document is to be regarded as confidential to the London Borough of Hackney. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee
London Borough of Hackney
Hackney Service Centre
1 Hillman Street
London
E8 1DY

28 January 2019

Dear Members,

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 020 7063 4634.

Yours faithfully



Lucy Nutley
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

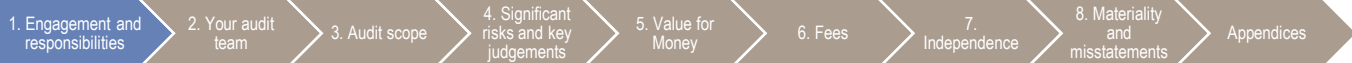
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



- **Lucy Nutley, Director and Engagement Lead**
- Lucy.Nutley@mazars.co.uk
- 020 7063 4634



- **Stuart Frith, Engagement Manager**
- Stuart.Frith@mazars.co.uk
- 020 7063 4409

In addition, an engagement quality control reviewer has been appointed for this engagement. This is in line with our audit quality requirements..

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

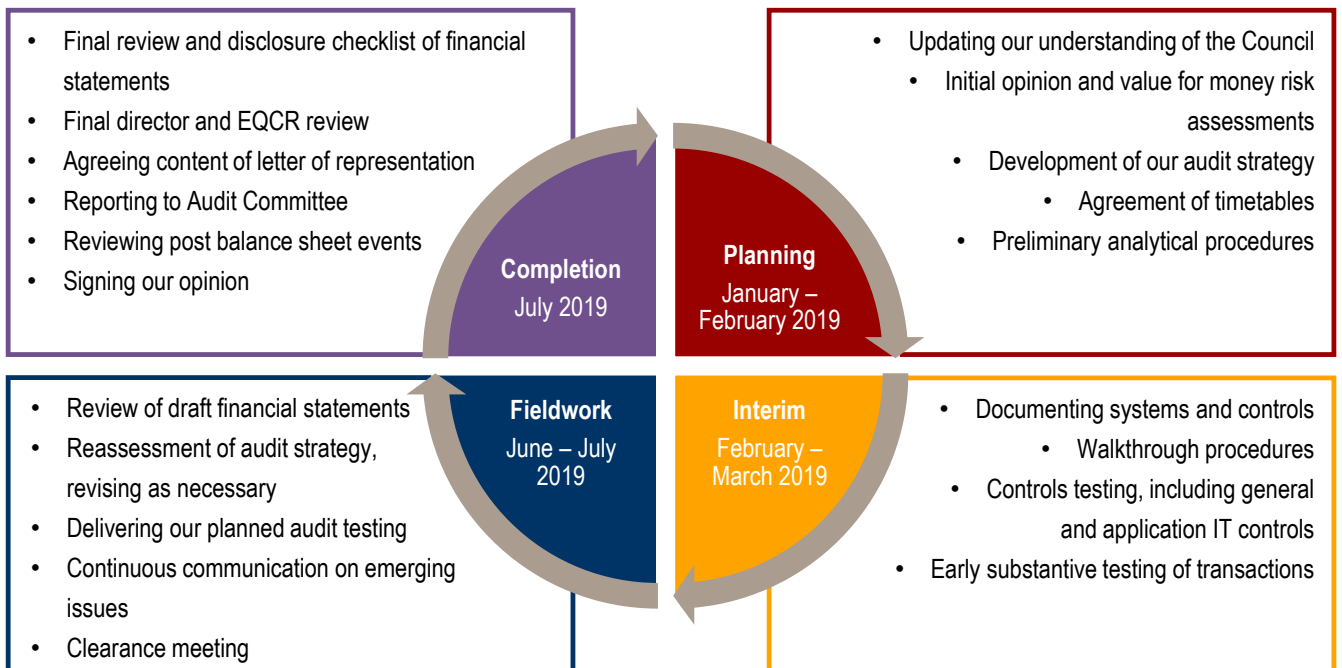
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

At the planning stage, we do not intend to rely on the work of internal audit, but will gain assurances from the conclusions they reach. Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined Benefit Pension liability	Hymans Robertson	We will review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values and associated disclosures included within the financial statements.
Property Plant and Equipment valuation	Internal valuer	We will review the property valuation movements analysis provided centrally by PSAA and consider the outcome of the WHE valuations in comparison with these, challenging conclusions as appropriate.
Financial instrument disclosures	Arlingclose	We will review the output and associated analysis against available information to confirm that the basis of the assessments appears reasonable and the disclosures are appropriate.

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have confirmed that the Council does not make material use of service organisations.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

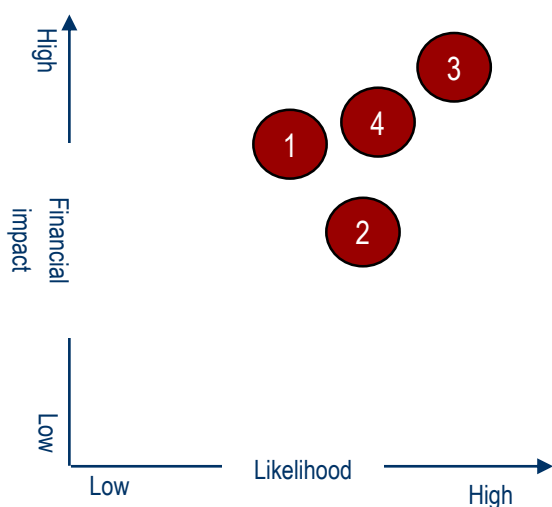
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

In assessing the significant risks and key judgement areas we have reviewed key documents and spoken to key members of management. At this point, we have not performed a detailed review of systems. Should further significant risks arise from this work, we will update the Committee accordingly.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue / expenditure recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We will address the risk through performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements.
2	<p>Revenue / expenditure recognition</p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p> <p>Based on our initial knowledge and planning discussions we have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Authority's revenue income and expenditure. In particular we can rebut the revenue recognition risk for income derived from Council Tax, Grants and NNDR due to the low inherent risk associated with these amounts.</p> <p>We are not rebutting the income risk relating to other material income streams within the Council, such as adult social care costs and charges for use of Council facilities, where the level of inherent risk is higher.</p> <p>We consider that the pressure to manage income and expenditure to deliver forecast performance in a challenging financial environment could increase the risk of fraudulent financial reporting, leading to material misstatement. Our risk based testing on income will therefore be extended to cover expenditure also.</p>	<p>We plan to address this risk by obtaining a detailed understanding of the Authority's processes which assure it that revenue and expenditure materially recognised in the correct accounting year. We will carry out</p> <ul style="list-style-type: none"> • detailed testing of transactions within the 2018/19 financial statements to confirm they are accounted for in the correct year; • testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

	Description of risk	Planned response
3	<p>Property, plant and equipment valuation</p> <p>Where a Council's assets are subject to revaluation, the Code requires that the year end carrying value should reflect the appropriate fair value as at that date. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.</p> <p>In respect of Council Dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by DCLG.</p> <p>Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.</p>	<p>We will address this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach.</p> <p>We will also assess the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that fair values have moved materially.</p> <p>In addition, for those assets which have been revalued during the year we will:</p> <ul style="list-style-type: none"> • assess the valuer's qualifications; • assess the valuer's objectivity and independence; • review the methodology used; and • Perform testing of the associated underlying data and assumptions.
4	<p>Defined benefit liability valuation</p> <p>The last triennial valuation London Borough of Hackney pension fund was completed as at 31 March 2016. As an admitted body within the fund, the valuation provides the basis of the associated net pension liability for the Council as at 31 March 2019.</p> <p>The valuation of the Council's net liability includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data.</p> <p>Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.</p> <p>Local Government Pension Schemes have included an interim solution since 2016 on Guaranteed Minimum Pension equalisation and as such, this is not considered part of the defined benefit liability valuation risk.</p>	<p>We will address this risk by reviewing the controls that the Authority has in place over the information sent to the Scheme Actuary by the fund administrators (London Borough of Hackney Pension Fund).</p> <p>We will also:</p> <ul style="list-style-type: none"> • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. The following are the areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<p>Significant Property Developments</p> <p>During the course of the year the Council has continued to progress the significant property developments at Nile Street and Tiger Way. These developments are, due to the specifics of the plans and the ownership, complex in nature and as such will involve complex accounting arrangements. At the time of writing, we await detailed consideration of the proposed accounting treatment from the Council.</p>	<p>We will address this judgement by reviewing in detail the proposed accounting treatment for the two affected developments and, if appropriate for the 2018/19 financial statements, agree the specific entries that are required to reflect the substance of the transactions that have taken place.</p>

5. VALUE FOR MONEY

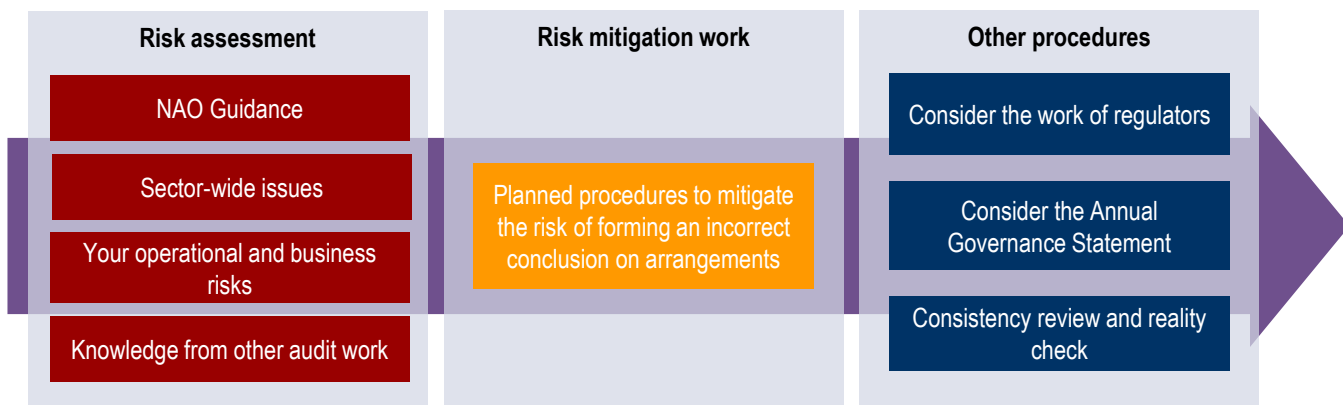
Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have identified the following significant risk(s) to our VFM work:

Description of significant risk	Planned response
<p>The current financial forecast shows that the Council is forecasting an overspend of approximately £5.9m in 2018/19, primarily a result of overspends on social care and delays in the application and delivery of planned savings in a number of areas. The overspend is planned to be offset substantially by the application of unspent Council Tax and NNDR Collection Fund surpluses brought forward. It is recognised that this is a short term measure.</p> <p>The Council has identified the need to make further savings of to be able to remain within forecast funding levels and has planned council tax increases on the basis of the forecast income. The 2019/20 budget is expected to include further proposals to support the delivery of the overall savings requirement and manage the ongoing financial position of the council.</p>	<p>We will review the controls put in place by the Authority to ensure financial resilience, including the development and implementation of the Medium Term Financial Strategy, and that this has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, etc.</p> <p>We will specifically review management actions and mitigations to deliver the budgeted position.</p>

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 25 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£226,320	£174,266

The prior year audit was performed by KPMG LLP.

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2017/18 fee	2018/19 fee
Other services - Housing Benefits Subsidy Assurance	N/A	£22,000

Housing benefits subsidy assurance in 2017/18 was contracted by PSAA and therefore has been shown as N/A in the table above.

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services Lucy will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£13.5m
Trivial threshold for errors to be reported to the Audit Committee	£270,000

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

Therefore, based on the value of Gross Revenue Expenditure incurred in 2017/18 we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £13.5m (£15m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit & Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £270,000 based on 2% of overall materiality. If you have any queries about this please do not hesitate to raise these with Lucy.

Reporting to the Audit & Governance Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21 (recently revised application date)	<p>We are aware that adoption of the new leasing standard has been deferred by CIPFA and will now form part of the Code for the 2020/21 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to.</p> <p>We note that, where a public sector body has a subsidiary preparing statements under FRS101, the adoption date remains as 2019/20 as the public sector deferral will not apply to the single entity statements.</p>

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



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Audit Strategy Memorandum

London Borough of Hackney Pension Fund

Year ending 31 March 2019





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Fees for audit and other services
6. Our commitment to independence
7. Materiality and misstatements

Appendix A - Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C - Mazars' client service commitment

This document is to be regarded as confidential to the London Borough of Hackney Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London
E8 1EA

28 January 2019

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney Pension Fund for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 6 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing London Borough of Hackney Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 020 7063 46324.

Yours faithfully



Lucy Nutley
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of London Borough of Hackney Pension Fund (the Fund) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Fund for the year.

Consistency report

We are required to form and express an opinion on the consistency of the financial statements within the Fund's annual report and the Fund's financial statements included in the Statement of Accounts of London Borough of Hackney.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of London Borough of Hackney and consider any objection made to the accounts. This would include an objection made to the accounts of the Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management, or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



- **Lucy Nutley, Engagement Director**
- Lucy.Nutley@mazars.co.uk
- 020 7063 4634



- **Stuart Frith, Engagement Manager**
- Stuart.Frith@mazars.co.uk
- 020 7063 4409

In addition, an engagement quality control reviewer has been appointed for this engagement. This is in line with our audit quality requirements.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

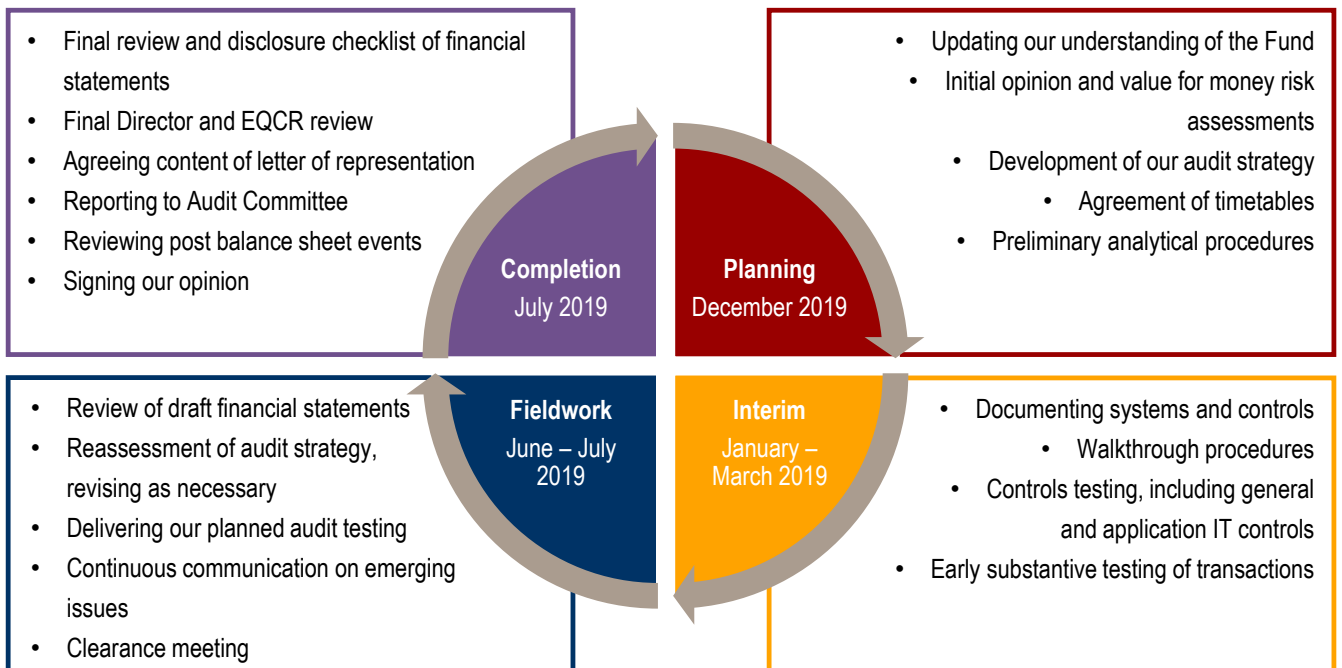
Audit approach

Our audit approach is risk-based and is primarily driven by the issues we consider lead to a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

At the planning stage, we do not intend to rely on the work of internal audit, but will gain assurances from the conclusions they reach. Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of contractual retirement benefits.	Hymans Robertson	We will review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values and associated disclosures included within the financial statements.
Financial instrument disclosures for financial assets and liabilities.	HSBC	We will review the output and associated analysis against available information to confirm that the basis of the assessments appears reasonable and the disclosures are appropriate.

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The management and maintenance of all of the administrative information on behalf of the fund, to allow for calculation of associated values for pension payments, transfers, etc., as well as the actuarial assessment of funding levels based on up to date membership data.	Equiniti	We will seek an appropriate Type 1 or Type 2 report in respect of the operation of systems by the service organisation to give us assurance over their operation of key controls. We will consider the findings of this review and the impact on the overall control environment.
Investment valuations and income along with all related disclosures	Fund managers	Substantive testing of transactions occurring in the year, income received and valuations applied to investments at the year end.
Investment valuations and income along with all related disclosures	Custodians	Confirmation of transactions occurring in the year, reconciling income received and agreement of valuations applied to investments at the year end.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

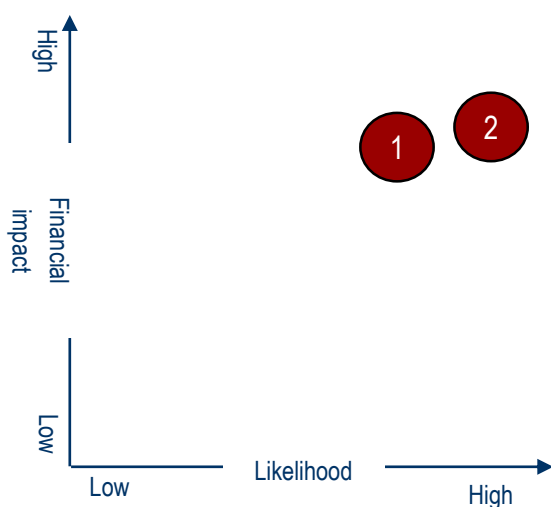
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

In assessing the significant risks and key judgement areas we have reviewed key documents and spoken to key members of management. At this point, we have not performed a detailed review of systems. Should further significant risks arise from this work, we will update the Committee accordingly.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Valuation of unquoted investments

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We will address the risk through performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> • accounting estimates included in the financial statements for evidence of management bias; • any significant transactions outside the normal course of business; and • journals and other adjustments recorded in the general ledger in preparing the financial statements
2	<p>Valuation of unquoted investments</p> <p>As at 31 March 2018 the Pension Fund held investments which were not quoted on an active market with a fair value of £791m, accounting for 54.6 per cent of the Fund's net investment assets. The assets are held within overall investment vehicles and are only analysed in full at year end, with the proportion of the Fund's net investment assets included varying.</p> <p>Inherently such assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	<p>We plan to address this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and • where audited accounts are available, check that they are supported by a clear opinion.

5. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Fund's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 25 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£21,000	£16,170

The 2017/18 audit was performed by KPMG LLP

Fees for non-PSAA work

We confirm that we have not been separately engaged by the Fund to carry out additional work for the London Borough of Hounslow Pension Fund. Further information about our responsibilities in relation to independence is provided in section 7.

6. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services, Lucy will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

7. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£22.1m
Trivial threshold for errors to be reported to the Audit Committee	£440,000

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of net assets. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit & Governance Committee.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 1.5% of Net Assets.

Based on Net Assets we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £14.8m (£23m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.



7. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £440,000 based on per cent% of overall materiality. If you have any queries about this please do not hesitate to raise these with Lucy.

Reporting to the Audit & Governance Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the [financial instruments, particularly financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is unlikely that this will have a significant implications for most local government pension funds as most material financial instruments are already carried at fair value through profit and loss, and this is expected to continue under the new standard.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local government pension funds.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



ICT SERVICES STRATEGIC UPDATE	
AUDIT COMMITTEE 28 January 2019	CLASSIFICATION Open If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED All Wards	
GROUP DIRECTOR Ian Williams, Group Director, Finance & Corporate Services	

1. INTRODUCTION AND PURPOSE

This report provides an update on the strategic progress across the Council’s services in delivery of transformation enabled through technology and data.

2. RECOMMENDATION(S)

Audit Committee is asked to note the update from the Council’s ICT service.

3. REASONS FOR DECISION

Not applicable.

4. BACKGROUND

Audit Committee have asked to be provided with periodic updates on the strategic contribution of the Council’s ICT service to service delivery and transformation across the Council’s services.

4.1. Policy Context

Unlike many local authorities, Hackney has chosen not to have a standalone ‘digital strategy’. Instead the Council has recognised that digital technology, data and ways

of working will be core to strategic delivery across all areas of the Council's work and must therefore be embedded within core service strategies.

This update therefore applies to all areas of the Council's service delivery and transformation.

4.2. Equality Impact Assessment

Not applicable.

4.3. Sustainability

The Council's ICT service are promoting initiatives which will contribute to Hackney's environmental sustainability commitments. These include:

- Use of data and analytics to support development and impact analysis of sustainability policies.
- Modernisation of technology to reduce energy consumption, including adoption of cloud technologies with commitment to use of renewable energy.
- Enabling more flexible working through technologies such as online collaboration tools and video meetings, which can help to reduce staff.
- Exploring opportunities to reduce use of IT hardware by enabling and incentivising access to work applications on personal devices.

4.4. Consultations

No formal consultations have taken place specific to this report.

The quarterly strategic update for autumn 2018 (<http://bit.ly/2PZCYMG>) includes a summary of the ICT service's engagement with other Council services to support their transformation (section 2.6) and analysis of the survey of ICT users that took place in September 2018 (section 3).

The update to Scrutiny Panel on 21 January 2019 (<https://drive.google.com/open?id=14ggqleAqMpb3ipKpc72KaiNERKFykYB7>) also highlights details of some of the key resident facing changes delivered over the previous year.

Headlines from these reports include:

- Introduction of improved technology for housing services that enables tenants to check and pay their rent from their mobile phones and housing officers to spend more time with residents through use of mobile technology that provides real time access to information.
- Hackney is playing a leading role in digital collaboration across local government, working to support the 'Local Digital Declaration' that was launched in summer 2018.

- Continued improvement in user satisfaction with the Council's ICT service - with a sustained positive direction of travel in the staff survey carried out in September 2018.
- Overwhelmingly positive feedback in response to the Data Awareness Training delivered to all users of the Council's systems, as part of helping to ensure that Hackney is following good information governance and security practice and complying with the Data Protection Act and General Data Protection Regulation.

While the service has continued to make very positive progress, there remains much to do and the ICT team are continuing to work closely with service leaders and their teams to deliver ongoing improvements together.

4.5. Risk Assessment

The ICT service's risk register is reviewed regularly with the Council's Corporate Risk Advisor. Key risks to bring to Audit Committee's attention are:

Recruitment and retention

The market for technology and digital skills continues to be highly competitive and significant focus has been given to ensuring that Hackney can attract and retain talent. Actions taken over the last year include:

- Implementation of a new structure, including market linked salaries to ensure that Hackney's roles are competitive
- Focus on awareness and marketing of the Council's ICT and digital work, including the service's blog: <https://blogs.hackney.gov.uk/hackit>
- Exploring new recruitment channels, including use of LinkedIn and offering roles through the Civil Service Jobs recruitment site
- Launch of a new digital apprenticeship programme, with 21 apprentices now in post across a range of disciplines in the ICT service

This will continue to be an area for focus to ensure that the Council is building a sustainable ICT service.

Data protection compliance and information security

Protection of the information that the Council holds is a key responsibility and one which Hackney takes seriously.

Data protection compliance

Significant progress has been made with Hackney's preparations for the new Data Protection Act and the requirement to comply with the General Data Protection Regulation in 2018. Action taken over the last twelve months includes:

- Preparation of an updated Information Asset Register

- Refresh of the governance arrangements and policies that underpin our information management practice
- Delivery of a new online request for information service (for Freedom of Information Requests and Subject Access Requests), which includes technology that can help requesters find data that has already been published and reduce the number of requests that require officer attention
- Review and update of the Council's privacy notices and the Privacy Impact Assessment process used to ensure that good data protection practice is designed into service changes
- Mandatory Data Awareness Training that is being rolled out to all users of the Council's systems, which has received very positive feedback from users who have completed the training

Information security

The Council has renewed our Public Services Network (PSN) Code of Connection accreditation. This confirms that we have reached the baseline level of assurance required to connect to the government's secure networks. We have also completed the separate assurance process required to connect to the Health and Social Care Network (HSCN) used to connect securely with health partners.

In addition to ensuring that the Council has effective baseline security measures in place, we are working to continue to mature our security arrangements with proactive tests of our staff and technology to identify security risks.

Moving forward, the direction of travel across government is to move away from special 'secure networks' and share information securely over the public internet using standard security good practice. This is in step with Hackney's direction of travel and the Council is represented on project groups run by the Cabinet Office and Local Government Association, providing an excellent opportunity to influence the future direction.

Cost and staffing implications of the United Kingdom leaving the European Union

The UK's departure from the EU presents some key risks to the Council. Key ICT related risks are:

The devaluation of sterling which has taken place since the EU referendum in June 2016

This has resulted in cost pressure to ICT hardware and software, as these are often priced in dollars and therefore vulnerable to exchange rate variation. The impacts of this will affect the Council's imminent procurement of replacement end-user devices (desktop and laptop computers) and Microsoft software when the Council's current agreement ends in late 2019 (other councils have reported price increases in excess of 60% for their Microsoft licences).

There is limited action that the Council can take to mitigate this risk, although the strategic direction of reducing single supplier dependency means that Hackney will have more flexibility than most councils to explore alternative options if price increases are challenging.

Impact on the market for technology skills

Demand for ICT and data skills is increasing significantly, both as a result of reduced migration of people with the required skills from overseas (within and beyond the EU) and also because businesses and government are anticipating additional technology requirements to respond to the requirements arising from the UK leaving the EU. This creates greater competition for technology skills in what is already a highly competitive market.

As noted above, the Council is as well prepared as possible for this risk. There is a new structure in place that is proving to be successful in attracting new talent to join the Council's team and a large digital apprenticeship programme has now been launched (with 21 apprentices in post) which is helping to develop a skills base for the longer term.

5. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

ICT is crucial to the success of the Council both in terms of transforming residents' access to services in a way which meets their individual needs, and supporting the business through new ways of working, driving improvement and achieving efficiency savings.

The ICT directorate's revenue is £10.7m for 2018/19, which includes a saving of £250k compared to 2017/18, with a further £250k of savings expected to be delivered in 2019/20. ICT's capital programme forecast in 2018/19 is £4.2m, which will contribute to modernising our digital infrastructure.

There are no direct financial implications emanating from this report, however ICT like all services in the council have to work within their budget envelope.

6. COMMENTS OF THE DIRECTOR OF LEGAL

There are no legal implications arising from this report.

APPENDICES

The following reports provide further detail on the work that the Council's ICT service are supporting and delivering:

1. Quarterly update autumn 2018: <http://bit.ly/2PZCYMG>. This includes a summary of the service's engagement with other Council services to support their transformation (section 2.6) and analysis of the survey of ICT users that took place in September 2018 (section 3).

2. Update to Scrutiny Panel from 21 January 2019:
<https://drive.google.com/open?id=14gggleAqMpb3ipKpc72KaiNERKFykYB7>.
 This highlights details of some of the key resident facing changes delivered over the previous year.

EXEMPT (or N/A)

N/A

CONFIDENTIAL

N/A

BACKGROUND PAPERS

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

Description of document (or None)

None

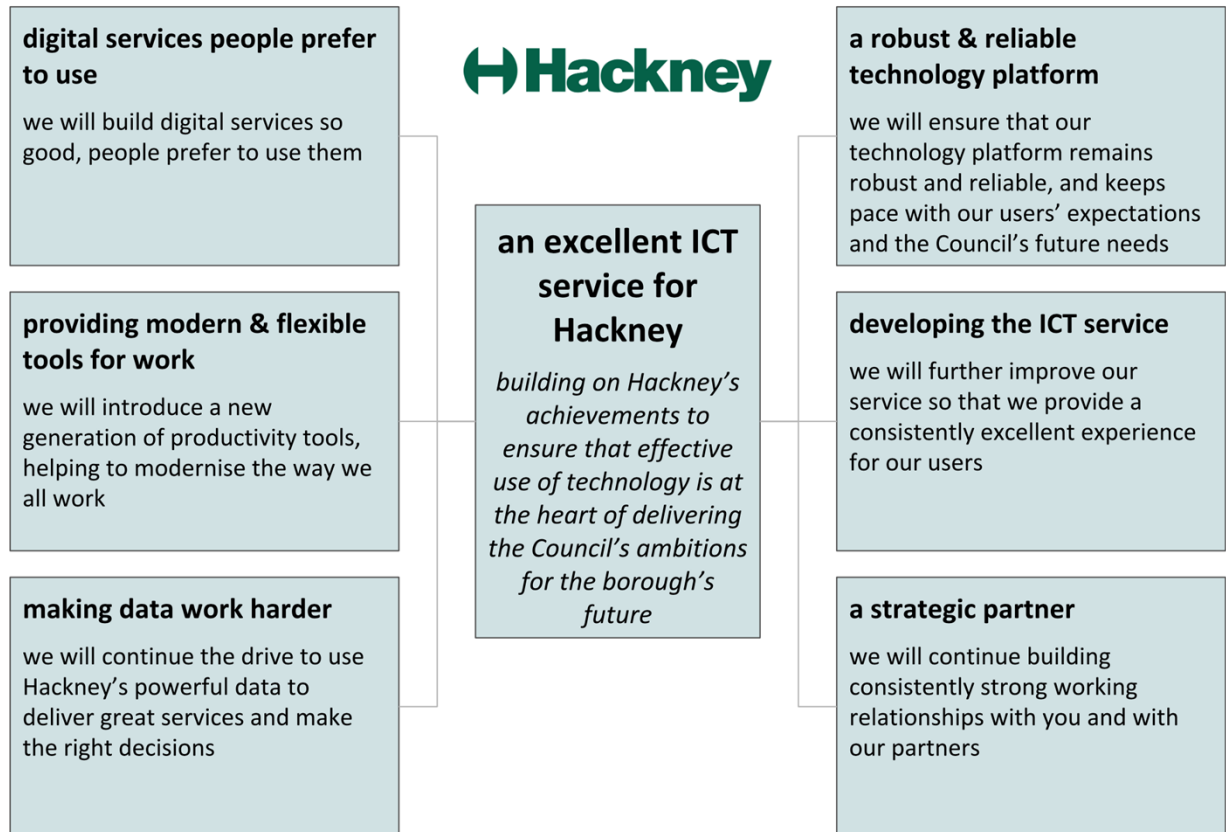
Report Author	Rob Miller, x 2600, rob.miller@hackney.gov.uk
Comments of the Group Director of Finance & Corporate Resources	Dawn Seers, x 1449, dawn.seers@hackney.gov.uk
Comments of the Group Director of Legal	Dawn Carter-McDonald, x 4817, dawn.carter-mcdonald@hackney.gov.uk

HackIT QUARTERLY UPDATE - Q2 2018/19

22 November 2018

1. THEMATIC MODEL

The HackIT team's work is based on a service oriented approach where ICT and digital is embedded in service strategies, not a distinct 'Digital strategy'. This is based on six themes which underpin the ICT contribution to the Council's service strategies which was set out in the reset of the Council's strategic approach for ICT and digital developments in March 2018.



2. PROGRESS UPDATE

The sections below provide an update on progress against each of the themes over the last quarter and give highlights of key challenges / opportunities for the division's forthcoming work.

2.1. Digital services people prefer to use

Recap on our goals

The projects within this theme are providing digital services for Hackney's residents and businesses that are so good that people prefer to use them and can succeed first time, unaided, in support of the Council's Customer Service Strategy. This theme will also include exploration of emerging digital technologies such as voice activated services and artificial intelligence - helping to inform Hackney's longer term strategy of digital service design and delivery.

Progress since July 2018 update

Prioritisation for projects in this theme is driven by services' strategic priorities. Highlights of work over the last quarter include those listed below (this is not an exhaustive list):

Chief Execs

- **Providing more resilient access to the Council website:** work has completed to move hackney.gov.uk to the cloud. This provides greater resilience through reducing dependency on the Council's internal ICT infrastructure.
- **Making it easier to access the Council intranet:** work is in progress to move the intranet to the cloud, which will include enabling access from *any device, anywhere, anytime* (including smartphones).
- **Supporting strategic change at Hackney:** work is in progress together with the Strategy, Policy and Economic Development division and Finance colleagues to develop a prototype for a new Change Advisory offer. This follows research with heads of service across directorates to understand how ICT and SPED can support services across the Council in reimagining their service delivery, including cross-cutting services, in support of service and financial planning.
- **Simplifying the grievance process to help improve outcomes:** work is in progress with HR to develop a prototype digital service for grievances, which will simplify and clarify the process for HR, investigating officers and members of staff making grievances.

Children's, Adults and Community Health

- **Improving the experience of initial contact with Adults' social care:** the Adults' services front door Discovery review has completed and recommendations are now being incorporated into the services' strategic planning.
- **Making it easier to find consistent and accurate information about health, social care and community services:** recommendations from the Discovery into Directories of Service have been agreed by the IT Enabler Board for City and Hackney. Work is now progressing to develop a prototype by December 2018, followed by a live service by March 2019. The proposed model is based on clearer data ownership and use of APIs to enable multiple applications to access a common set of data. This has been designed to address historic issues with data integrity and multiple datasets (which often become out of date / inaccurate).
- **Providing social workers with accurate information to speed up decisions and improve outcomes:** the Information Governance arrangements for the Health Information Exchange (which will allow social workers to access core healthcare information for clients) have been reviewed with the Director of Adults' Social Care and an updated Privacy Impact Assessment has been produced to reflect the requirements of the new Data Protection Act and GDPR. This is due to be signed off shortly and HIE access will be rolled out rapidly following that.
- **Digitising discharge into social care:** the Discovery stage for this NHS Digital funded project has now completed. The objective for the project is to provide a solution for use by Hackney Council and Homerton University Hospital that can also be reused in other areas nationwide and work is now progressing to design and build a prototype solution. NHS Digital are monitoring progress and have confirmed that they are happy with the progress that is being made.

Finance & Corporate Resources

- **Collaboration with other councils to improve our digital services:** Hackney continues to be a leading council in supporting the Local Digital Declaration (<https://localdigital.gov.uk/declaration/>). The Declaration is securing commitment from a

growing number of councils across England and Wales, and Hackney has delivered the following products in support of our Declaration commitments over the last quarter:

- Updates to the Pipeline collaboration platform: <https://pipeline.localgov.digital/>
 - Launch of a User Research library: <https://research.localgov.digital/>
 - Publication of our API standards and playbook: <https://github.com/LBHackney-IT/Hackney-Development-Standards> and <https://github.com/LBHackney-IT/API-Playbook>
- **Using robotics process automation to speed up data handling** is now live, and processing a Direct Debit mandate in less than 30 seconds, rather than the 5 minute it takes an officer. Rollout will see the technology applied to further council tax processes and temporary event notices initially.
 - **Improving how residents sign in to One Account:** following research with residents we are about to improve the way that people register and sign-on to One Account. This new technology, lightly coupled to the One Account application, will reduce the cost of integrating the sign-on feature to other services, such as Launch Pad (a service to support businesses starting up in the borough). This is expected to reduce the number of calls relating to One Account that are reported to the helpdesk by half.
 - **Exploring new ways of delivering the website:** the current website contract is up for renewal in November 2019 so we are working with Communications to explore how new website software might make it cheaper and easier to connect to chatbots and speech-activated search such as Amazon Alexa to broaden access to Hackney's digital services.

Neighbourhoods & Housing

- **Improving income collection:** through providing a simple, smart service for case workers and residents that is easy to use and improves income collection. £120k per annum savings have been identified from staff and print costs for tenancy management, with work in progress to extend the service to include leaseholders.
- **Improving reporting and management of repairs:** providing a significantly improved online reporting service (now live) and simpler tools to track repairs (launching soon). These are making it easier for residents to report repairs online, reducing the number of clicks required to track a repair by 75%, delivering a 20% - 40% improvement in the speed of processing repairs, and making it significantly easier for officers to identify related jobs and filter / share key information needed to respond to queries from residents.
- **Providing improved tools to manage contact with residents:** through new CRM tools for the NCC (now in use) which will then be extended to the Repairs Contact Centre (timescale TBC) and enable online bookings for gas servicing (timescale TBC).
- **Equipping housing officers with mobile tools for tenancy and household checks:** which launched on 25 September and are giving officers direct access to live data to provide improved service and work more efficiently. More than 300 visits have now been completed successfully using the tool, which will help to reduce the amount of paper used by over 30,000 sheets this year.
- **Improving the user experience for submitting planning applications and developing a common standard for planning data:** work is continuing with the project that Hackney is delivering in partnership with Camden and Southwark councils to deliver a transformed service for submitting planning applications. This will provide a faster, simpler service for applicants, increase the proportion of valid applications and reduce unnecessary contact (currently 48% of applications arrive invalid). This is supported by grants from MHCLG and London Councils and is designed to produce an open-source solution based on open data standards that can be reused by other authorities.

- **Launched the new licencing service for private landlords:** this service has received positive feedback from landlords and colleagues in the private sector housing service (it's almost twice as quick to complete online as on paper) and received more than £390k in revenue from 425 applications. Work is now in progress to extend this to include a digital service for managing inspections.

Key challenges and opportunities

- We are continuing our focus on securing additional grant funding to support delivery of our priorities, building on the £750k that has been secured during the previous 18 months. Hackney has participated in joint bids to the new £7.5M Local Digital fund launched by the Ministry of Housing, Communities and Local Government (<https://localdigital.gov.uk/fund/>) and following submission of initial expressions of interest, Hackney is now a partner to the following full bids for funding:
 - Building Capability: Digital Commissioning and Supplier Relationship Management (led by the Crown Commercial Service)
 - Better case management of FOI and SAR requests (led by Hackney)
 - Care & Housing predictive model for improved life chances (led by Waltham Forest)
 - Scaling service design and agile methods to transform services (led by Southwark)
 - Open collaboration pipeline - extending the Pipeline collaboration platform to meet additional user needs (led by Hackney)
 - A Discovery phase to build a common 'API platform' for the sector (a way of sharing how we integrate with systems)
- To enable continued pace of delivery of user-centric and sustainable digital services, the ICT team are continuing to develop Hackney's standards for use of cloud and development of digital services, working with external experts to provide challenge and support. The scope for this work is outlined in this doc and progressing this is a key priority for the second half of this financial year: <https://docs.google.com/document/d/15vOuxEWZv7YY-rRfu5u3dNKYhdQysVSijN3sH8UxnWs/edit?usp=sharing>.

2.2. Providing modern and flexible tools for work

Recap on our goals

Through this theme we are modernising the core tools used across the Council, including delivery of the next generation of productivity tools, allowing Council staff and Members to communicate and work together seamlessly from *any device, anywhere, anytime*. This theme also includes work to support services in enhancing their management of documents and records.

Progress since July 2018 update to HMT

- **Migration to G Suite is now largely complete:** with follow up work in progress to complete the small number of remaining migrations and other outstanding elements of the migration (eg shared mailboxes). Opportunities have also been identified to use G Suite to enable more effective collaboration with partners such as TMOs.
- **Support for G Suite is now led by our mainstream support service** and product owners are being identified to ensure that we are able to continue to maximise the benefits of new functionality moving forward.
- **Pilots for video meeting facilities are now live in the HSC and Annex**, with further pilot rooms currently being set up in Lower Clapton Road and the Millfields depot offices.
- **New arrangements are in place to support services in improving management of documents through adoption of Google Drive**, using Agile techniques to accelerate

delivery. Current areas of focus are Exec Support across directorates and configuration of Team Drives for the Council's services.

- **Preparation work for piloting refreshed laptops and desktop devices has progressed**, with user profiles developed as a result of engagement with services. These will be tested through pilots over the next month, with the aim to start the new device rollout from early 2019.

Key challenges and opportunities

- Set up of Hangouts Meet video meetings facilities in the Town Hall has proven complex due to the building's specific constraints. The project team are working with colleagues in Strategic Property Services to identify suitable solutions to address these.
- Progress with the refresh of end-user devices (laptops and desktop computers) has not been as rapid as intended - the intention had originally been to roll out devices during autumn 2018. Additional focus is being applied to bring this work back on track.
- Progress with the roll out of Google Drive and Team Drive has also been slower than was originally planned. Additional Delivery support is being applied to accelerate progress with this area of our work.
- We have identified that we need to provide a more consistent service for the Council's Mac users (in Comms and Design, ICT and Regeneration). Work is taking place to address this.

2.3. Using information as an asset

Recap on our goals

Work in this theme is helping the Council to maximise the benefits it gets from effective use of its information resources (helping to address the challenges faced by cuts to financial resources). This includes managing our core information assets (people, property and business data), analytics and insight, information governance (eg GDPR) and information sharing with partners).

Progress since July 2018 update to HMT

- **The work to improve the Council's Business Index has been delivered, helping to provide improved insight into Hackney's businesses and economic development** (<https://blogs.hackney.gov.uk/hackit/minimum-viable-business-index>).
- **Recommendations for further development of Hackney's model for business intelligence and data analytics were endorsed by HMT in September 2018**, with further follow up work now in progress.
- **We have worked with colleagues across directorates to develop a comprehensive Information Asset Register**, that will help Hackney understand its information resources and comply with the requirements of the General Data Protection Regulation (GDPR).
- **Data Awareness Training has now been completed by over 2,500 users**, with plans in place to enforce this mandatory training by removing system access for users who have not completed the training from December 2018. This represents significant progress from low levels of completion for the previous mandatory information security training and has received extremely positive feedback from people who have completed the training (see ICT survey analysis in section 3.4 below). The content for this training has been published for reuse by other councils and partners in line with Hackney's commitment to the Local Digital Declaration: <https://blogs.hackney.gov.uk/hackit/sharing-our-work-data-awareness-training-content>.
- **The new Privacy Impact Assessment process is helping services consider how they capture and use information**, including helping to identify data which is not actually needed

to achieve the service outcome (showing how implementing the principles of GDPR is helping Hackney to manage information more effectively).

- **A Discovery to understand the citizen data that Hackney holds has completed** and recommendations for development of the Council's 'Citizen Index' are being developed in response to the findings to ensure key users, such as the Parking Service, get what they need.
- **We are continuing to develop our use of spatial data to support service delivery and policy development**, including the development of the strategic vision for borough wide connectivity: <https://blogs.hackney.gov.uk/hackit/-2>.
- **Our focus on data science and analytics capabilities is being supported through development of a Data Ethics framework** to ensure that Hackney's use of data is consistent with the highest ethical standards: <https://blogs.hackney.gov.uk/hackit/embedding-an-ethical-approach-to-our-data-science-work>.

Key challenges and opportunities

- As previously reported, there has been significant growth in Freedom of Information and Subject Access Requests, which continues to cause pressure on performance in these areas. Work is continuing to embed the new system (Infreemation), improve the effectiveness of processes within ICT and engage with directorates to improve performance across the Council.

2.4. A robust and reliable technology platform

Recap on our goals

Through this theme we are building on the work that Hackney has already delivered in modernising its core infrastructure and moving towards the implementation of a 'web and mobile first' model, putting in place the building blocks that will enable a shift to greater use of cloud and 'Software as a Service' services. Over time this will reduce the amount of infrastructure that the Council manages directly, enable staff to access services easily from any device, anywhere, any time, and enable a faster pace of change by reducing the overheads associated with introducing new systems and upgrades.

Progress since July 2018 update to HMT

- **We are continuing to prioritise work to ensure that Hackney's systems are maintained to a high standard and remain secure** and this quarter we have renewed Hackney's PSN Code of Connection accreditation and received very positive feedback from the Local Government Association's 'Cyber Stocktake' review of cyber security and resilience across the sector.
- **The high level design for Hackney's new 'web and mobile first' network strategy has been developed and reviewed internally and also by external experts:** this will be a key component of ensuring that Hackney can enable flexible and secure access to systems for users. Feedback has been positive and Hackney's work has been highlighted as an example of good practice by peers in the sector. An overview of our planned approach is available here: https://docs.google.com/presentation/d/1turLuoq9VfPqK5bRSxUqJ9rZZd5Q3J_bGDmBXrpLVgc/edit?usp=sharing.

Key challenges and opportunities

- A key area of complexity is mapping people and user data across the Council's core systems (including HR, agency worker, finance and ICT systems), which is vital for ensuring that

internal systems and processes are efficient and 'joined up'. Work is in progress to analyse these datasets and identify ways to improve integration.

- Work is taking place to review asset management processes for IT equipment ahead of the refresh of laptops and desktop computers. This is essential to ensure that robust procedures are in place to manage these investments.
- Additional Delivery support has been allocated to help accelerate progress with priority work in our Platform improvement programme.

2.5. Developing the ICT service

Recap on our goals

This theme includes a range of improvements to service delivery and management that are designed to ensure that Hackney has a modern 'best in class' ICT service supporting delivery of excellent services to the borough's residents and businesses.

This will also include the development of 'Digital Support Services', working closely with other support service areas (eg finance and HR) to apply the principles of digital service design to internal support provision and provide staff with simplified online access to support services based on user-centred service design; reduce bureaucratic hurdles - supporting the Chief Executive's Change for Everyone programme goals; and give greater transparency of service delivery for staff (eg by making it easy to check on the progress of a new starter request).

Progress since July 2018 update to HMT

- **Our 21 Digital Apprentices have started in their roles.** This is an important part of our service development and has been supported by training and guidance for managers who have apprentices joining their teams, provided by the Council's Employment & Skills service. More details about our digital apprenticeship programme and the support for managers are available here: <https://blogs.hackney.gov.uk/hackit/digital-apprentices-programme-delivering-long-term-change> and <https://blogs.hackney.gov.uk/hackit/hackit-apprenticeship-programme-a-managers-view>.
- **A major 'backlog busting' exercise in October has reduced the backlog of requests to ICT by c 74% and this is continuing to fall.** Overall satisfaction with the quality of service has risen while the number of users escalating their issues has not. The only negative progress was the satisfaction with the timeliness of our response - which was an expected result of resolving requests that had taken too long to resolve.
- **The management of mobile data usage has improved considerably,** with action during August - October addressing significant overuse by a small proportion of users and identifying a range of process improvements which should make this sustainable for the longer term. Work is now in progress to identify further opportunities to improve the cost effectiveness of the Council's mobile data consumption.
- **Work is in progress to develop recommendations for enhancements to the ICT offer for Members.** These will be developed further following engagement with the Member Reference Group on 20 November for Member feedback.
- **The ICT contracts register has been updated** and is now being used to identify opportunities for efficiencies that will deliver our savings commitments and further improve Hackney's use of technology services. Hackney continues to be referenced as an exemplar for use of the UK Government's Digital Marketplace to support rapid and cost effective delivery of digital services.

- **We are continuing to review our use of our workspace following the service's move to the HSC in February 2018.** This has identified a number of suggestions which will help further improve the team's use of the space.
- **Work is in progress to ensure that our governance and management arrangements are supporting rapid delivery and enabling purposeful autonomy across the service.** More details are available here: <https://blogs.hackney.gov.uk/hackit/governance-so-good-people-prefer-to-use-it>.

Key challenges and opportunities

- Ongoing growth in demand for ICT and digital support, combined with changes to roles and working arrangements, continues to present challenges in terms of capacity and the ability to meet user needs. As a service we are prioritising effective management of our resources (eg through introducing improved rota arrangements in the Service Support team, more agile governance and investment in learning and development) to help address these challenges and ensure that Hackney is receiving best value from its investments in ICT and digital services.

2.6. Partnership

Recap on our goals

We are working to ensure that ICT is a trusted ally and advisor of senior colleagues when considering how to design and optimise the delivery of services to meet the needs of residents at a sustainable cost.

We also want to work with, and contribute to, the digital skills and awareness of Hackney's residents and businesses - as well as its staff.

And we want to partner with local businesses, other public bodies and global experts to ensure that Hackney has the robust, reliable and modern technology it needs.

Directorate programmes that ICT are supporting

Childrens, Adults & Community Health directorate

- The developing strategy in **Adults' Social Care**, linking in with successful collaboration with colleagues in the local health system to share data and join up health and social care services.
- The Practice Evolution programme in **Children's Services**, which is delivering a programme of change across the service - and the development of a 'contextual' approach to safeguarding.
- (The Council's ICT service does not provide ICT support for Hackney Learning Trust and schools in Hackney. HLT currently retain their own ICT function which supports users in the Learning Trust building and offers ICT support to schools as a traded service.)

Chief Executive's and Finance & Corporate Resources directorates

- The Council's **Accommodation Programme**, which links with the *Modern and Flexible Tools for Work* theme in section 2.2 above to provide Hackney's staff and partners with a working environment that supports modern and collaborative working styles.
- The strategic review of **connectivity for Hackney**, working across a wide range of Council service areas to identify opportunities to use the Council's building and network assets to deliver maximum public benefit.

- The delivery of the Council's **Customer Services Strategy**, providing online access to the Council's services - improving the customer experience and reducing costs.
- The **Digital Support Services** initiatives that are working to ensure that the Council's internal support services are supporting staff and partners in delivering excellent services to Hackney's residents and businesses, simplifying internal processes and joining up across support services.

Neighbourhoods & Housing directorate

- The **Housing Transformation Programme**, which is using design led approaches to deliver better services and reduce reliance on the legacy housing systems.
- The **Public Realm & Housing IT Transformation Programme**, which is building on the success of the improvements that have been delivered to the Council's parking service to provide easy to access digital services for the full range of public realm services. This now includes waste and enforcement in the Council's housing estates, reflecting the integration of those services.

3. ICT SURVEY

3.1. Survey and responses

The annual survey of ICT users across the Council took place in September 2018 and the results have now been analysed. 684 people responded to the survey, a significant increase from the 402 responses received in 2017 and close to the 706 who responded in 2016.

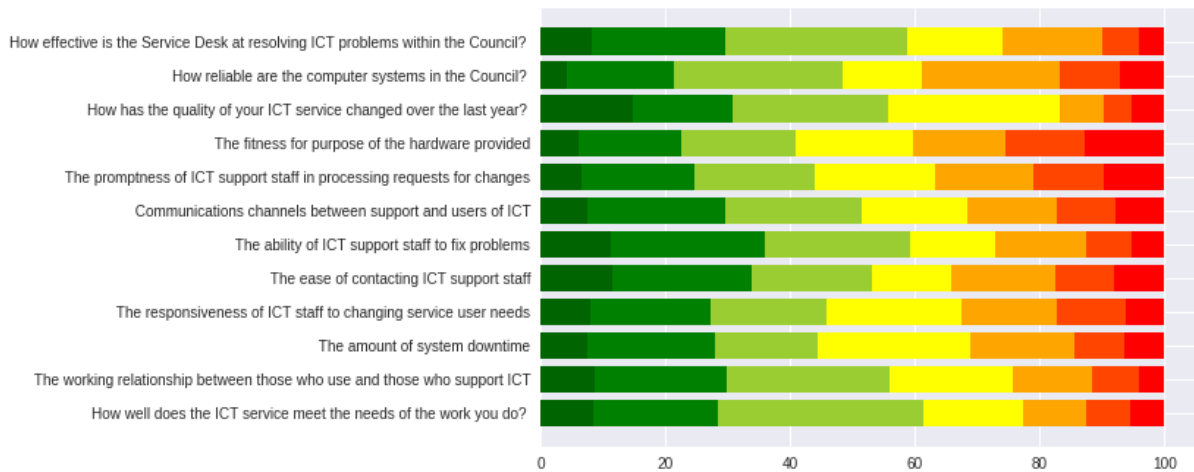
As well as general satisfaction, the survey also asked further questions relating to the experience and adoption of the G Suite tools and the mandatory Data Awareness Training that is being rolled out to all users.

3.2. Overall satisfaction with the ICT service

User satisfaction with the ICT service has continued to rise.

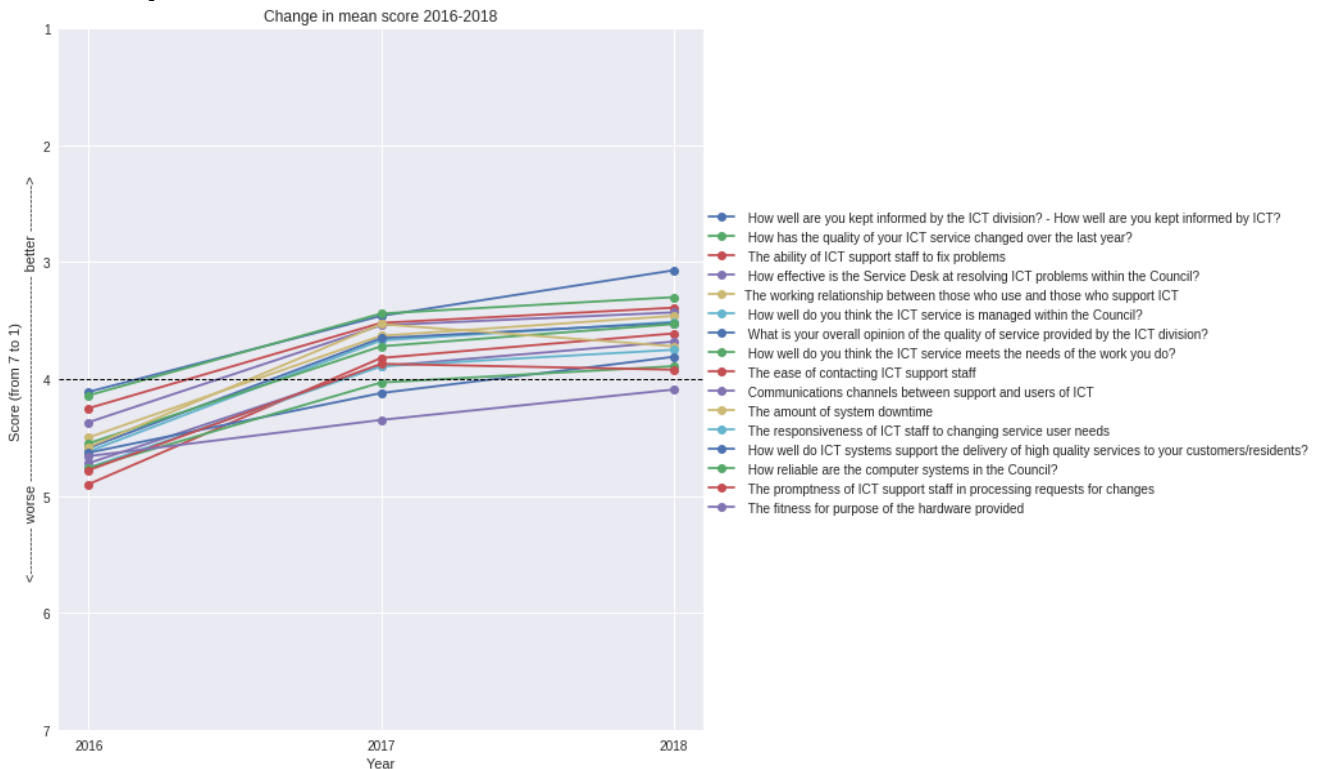
- 61% of users responded that the ICT service meets the needs of their work (up from 48% of users in 2017).
- 53% of users feel that the ICT service is managed well (compared with 51% in 2017).
- 59% of users have an overall positive opinion of the quality of service provided by the ICT service (up from 52% in 2017).

The chart below shows the overall response to the satisfaction questions that were asked in the survey:



Satisfaction scoring: green = positive; yellow = neutral; amber & red = negative.

The chart below shows the trend in the mean score in response to the satisfaction questions since the first survey in 2016:



The free text comments received cover a range of views, which are illustrated by the examples below:

‘I joined the council three years ago in October. My first week I could barely get on a computer as the network was down and when I did I found edocs terrible to use. I sat there on my first day, having come from a private company, thinking what have I done? Things are so much better now. The systems and tech difficulties have greatly improved. G Suite makes my work much more efficient. Keep up the good work and keep on introducing modern working techniques!’

‘Nothing ever changes and it seems the only way you get good services is if you work in the main office. The smaller offices are normally forgotten about or left to the last minute.’

'The ICT team is so much better than it was a couple of years ago. They are proactive and looking at new ways of doing things and are open to ideas from service areas across the Council (rather than pretty much refusing to engage with us in the past and being told what would work for us with no discussion about our actual service needs). The ICT team feels part of the Council now, rather than a completely different service hidden away in a secret building across the road!'

'I do believe that transformation is now underway, a lot of changes for the better are underway, I do hope ICT realise they have a long way to go! and this survey is a great step towards it.'

Analysis of these comments highlights the following key areas of focus which will be incorporated into the ICT service's workplans moving forward:

- **We need to continue work to make sure that it is easy and personal to contact ICT support.** Some comments indicated that users found the online reporting service too complex and others commented that less technically confident users needed more help to explain their issue and get support to fix it.
- **Users value the bookable 1:1 support sessions that are offered and usually find that this delivers the support that they need.** The responses indicate a need for further communication of these as a number of users aren't aware of this service. We will also give continued focus to consistency as some users commented on wait times (although this was usually in the region of 10 - 15 minute waits, which would not be untypical of a similar service in the private sector) and others felt that their issue had not been resolved by their appointment.
- **We will look at the support provided for teams who work out of hours and those based in offices away from the main campus.** Hackney already offers telephone support for longer hours than many other councils and the service desk operates from 8am - 7pm, as well as an out of hours support service when the main service desk is closed. Some respondents said that they had had difficulties getting the support they needed before 8am and other comments mentioned that users felt that getting face to face support (eg support with hardware) was too reliant on visiting the Hackney Service Centre.
- **The speed and consistency of the response to ICT support requests needs to improve.** A number of negative comments referred to the length of time it had taken to get issues resolved after they were reported to ICT. This has improved significantly following the 'backlog busting' work that was carried out in October and will remain an area of focus.
- **The poor quality of current equipment, especially laptops, was highlighted by several users.** This reflects the age of the equipment and will be addressed through the planned device refresh.
- **Engagement and communication between ICT and services was mentioned in many comments.** There was a good level of recognition of the improvements that had been made in this area, but also useful suggestions such as considering arranging for ICT staff to spend some time visiting team meetings in other services or working alongside service users to help grow understanding of their work.
- **Users who regularly use digital channels outside of work feel more confident with modern tools for work at work.** We compared people's use of digital tools in their personal lives with their comments on the digital tools provided at work, for example use of facetime/skype etc at home against ease of accessing files, systems etc, and a clear correlation emerged showing that people who don't use digital channels at home find it harder to use ICT tools in the workspace.

- **There are mixed views about the training support that users need.** Some users asked for more online guidance (eg video tutorials), whereas other users asked for more 1:1 support and classroom based training. This is an area which will benefit from further review to consider the most effective way to design a training offer that meets our users' different needs.
- **Legacy business systems were highlighted as causes of dissatisfaction by many users,** including applications such as Civica and eDocs. This is consistent with the Council's drive to provide improved digital tools and reduce our dependency on traditional local authority systems where they aren't providing a good user experience and meeting user needs.
- **Some comments also highlighted issues with the current printer and telephony services.** These are both planned for review in 2019, which will include co-design with users to ensure that we are meeting their needs.

Some comments related to areas that are not managed by the ICT service and those will be passed on to the relevant services. These included comments relating to:

- The Office environment and general office equipment
- Finance systems

3.3. G Suite

The majority of users had migrated to G Suite by the time of the survey, although some had not yet moved. This was an early opportunity to test how users are adapting to the new productivity tools.

Free text comments covered a broad range of opinions, both positive and negative, illustrated by the examples below:

'IT hardware and productivity tools have greatly improved recently, especially with the introduction of GSuite. I look forward to more Google hardware being rolled out in the next year.'

'ICT helpline staff are always really helpful when finding solutions to problems, as are the specialist Gsuite staff.'

'It makes remote working very easy as I can access my gmail and google drive anywhere. I no longer have to use VDI for remote working, which is normally very slow and unresponsive.'

'Collaborate document sharing and editing has improved project management and meetings. Hangouts has given us the ability to attend meetings when it is not always possible to be in the office and also communicating between the team (plus emojis are always a winner)! Google+ is an amazing tool for sharing information more widely.'

'I have found the move to Google generally positive. However, we are still using e-docs in our team which made document management slow and clumsy. Especially when sending documents by email.'

'We could do with more 1-2-1 support during the Google transition, there are a lot of drop-ins which have been attended, but specific issues within our particular workstream we could have benefited from additional support to meet our needs whilst in the transitioning.'

'Some improvement to Google would be helpful, particularly the email system. Or otherwise some lessons if I am missing something. There was some help available initially but it was a bit too brief to have got used to the system.'

'G-Suite is not an improvement. It has made e-mail communication more labourious and time consuming.'

'Gmail and other Google tools are good for private use, but not for corporate environment such as Public Sector.'

These word clouds show the key themes emerging from the comments (positive in green and areas for improvement in red):



Areas that were highlighted as positives in people's comments included:

- Sharing and collaboration, including commenting and co-editing documents, presentations and spreadsheets, and also the ability to work more collaboratively with external partners
- Task management and planning team schedules and workplans.
- Flexible access - with comments highlighting that G Suite has made it much easier to work from home and keep teams connected and up to date if they aren't all office based. There were, however, some comments that local managers are not supportive of flexible working styles which prevented those users from benefitting from these capabilities.

'Some of the questions were irrelevant in parts as working from home for few of us is not an option, as our manager rarely approve.'

- Improvements to mobile access, including being able to do more things from smartphones (eg access to files, working on documents, setting out of office messages etc).
- Apps like Google Keep (used for notes) were cited as examples of where users are finding it easier to keep on top of information from any of their devices.
- Reducing the volume of email and ensuring that people are looking at reliable data through use of shared documents and instant messages using Google Hangouts.
- A number of users reported that automatic saving gave them more confidence that they weren't at risk of losing work they had done.
- Capturing data more reliability and with less effort using Google Forms and Sheets.
- Managing meetings using Google Calendar - although some comments highlighted that it is made hard when people restrict access to their calendars, as this prevents you from knowing when colleagues are available for meetings.
- Using Google+ Communities to help teams share information and ideas.

Areas where people gave negative comments or which were highlighted as areas for improvement included:

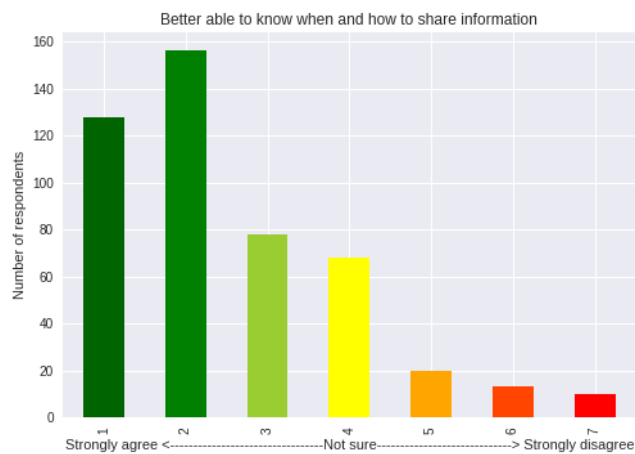
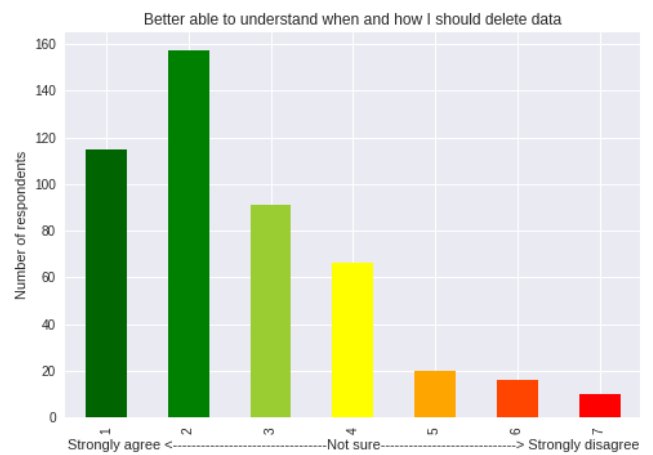
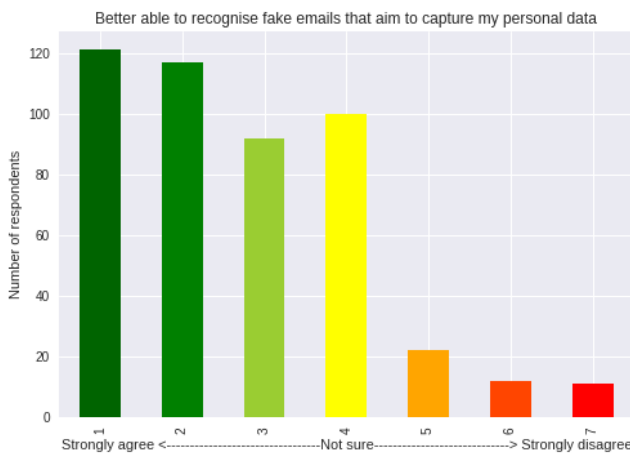
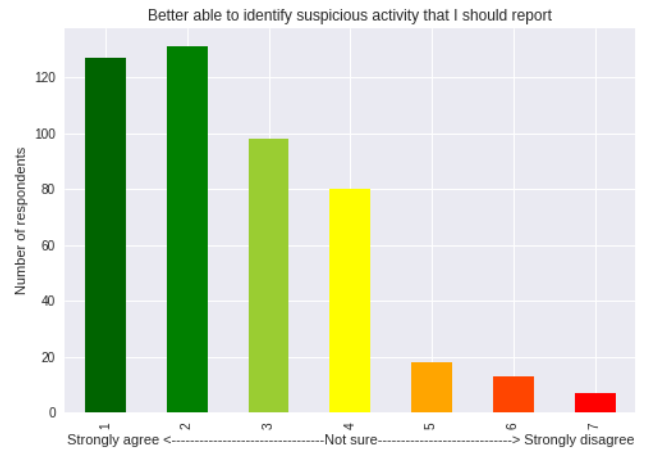
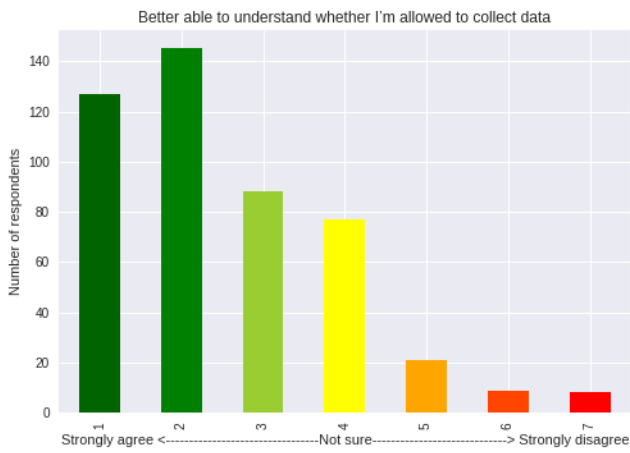
- Training and ongoing support was mentioned in several comments, which links to the general comment re: training and advice that is referenced in 3.2 above. Take up of face to face training has been relatively low, so we will consider how we can best support users who need more guidance and support.
- Comments included references to transition issues, which reflects the timing of the survey. These included migration of legacy email (which is in progress) and shared mailboxes (which is close to completion following review work with services to make sure that mailboxes and membership are updated due to out of date information in the old email system).
- There were a number of comments which indicated that users aren't yet familiar with functionality that will help them do what they need. Examples include people reporting that they find it difficult to find email without being able to sort by sender, use of the search tool will address this. And other users gave negative feedback about Conversation View (which groups emails together where they relate to the same conversation), which can be switched off by the user (and which now updates the mobile Gmail apps too).
- There are some aspects of the G Suite user interface which some users find less intuitive (or possibly less familiar) than Outlook. Examples of this include the location of the reply box at the bottom of the screen (although this might mean that those individuals are not aware of the option to pop out replies into a separate screen).
- Issues of inconsistency with the *myoffice* VDI desktop are reported in a number of comments. These have caused issues with add-ins, bookmarks etc and work is in progress to upgrade *myoffice* which we hope will improve this.
- People who use the CJSM and GCSx email systems to communicate with central government and justice / Police commented on difficulties with having to use separate systems for their email. We are working to implement the new guidance from the Cabinet Office which will allow these teams to manage these communications in their standard @hackney.gov.uk mailboxes, aligning with the government's move to retire the legacy Public Services Network (PSN) services (including specialist email services).
- There are some Outlook features which are important to people's current workflows, especially when saving emails to eDocs, that feature in a number of comments. These should be improved through the work to support services in adopting Google Drive which is a priority area of focus following the initial migration of email and calendars to G Suite.
- Some people commented that they don't feel that the new capabilities (eg instant messaging, remote access, collaboration etc) are relevant to their work. This might reflect the observation above that people who use digital tools less often in their personal lives are more likely to find digital tools in the workplace. We will give thought to how ICT can support services in assessing the digital skills across their workforce and putting in place support to help address areas of need.

3.4. Data Awareness Training

To support Hackney's work to ensure that the Council is using information well and complying with the requirements of the new Data Protection Act 2018 and the General Data Protection Regulation, new Data Awareness Training is being rolled out to all users. This includes a tailored version which will be rolled out to Members soon.

Progress to date has been extremely positive, with over 2,500 user having completed the training to date. This is a significant improvement on the previous mandatory training, which achieved a very low level of compliance.

For the survey we asked users for feedback on the new training. The survey results showed a very positive response to the training, indicating that as well as achieving a good level of compliance the training is also having a positive impact.



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NEIGHBOURHOODS AND HOUSING RISK REGISTER REVIEW – JANUARY 2019

AUDIT COMMITTEE MEETING DATE

2018/19

28 January 2019

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Kim Wright, Group Director Neighbourhood and Housing

1. INTRODUCTION AND PURPOSE

- 1.1 This report updates members on the current Risk Register for Neighbourhoods and Housing Directorate at January 2019 (attached). It also identifies how risks within the Directorate are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

2. RECOMMENDATION(S)

The Audit Committee is recommended to note the contents of this report and the attached risk register 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 Directorate. 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.
- 3.2 Some risks are beyond the control of the Directorate 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. It will be highly unlikely, if not impossible, if there were never any red rated risks on the register. The important point is to know what they are and how they can be controlled and mitigated. 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 The directorate risk profile is reviewed and ratified by the Directorate Leadership Team (DLT) on a regular basis throughout the year; the current risk register was last reviewed by DLT in December 2018. This report is presented as a high level risk management report for the Directorate.

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, or at overall Council level. Any senior officer with any accountability for the risks will have been consulted in the course of their reporting.

4.5 **Risk Assessment**

The Directorate Risk Register is attached in Appendix one.

5. **DIRECTORATE APPROACH TO THE MANAGEMENT OF RISK**

5.1 To ensure that the management of risk within the Directorate is effective, our risks are aligned to our Directorate aims and objectives, which reflect corporate and the Council's priorities. Our focus is on the "place". We want to work in a joined up way in order to create, sustain liveable neighbourhoods. Our vision is that wherever people live they have the same high quality services, the environment is just as good and their life opportunities enable them to be just as successful. The Directorate approach to embedding risk management at all levels of management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences. This approach runs through all levels of management from the Directorate Risk Register, monitored and managed by DLT, through the divisional risk registers, managed and monitored by the Divisional Management Teams through to team and project risk registers.

5.3 Effective risk management anticipates and avoid risks where possible 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. nationwide austerity measures and introduction of new legislation. These are the risks that are likely to rated high, and will require constant monitoring by senior management and escalation to Hackney Management Team (HMT) for inclusion on the Corporate Risk Register.

- 5.4 The Directorate Risk Register, attached at Appendix 1, comprises risks that cut across the Directorate's business and those which have the potential greatest impact on service delivery, the performance of the Directorate and therefore the Council as a whole. It is informed by the divisional and service risk registers and is maintained at Directorate level to ensure that risks are managed and monitored at senior management level.
- 5.5 The risks contained in the Directorate Risk Register assesses risk in light of the controls already in place so that the register is focused on those key risks that could prevent the Directorate from achieving its objectives. Any risk that DLT consider significant enough will be escalated to the status of a Corporate Strategic Risk as per the Council's risk impact guidelines. All other risks will remain as Directorate risks.

6 Directorate Risk Review

- 6.1 The Directorate Risk Register is comprised of risks that cut across the numerous services of Neighbourhoods and Housing and represent the most significant risks faced by the directorate.
- 6.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Directorate, and Council, – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an opportunity connected with a potential risk where an upside can be exploited. This is referred to explicitly in the Council's Risk Strategy where it is stated: "if we focus on opportunities when assessing the merits of different possible solutions, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks." In the case of the Directorate, there have been situations (as referred to in the Risk Register) where potentially negative events like funding cuts have occurred, or ICT problems impact service delivery and this has often led to improved efficiencies, and has served as an opportunity to streamline services, and encourage new and more effective approaches to an area of work. It should be stressed that the Directorate, in managing risks, strives to look for this positive angle within risk management.
- 6.3 Regarding the contents of this latest Directorate register, important areas to note are:
- The risk relating to Fire Safety (NH DR 009) has been reviewed and amended to reflect the latest arrangements to manage fire safety across the Council's housing estates. The rating of the risk remains stable at amber and the register has been amended to reflect the controls currently in place. In the last year the Council took the decision to create a new post of Head of Resident Safety within Housing Services. The post-holder who started in March 2018 has primary responsibility for all aspects of compliance within Housing Services going forward, including fire safety, asbestos, gas safety, electrical safety and legionella. The Resident Safety team is now permanently recruited to.

There is still work to be done within Housing Services to ensure services are delivered to the standard required by Members and staff and expected by residents and a revised governance arrangement has been established with the Group Director, Neighbourhoods and Housing leading the fire safety related works in Housing Services. This will ensure the capacity remains for the Director, Housing Services to lead the transformation of services along with the 'business as usual' service delivery, with his team of senior managers. The new governance arrangements for this work should also provide Members with the reassurance that there is grip and oversight of delivery of the extensive programme of work while also providing capacity for both business as usual as well as fire safety related business.

- The rating of risk Management of Changes in support services (NH DR004) has decreased over the last year. The main reason for the improvement in the risk measure is that the health and safety arrangements across the Council have been embedded and appear to be working effectively.
- The Contract, Procurement and Management risk (NH DR 007) has been reviewed to reflect the latest controls in place and whilst the rating remains stable with the improved controls in place, such as the Housing Capital Monitoring Board and the Housing Asset Management Strategy, we expect this to improve over the next year.

6.4 There is one red rated risk on the Neighbourhoods and Housing Risk Register, Housing Regeneration Programmes (NH DR 006). This rating reflects the external risk relating to drops in property values which could impact the viability of the schemes and the overall programme. The ongoing economic downturn and the as yet unknown but anticipated impact of Brexit poses risks to the schemes that rely mainly or in part on disposal of assets or subsequent sale of newly developed sites. The robust programme management and governance procedures ensure continued active management and oversight.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

- 7.1 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 within services are made as a result.
- 7.2 The Directorate seeks to mitigate risks as they are identified. In some instances, where there are volatile external factors and uncertainty, this will be through seeking access to reserves maintained by the Group Director of Corporate Finance and Resources.
- 7.3 There are no direct costs arising from this report.

8. COMMENTS OF THE DIRECTOR OF LEGAL SERVICES

- 8.1 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.
- 8.2 There are no immediate legal implications arising from this report.

APPENDICES

Appendix 1 **Neighbourhoods and Housing Directorate Risk Register**

EXEMPT

N/A

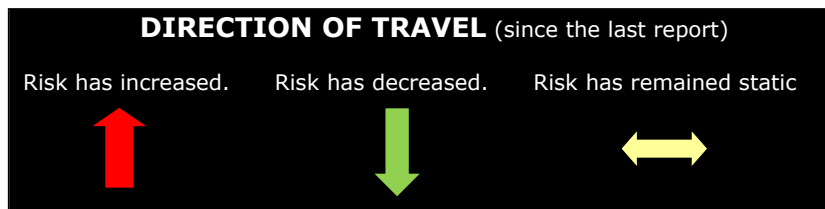
BACKGROUND PAPERS

None

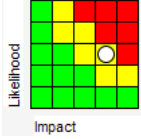

Report Author	Deirdre Worrell 020 8356 7350 Deirdre.worrell@hackney.gov.uk
Comments of the Group Director of Finance & Corporate Resources	Deirdre Worrell 020 8356 7350 Deirdre.worrell@hackney.gov.uk
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Neighbourhoods & Housing Directorate Risk Register – December 2018

Report Type: Risks Report

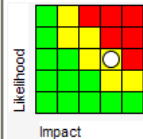



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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 002 Workforce INTERNAL RISK CURRENT RISK	<p>The risk that amidst an atmosphere of financial reductions and potential redundancies the workforce becoming demotivated resulting in a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders.</p> <p>Also restructures may cause a temporary loss in efficiency as knowledge could be lost with experienced staff taking redundancies.</p> <p>Additionally, services across the directorate may struggle to effectively and successfully recruit for certain positions leading to a negative impact on service delivery.</p> <p>An additional organisational risk in this area is around the modernisation agenda and a need for the workforce to adapt and change and be receptive to the new ways of working. Failure to do this could result in the directorate lacking the dynamism to succeed in effectively using opportunities open to them.</p>	Neighbourhoods & Housing		<div style="text-align: center;">  </div> <p>December 2018 – There are multiple causes which may contribute to staff lacking the skills set required to keep up with the needs of the required changes. These could be:</p> <ul style="list-style-type: none"> - A mismatch in training requirements - Training not fit for purpose - Inability to have the right number of staff with the adequate skills - Management resources are significantly diverted to deal with staff issues as opposed to strategic planning. - The modernisation agenda and the need for the workforce to adapt <p>Consequences of this risk occurring might include:</p> <ul style="list-style-type: none"> • Lack of strategic thinking • Lack of skill set results in failure in service provision • Opportunities missed • Inability to recruit to key positions • Retention of staff impacted • Staff morale impacted

				<ul style="list-style-type: none"> Potential deterioration in employee relations <p>Regarding recruitment problems, this is a risk which has already materialised to an extent but has the potential to become more problematic.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 002a Workforce	Directors consider workforce issues as part of business planning and HR provides a framework of processes and procedures which will support both the Directorate and its staff through a significant period of transition.	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 002b Workforce	Established a resilient system of identifying workforce training needs using Business Partnering arrangements (whereby each Head of Service links with the Organisational Development Team) across the Directorate	All Directors	Heads of Service	Ongoing	December 2018 – these controls are in place and continuing
NH DR 002c Workforce	<p>There are detailed HR procedures and processes to deal with problems/instability created by restructures and these are carefully adhered to by the teams involved. All communication is regular and carefully considered. Staff are well supported in adapting to new ways of working.</p> <p>Reference to these procedures may seem an obvious control, but adherence to them is crucial to provide assurance that all processes are followed correctly.</p>	Dan Paul	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 002d Workforce	Clear policy framework for managing employment issues along with HR standards training and support for managers on key decision making helps ensure appropriate and correct decisions are made.	Dan Paul	All Directors	Ongoing	December 2018 – these controls are in place and continuing
NH DR 002e Workforce	<p>Services will work with HR/OD on the following</p> <ul style="list-style-type: none"> - Recruitment strategy review to identify other measures which can be taken into to promote Hackney as a great place to work - Review salary supplements in key professions to ensure they are providing market competitive salaries - Review career development paths within the services and also ensure that apprenticeships/trainee opportunities are being used to develop internal talents 	All Directors	All Heads of Service	Ongoing	December 2018 – these controls are in place and continuing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 003 Service Management – Reputation INTERNAL RISK POTENTIAL RISK	The Directorate fails to manage its services and as such an event (e.g. - service failure, serious human error) occurs which results in a large reputational impact for the Council.	Neighbourhoods & Housing		 <p>December 2018 – The predominantly front line activities of the Directorate are delivered under such scrutiny a small failure has a disproportionate impact on reputation of the Council.</p> <p>Consequences of this risk occurring might include:</p> <ul style="list-style-type: none"> • Poor perception of the Directorate with the Council and residents. • Extra work in dealing with reputational fall-out • Adverse media attention.

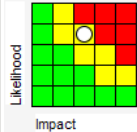

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 003a Communications and Consultation Arrangements	Communications and Consultation managed in partnership with the Council’s communications teams through Heads of Services and Directors. Communications and Consultation plans are discussed and considered in partnership with Lead Members on a regular basis.	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 003b Programme Management and Governance	Robust programme management and governance procedures in place for major programmes which include consultation and engagement requirements. Project Sponsor to produce a communications plan for each key project and programme to ensure effective stakeholder engagement	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 003c Programme Management and Governance – Capital Projects	Robust programme management and governance procedures in place for key capital projects and programmes with project sponsorship at Director/Head of Service Level. Major schemes are managed via project boards to ensure reputational issues managed and project/programme outcomes delivered to required standard, on time and within budget	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 003d Performance	Robust Performance management framework in place to	Kim Wright	All Directors	Ongoing	December 2018 –

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Management Framework	<p>monitor service performance. Services are managed as part of the Council’s performance management framework through the Directorate Leadership Team, divisional and operational management teams and supervision. There is a regular reporting framework on Co-valent to highlight areas of underperformance with follow up management action taken as required.</p> <p>There are also a range of Quality Assurance systems in place to ensure service standards are monitored and maintained.</p>				these controls are in place and continuing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>NH DR 004 Management of changes in support services</p> <p>INTERNAL RISK</p> <p>CURRENT RISK</p>	<p>The resources available in support services have been reducing and there is the potential that the Directorate might not effectively manage this reduction in support.</p>	Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>December 2018 –The Directorate is reliant on support services within the Council to deliver effectively.</p> <p>Consequences of this risk occurring include:</p> <ul style="list-style-type: none"> • Failure to deliver business objectives • Failure to make savings and balance budgets • Reduced flexibility to respond to changing priorities • Services not improved • Impact on transformational change • Delays to other work • Stress to staff • Health & Safety management is compromised

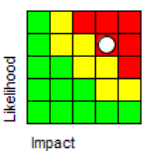

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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NH DR 004a Staff Training	Senior Managers will ensure that focused training for staff on new support service processes, such as G suite and My Budget, is provided to ensure managers are aware of and can manage any impact their roles and responsibilities	All Directors	Heads of Service	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 004b Training and Development Plans	Training needs arising from the reductions in support services will be identified and built into the directorate training and development plans.	All Directors	Heads of Service	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 004c Directorate Leadership Team Oversight	Directorate Leadership Team to maintain oversight of changes to support services and feedback service requirements to facilitate enable smooth transition to new arrangements	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 004d Health & Safety - Policy Framework	The Council’s Health & Safety policy framework, training and advisory services for team/managers ensures risk of injuries in the workplace are avoided as fully as possible.	All Directors	All Heads of Service	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 004e Health & Safety – Training	All operational managers receive health and safety training for managers. All employees receive health and safety awareness training appropriate to their role	All Directors	All Heads of Service	Ongoing	December 2018 – these controls are in place and continuing.
NH DR004f Financial Management – Training	Finance officers work closely with Service managers to support their decision making with timely and accurate financial information. Financial training for non-financial managers in place and risk based budget monitoring in place to identify issues, risks and opportunities to support service delivery.	Deirdre Worrell	Simon Theobald	Ongoing	December 2018 – these controls are in place and continuing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 005 ICT Infrastructure INTERNAL RISK CURRENT RISK	The directorate is reliant on the ICT infrastructure to deliver its services effectively. There is a risk that there is a mismatch between required needs and ICT capacity to deliver. If there is a failure to deliver, a likely consequence would be serious disruption and potential service failure.	Neighbourhoods & Housing		 <p>December 2018 - ongoing. Key factors which could lead to this risk occurring include:</p> <ul style="list-style-type: none"> - Lack of understanding of ICT to keep up with business needs and an over reliance on process as opposed to outcomes. - Response times - Understanding of impact on services and priorities - Lack of identified officer in ICT i.e. for system responsibility and ownership

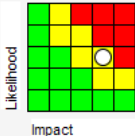
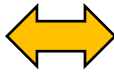
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				<p>This may lead to:</p> <ul style="list-style-type: none"> • Failure to deliver business objectives • Inability to delivery further productivity gains and the make savings required to balance budgets over the medium term • Reduced flexibility to improve services due to the ICT systems being unfit for purpose. • Inability to streamline service processes to improve service for the customer • Impact on transformation • Delays to other work • Reduction in confidence to take on changes/ability to deliver by ICT • Increase in service resource and stress to staff

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 005a Governance arrangement for ICT Projects	Robust Governance arrangements are in place to manage ICT transformation projects with ICT expertise on project and programme boards	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 005b Partnership Approach with ICT colleagues	Service managers liaise regularly with ICT colleagues to resolve system issues and introduce service improvements.	Kim Wright	All Directors	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 005c Support Systems	Support systems are all in place to provide advice and back up when required for all service critical systems. This includes FAQs for customer services to enable them to support customers when the ICT systems fail.	All Directors	Heads of Service	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 005d Supplier Management	Service and Contract reviews regularly held and documented with all major suppliers. Business Analysts/Project Managers assigned to projects from business case development onwards. Legal services engaged during procurement process.	Directors in partnership with Rob Miller, Director ICT	Heads of Service with ICT	Ongoing	December 2018 – these controls are in place and continuing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 006 Regeneration Programmes EXTERNAL RISK CURRENT & FUTURE RISK	<p>There are a number of key risks which require careful management between Regeneration and a range of services across the Council, including finance, procurement and planning.</p> <p>Major risks are associated with:</p> <ul style="list-style-type: none"> Risks around certainty of future funding, and the need to contain borrowing within sustainable levels now that the HRA Debt Cap has been lifted. If this is not contained, there will be serious financial consequences. Procurement and performance related risks with developer/contractor partners Falls in property values could impact the viability of schemes. Managing increased risks to social cohesion associated with potential increased polarisation, greater transience and reduced housing affordability. <p>An uncertain economic environment, particularly as a result of Brexit, poses risks to projects that rely mainly or partly on disposal of assets or the subsequent sale of newly developed properties.</p> <p>In addition, if the Council is unable to dispose of the Private for sale and shared ownership homes on its Estate Regeneration or Housing Supply Programme schemes, due to affordability issues and/or other external economic factors then corporate plan commitments may not be met</p>	Neighbourhoods & Housing	 <p>Likelihood</p> <p>Impact</p>	 <p>December 2018 - There are significant regeneration projects ongoing within the borough including the nationally significant Woodberry Down programme, borough-wide Estate Regeneration schemes and new build affordable housing with significant borrowing requirements which, if not carefully project managed could adversely impact the Council's overall financial position.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 006a Regeneration Programmes	Application of sound programme and project management methodology for delivery of complex programmes and projects including reporting where agreed tolerances have been exceeded, and financial assessment of business cases including those that need to be revised.	Kim Wright	John Lumley	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 006b Regeneration Programmes	Robust programme management and governance procedures in place for key capital projects and	Kim Wright	John Lumley	Ongoing	December 2018 – these controls are in place and

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	programmes with project sponsorship at Director Level. Major schemes are managed via project boards to ensure reputational issues managed and project/programme outcomes delivered to required standard, on time and within budget				continuing.
NH DR 006c Regeneration Programmes	<p>Sales and Marketing is now business as usual within the Regeneration Division and has a business assurance role in the delivery of every project.</p> <p>The Council's overarching Sales & Marketing Strategy was agreed at Cabinet in July 2016 with an additional paper presented to Cabinet in November 2016 setting out a flexible framework for affordability and eligibility for shared ownership homes.</p>	John Lumley	Zoe Collins	Ongoing via Gateway Reviews and reporting via Housing Development Board	December 2018 – NEW controls are managed as part of the business assurance role within the Regeneration Gateway Review process and regular reporting to Housing Development Board

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DRH 007 Contract Procurement and Management in Housing Services EXTERNAL RISK CURRENT & FUTURE RISK	<p>Poor procurement decisions result in non-viable contracts being awarded to non-viable contractors. Poor contract management results in poor resident satisfaction and unjustified cost and time overruns.</p> <p>As a result of poor contract management revenue is lost or charges applied that are not justified leading to a clear financial loss to the Council and also negative reputational consequences</p>	Neighbourhoods and Housing.		<p style="text-align: center;"></p> <p>December 2018 – Risk continues in light of the amount of investigation work currently ongoing. A major investigation is well underway into external contractors and how their relationship with Housing Services (formerly Hackney Homes) has been managed, and whether the work actually completed accurately corresponds to the charges which have been levied. Also scrutiny is being applied to the quality and accuracy of their work. All this ultimately relates to the Council ensuring it gets the best deal for its money.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 007a Contract Specification in place	Contracts clearly define the requirements of the business.	Sinead Burke	Each contract Manager	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 007b Tender Stage process followed	Robust tender process in line with EU procurement law and council standing orders. Internal procedures reinforced via regular Planned Asset Management/Procurement meetings, establishment of contract management board, and current recruitment to additional housing procurement resource.	Sinead Burke	Each Contract Manager	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 007c Contract Monitoring and Fraud Prevention	Restructure of Asset Management Team is based around the new contracts and clarity of responsibility for the contract managers in line with the contract manual. Key performance indicators in placed and used to assess the performance of the contracts. Where these show poor performance, corrective action is taken in line with contract procedures; recent examples include reallocation of work away from poorly performing contractors or raising Early Warning Notices. Final accounts prepared in a timely manner. A cross-working team has been established with Leasehold Services to ensure final accounts are prepared in line with leasehold recharge requirements as well as contract procedures. Regular contract audit. A Fire Safety Programme Board has been established to ensure greater oversight of capital fire safety projects. This board is chaired by the Group Director with agenda items led by a Programme Manager from outside the division.	Ajman Ali Sinead Burke Sinead Burke Michael Sheffield Jon Markovic	Sinéad Burke Contract Managers Contract Managers Patrick Sanders Wright Donna Bryce Sinéad Burke	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 007d Review of form of Contract	The Contract options are being reconsidered to ensure that the contract form is fit for Hackney's purpose. This will more actively be worked on as part of the re-procurement of Contract 1 & 4 to start in 2019. A senior project team is being established to carry out this work.	Ajman Ali/ Rotimi Ajilore	Sinead Burke	Ongoing	December 2018 – these controls are in place and continuing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 007e Detailed Council guidance in place for Procurement, Partnership and overall Contract Management	There is detailed supporting guidance available for all elements of the procurement process, including detailed Risk Assessment tools and specialised Partnership guidance.	Rotimi Ajilore	Contract Managers	Ongoing	December 2018 – these controls are in place and continuing.
NH DR0007f Establishment of Housing Capital Monitoring Board	<p>The Group Director Neighbourhoods and Housing has established a Housing Capital Monitoring Board to</p> <ul style="list-style-type: none"> maintain an overview of the Asset Management Plan element of the Housing Capital Programme approved by Cabinet; make decisions on the progression of Housing Capital schemes using the Gateway process. approve Sectional Commencement Agreements (SCA) with the Council's contractors, ensure that each capital scheme has a robust communications plan linked to each Gateway point to ensure residents are consulted and engaged in capital investment in their homes, monitor delivery against the programme, and make decisions on the reprioritisation of capital resources within the capital limits approved by Cabinet as part of the annual budgeting process. <p>The Board is responsible for ensuring that the schemes undertaken through the Housing Capital programme have a communications plan that joins up with other initiatives and projects affecting a locality so that communications with residents on estates where works are taking place are holistic.</p> <p>This board approves all Sectional Commencement Agreements (SCA) for issue to contractors. A checklist is presented on each project which outlines how pre-contract procedures have been completed. A full list of all SCAs (issued and in development) is now available.</p>	Ajman Ali/Deirdre Worrell	Sinead Burke	Ongoing	December 2018 – New Control established.
NH DR0007g - Asset Management Strategy	<p>A new Asset Management Strategy is going to March Cabinet for approval.</p> <p>This sets out the decision making framework for all capital projects and will ensure that a consistent rationale is in place for all capital expenditure. It identifies an action plan of supporting processes to be developed to implement the strategy (e.g. procurement strategy, staff</p>	Ajman Ali/Deirdre Worrell/John Lumley	Sinead Burke/Simon Theobald	February 2019	December 2018 – New Control established.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	resources, IT systems) and timeframes for identifying these.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 008 New Government policies affecting housing EXTERNAL RISK FUTURE RISK	As a result of the new policies affecting housing (mainly contained within the Housing & Planning Act 2016), the Council's financial position may be adversely affected, constraining its ability to invest in the development of new affordable homes. Many of these policies could also have damaging consequences for the local community and many people currently living in Hackney.	Neighbourhoods and Housing.		<p>December 2018 - The Government is introducing a number of policies affecting housing, mainly through the Housing & Planning Act 2016 and secondary legislation</p> <p>. Those likely to pose the greatest risk to the Council include:</p> <ul style="list-style-type: none"> - An annual 1% reduction must be applied to social housing rents up to 2020. This will have an impact in terms of the income that the Council receives to fund its housing activities, for example potentially affecting the level of investment that can be made in building new homes. - The 'forced sale' of 'higher-value' council homes to help fund the extension of Right to Buy to housing association tenants. The Social Housing Green Paper (August 2018) proposes that the forced sale policy is dropped, so this risk is now unlikely to materialise. - Starter Homes: The Government is planning to relax its proscription on local planning authorities to promote the provision of Starter Homes on new housing developments. The proposed quota of 20 per cent of homes on all sites has also been replaced with a lesser requirement that 10 per cent of homes be built for 'affordable home ownership'. Starter Homes will be valued at a discount of 20% on local market values, but can be up to £450,000 in London. Eligibility for Starter Homes has now been restricted to those with an annual income of £90,000 or lower in London and cash buyers will not now be eligible. Buyers will not be able to sell their

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				<p>home on at full value for a period of 15 years. Given extremely high house prices in Hackney, the Council's view is that Starter Homes should not be defined as 'affordable housing' as, if they are, there could be a high risk that these could squeeze out the provision of genuinely affordable homes such as social housing and shared ownership on new developments.</p> <p>The risk matrix will be updated as soon as further details of the Government's policies are known, and analysis of the impact has been completed.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 008a - New Government policies affecting housing	<p>Detailed analysis is being carried out regarding the likely impact of these policies, both internally and with other boroughs and representative organisations.</p> <p>Individually and with other boroughs, the Council continues to actively making the case to Government for flexibilities to mitigate the adverse effects of these policies.</p> <p>Once the detailed Statutory Instruments have been published (timescales still unclear), the likely impacts of the various policies can be more accurately be assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents.</p>	John Lumley	James Goddard	Ongoing	<p>December 2018 – <i>1% reduction in rents</i>: The current HRA savings plan delivers a fully resourced HRA and keeps HRA borrowing at a sustainable level now that the HRA debt cap has been removed. The HRA business plan is monitored annually as part of the budget setting process, taking into account arising cost pressures, changes in government policy and legislation, and any service changes.</p> <p><i>Starter Homes</i>: The Council has made and continues to make the case to Government that Starter Homes should not be included within the definition of 'affordable housing' in Hackney. We will work with the London Mayor to help make the case for a workable implementation of the initiative in London and, through the Local Plan review, ensure that this is addressed in local planning policy.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>NHDR 009 Fire Safety INTERNAL RISK FUTURE RISK</p>	<p>As a result of inadequate fire safety measures or defective workmanship (on cladding installation for example), death and serious injury occur from fire in LBH managed properties.</p>	<p>Neighbourhoods & Housing</p>		<p style="text-align: center;"></p> <p>December 2018 - In the light of the Grenfell tragedy and the increased focus on materials / workmanship on Council properties nationally, this risk was immediately escalated to Directorate and Corporate level. There were always Fire Safety risks on Housing registers, but recent events and understandable sensitivities necessitated this being featured at the highest level. As the controls below demonstrate, detailed work is taking place – and this has always been the case in terms of this threat. As a result of the tragedy however, extra focus and scrutiny is now been applied to all elements of fire safety in the Borough and there is certainly no complacency as to the situation. The Borough has to be receptive to new recommendations and lessons learnt emanating from Grenfell. However, the controls below and accompanying notes should provide some strong assurance that the risks are being managed.</p> <p>This risk focuses solely on risks of an incident in blocks managed by the Council. However, the Council also has limited responsibilities in relation to housing association and privately owned blocks in the borough. An incident in one of these blocks is also a risk to the Council, though obviously we have in place measures to meet the Council’s responsibilities. The MHCLG is currently trying to add new burdens on LAs in relation to privately owned blocks.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NHDR 009a Fire Risk Assessments	<p>Ongoing review of all Fire Risk Assessments (circa 1,800) for all of our stock in order to provide reassurance to residents.</p> <p>Ensure that these new Fire Risk Assessments (FRA) are undertaken by suitably qualified assessors and that the assessments they produce meet strict quality standards.</p> <p>Publish all new Fire Risk Assessments on the Council's website.</p>	Tim Shields; Kim Wright	Ajman Ali	Ongoing	<p>December 2018 - Four fire risk assessor posts have now been appointed to and there is now a fire risk assessment schedule in place to review all FRA's and to carry out Type 3 FRA's over a three year period.</p> <p>The recruitment of the Resident Safety team has now been completed and a fire safety team implemented to provide support and advice to both staff and residents.</p> <p>Type 1 FRA's have been completed in 1867 properties and the FRA team are now reviewing all Type 1 assessments and carrying out Type 3 assessments over a three year programme based on risk.</p> <p>A new Fire risk assessment system is currently being developed to track actions and monitor the closing down of actions identified. The system will also allow us to let residents view the fire risk assessment for their buildings in live time.</p> <p>All critical actions from the Phase 1 FRA's have been closed, 40% of the High (most of the remaining actions are FED's which are in a scheduled programme), 40% of medium actions have been completed and 20% of low actions completed.</p>
NHDR 009b Fire Safety	Each Directorate has responsibility for ensuring agreed work plans from the previously convened Corporate Fire Safety Group are being delivered.	Kim Wright/Anne Canning/Ian Williams	Relevant Directors	1 Jan 2020	December 2018 - Fire safety Programme Board for Housing Services has been implemented to monitor fire safety compliance and the various work streams that have come out of the FRA's.
NHDR 009c	Ongoing implementation of the key findings and	Kim Wright	Ajman Ali	01 Jul	December 2018 - A programme for

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Fire Safety – high risk blocks	<p>recommendations from the new FRAs that have been/will be undertaken across all of our high rise blocks. Blocks to be assessed in priority based on a risk-based Forward Plan (scissor blocks first).</p> <p>Carry out additional non-FRA inspections across our high rise blocks in order to provide a visible presence across the Borough.</p> <p>Carry out any other ad hoc fire safety inspections that are required.</p>			2019	<p>reviewing all Fire risk assessment is ongoing and type 3 fire risk assessments are being carried out over a three year programme.</p> <p>The new neighbourhood housing model ensures that inspections are being carried out regularly by trained Housing Officers.</p> <p>Housing Officers have been recruited who carry out inspections of blocks on a regular basis including any issues relating to fire.</p> <p>A programme of health and safety audits to include fire safety has been implemented to cover the 10 + blocks in the first six months of 2019.</p>
<p>NHDR 009e Fire Safety – everyone’s responsibility</p>	<p>Develop and implement a communications strategy that, amongst other things,</p> <p>(a) communicates the need for residents to take responsibility for fire safety in their area and also that we have taken all necessary action to keep them safe from the risk of fire,</p> <p>(b) ensure effective communication and engagement with tenant representatives,</p> <p>(c) manage communications with Members so that they are engaged and up to speed with the work that we are doing but we are not distracted from the work that we are doing,</p> <p>(d) keep staff up to speed with developments,</p> <p>(e) respond quickly to press enquiries.</p>	Kim Wright	Ajman Ali / John Wheatley	Ongoing	<p>Communications strategy in place and regular meetings between the tenants and the Resident Safety Team are held to ensure the Council is actively engaged with residents and that residents are aware of their obligations to co-operate with fire safety control measures.</p> <p>All sites have been assessed for accessibility and LFB are still carrying out regular inspections of blocks and providing advice.</p> <p>We continue to work with LFB ensuring that they have easy access to our estates in the event of fire.</p>
<p>NHDR 009f LFB meetings</p>	Develop robust arrangements for meeting regularly with the London Fire Brigade (LFB) to consider fire risk assessments and safety on our estates.	Tim Shields; Kim Wright	Ajman Ali	15 Oct 2019	<p>December 2018 - Monthly meetings with the LFB Fire Safety Officer and Head of Resident Safety in place.</p> <p>Joint visits to high risk blocks with Fire safety manager and LFB inspectors.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>NHDR 009g Fire safety policy</p>	<p>Based on the lessons learnt from the fire safety response work undertaken since Grenfell, undertake a series of policy reviews and develop a set of proposal papers that will enhance the way that the Council undertakes fire safety management across the Borough. This will include:</p> <ul style="list-style-type: none"> • Agreement on the new corporate Fire Safety Policy and the development of a new fire strategy with Council professionals, residents and industry experts. • Leaseholder Obligations/Requirements: This will cover a number of areas, including (a) ensuring that leaseholders are providing evidence that they are meeting their fire safety obligations, (b) developing a policy on how we ensure that all leaseholder front doors are 30 minute fire resistant, (c) developing a policy on allowing or requiring leaseholders to be included in communal safety works and inspections, e.g. gas safety or sprinkler or alarm installation; at their cost. • Our current policy and procedures for dealing with fire risks in communal areas (e.g. storage of combustible materials, blocking of escape routes. • Enhanced parking enforcement on our estates. • Responding to any recommendations coming from the Grenfell enquiry. <p>Budget Management: Ensure that the necessary resources are in place to undertake all of the work coming out of the new FRAs.</p> <p>Establish "asks" of the government with respect to resourcing additional fire safety work and related costs, wider building regulation and perhaps industry with respect to cladding and sprinkler systems.</p>	<p>Tim Shields; Kim Wright</p>	<p>Ajman Ali</p>	<p>1 Aug 2019</p>	<p>December 2018 - Policy has now been reviewed and implemented as of August 2018. Policy will be reviewed in August 2019 by Head of Resident Safety</p> <p>Budget Management: Analysis is taking place of the likely costs of the recommendations coming out of 1,800 new FRAs and how much can be phased/built into planned programmes. This will be prioritised in the HRA Business Plan.</p> <p>The update report went to Cabinet in October 2018, and the previous March and this provided thorough updates.</p>



CORPORATE RISK REGISTER REVIEW - JANUARY 2019

AUDIT COMMITTEE MEETING DATE 2018/19 28 January 2019	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 Corporate Risk Register of the Council as at January 2019 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

2. RECOMMENDATION(S)

The Audit Committee is recommended to note the contents of this report and the attached risk registers and controls in place.

3. REASONS FOR DECISION

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

4. BACKGROUND

The current Council risk profile was reviewed and ratified by the Hackney Management Team (HMT) in December 2018. In discussions and meetings with Directorate Risk Champions, various Heads of Service/Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to HMT. Numerous risks have changed or now exist in different circumstances compared to when last reviewed by Committee in June 2018.

4.1 Policy Context

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

4.2 Equality Impact Assessment

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

4.3 Sustainability

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

4.4 Consultations

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

4.5 Risk Assessment

The relevant Risk Register is attached in Appendix one.

5. CORPORATE RISK REVIEW

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

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

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

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

The Conservative Government (and the coalition one before that) have put in place a series of measures that it feels will position the UK economy strongly to mitigate the impact of the current financial problems. The Council has a further £30m of efficiency savings to achieve by 2021/22 and this presents a significant challenge. The EU Referendum decision in favour of Brexit (and subsequent triggering of Article 50) and post-election uncertainty have introduced further risks of a negative financial impact (which is already materialising, particularly due to the current weakness of the pound). The increase in interest rates (from 0.5% to 0.75%) in August 2018 hints at a slight improvement in some areas. Also examples of a more proactive approach to Commercialisation within the Council show a new way forward in mitigating the impacts of austerity.

- Risk 1b – Impact of BREXIT vote
The climate is no less volatile today than in the immediate aftermath, so the score / risks remain high. With Article 50 now triggered, the actual relationship that Britain will negotiate with the EU will determine many aspects of the country's direction and prosperity in the future. In light of the current uncertainty with regards to the postponed vote for a deal (now set for

January 15) a lot will depend on whether a deal is accepted as this will dictate how things proceed. The EU Referendum result also influences a number of other risks on this register, such as the impact of New Legislation and also Pensions (and the financial impact Brexit may have on them).

- Risks 6 & 7 – Regeneration.

This is a new iteration of the regeneration risk, just updated by the Director of Regeneration, and particularly important in the light of the Council's plans for future development. Clearly this will involve considerable borrowing and an exposure to external influences in the future. There are also serious financial implications around this risk.

- Risk 10 – Pensions & Risk 33 – Management of Data.

The Pensions risk has been on the register for a number of years, albeit has changed in that time. A new risk was escalated to accompany the overall Pension risk (in January), relating to the Management of Pensions Data which has become an area of serious concern worthy of appearing on this risk register, and remains so.

- Risk 13 – New Legislation (cross Council).

The (previous) Coalition Government announced a number of organisational change proposals when in power, which continued under the Conservative Government (still in power with a reduced majority, following last year's election). The Care Act 2014 continues to impact clearly on work within CACH, whilst last year's Housing and Planning Act 2016 is clearly impacting on future service delivery. There was also serious potential for upheaval with the proposed Education Bill last year. However, this was scrapped although further proposals are anticipated. As of 23 June 2016 (and then the triggering of Article 50 on 29 March 2017), the results of the EU Referendum introduce a new area of legislative uncertainty. Also, GDPR finally being enforced in May 2018, and the Homelessness Reduction Act of 2018 have created new responsibilities for the Council.

- Risk 18 & 18b– Workforce and recruitment

Another risk resulting from austerity measures is the impact it is having on staffing levels and accompanying restructures. This could clearly impact on efficiency levels. In addition, to meet the financial challenges ahead, it will be necessary for the Council to have a more agile workforce and not one constrained by traditional custom and practices. Staff need to be on board with the modernisation agenda. The Council will also need to compete with other organisations to get the best candidates so pressure will be put on increasing salaries (or offering salary supplements like ICT) and other work benefits. There has been continued pressure to successfully recruit, especially in some specific areas like ICT, Social Care and Highway Engineers, however recent successful recruitment campaigns within ICT have suggested this problem is receding.

- Risk 20b – Corporate Resilience

This is a new iteration of the risk previously more about Business Continuity (within ICT), emphasising the importance of the Council being suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly, failure to do this would impact massively on our ability to effectively deliver services and HMT decided this should be escalated to Corporate level.

- Risk 21 – ICT Security

The Director of ICT has escalated a number of new versions of risks to the Corporate register. The Information Security risk (and controls to mitigate its potential impact) is of particular

importance, especially in the light of the recent NHS cyber-attacks and the problems affecting BA, and amended descriptions reflect this.

- Risk 23 - Person suffers significant harm
This risk related to child welfare initially but after discussion at HMT was broadened to encompass all persons at risk in the Borough (including Council staff), and the safeguarding steps the Directorates are taking to protect them.
- Risk 24 – Devolution
Initially, in early 2016 HMT raised the risk relating to the increased devolutionary powers the Government was proposing and the risks that that may create. Since then, the dust has settled a little and this risk has clearly evolved into something of an opportunity, so much so, that the Council has shown intentions to embrace it with Integrated Commissioning being an example of it occurring (with the joint Board with the CCG now set up, having been signed off by Cabinet).
- Risk 25 – Contract Management (and the potential of fraud)
This risk has evolved in the last year, with investigations ongoing but Housing Services are also implementing increasingly robust controls to manage contract related risks.
- Risk 27, 28 & 29 – Hackney Learning Trust related risks. Impact of government reforms, SEND funding and serious safeguarding failure in a school.
Two new risks from Hackney Learning Trust were escalated in January 2018 to Corporate level. They remain in place. The SEND funding is critical at the moment, as the number of pupils qualifying for SEN statements is increasing (and definitely looks set to continue), which is sending the budget into clear deficit.
- Risk 30 – Temporary Accommodation.
This was escalated to the Corporate Register in July 2017 and remains in place especially in light of the recent implementation of the Homelessness Reduction Act, placing further obligations on Councils.
- Risk 31 - Fire Safety
This risk was updated to reflect the climate post Grenfell and escalated to the Corporate register. The Council was already undertaking multiple measures to manage these risks and the controls here should now provide clear assurance.
- Risk 32 – Integrated Commissioning (IC)
In light of this joint working, with a full IC board having been set up and signed off by Cabinet, an overarching risk pertaining to this work has been escalated to Committee, with the full sign off of HMT.
- Risk 33 – Major Fraud not identified.
This was escalated from within Audit and Anti-Fraud, after featuring within the last Finance and Corporate Resources Directorate Register. It is a new iteration of a risk that has always been in place in varying forms.

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

- 6.1 Effective risk management is a key requirement for good financial management and stability. This becomes more significant as funds available to the Council are reduced and budget reductions are made.

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

7. COMMENTS OF THE DIRECTOR, LEGAL SERVICES

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

7.2 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 one - Hackney’s Corporate, Strategic risk register.

BACKGROUND PAPERS

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

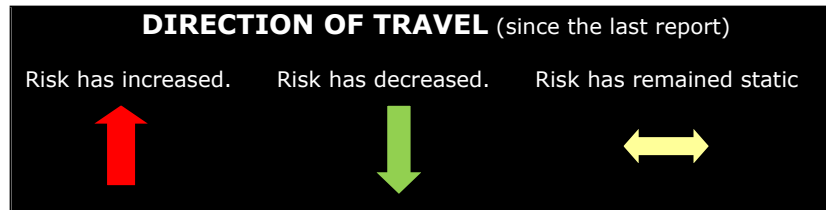
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Hackney Corporate Risks December 2018

Report Type: Risks Report

Generated on: 15 January 2019

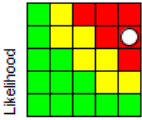



Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 101</p> <p>SRCR 0001 National and International Economic Downturn EXTERNAL RISK CURRENT & FUTURE RISK</p>	<p>There is an ongoing risk to the Council's finances arising from austerity measures that the Government are continuing to take (although noises are now being made that austerity is coming to an end). This is now likely to be compounded by the effects of the uncertainty surrounding Brexit. There is the challenge of finding around a further £30m of efficiency savings up to 2021/22 and possibly more beyond that time. This poses a risk that as a result of reductions made to services and overall funding, the quality and outcome of work impacts adversely on stakeholders, leading to local dissatisfaction and damage to the Council's reputation. Tighter finances result in less capital, repossessions, and potential developments frozen, affecting potential economic development and social infrastructure. This all contributes to a risk of real poverty and inequality emerging in areas of the Borough.</p>	<p>Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing</p>		<p style="text-align: center;"></p> <p>December 2018. Risk ongoing due to continuing and proposed cuts by the government. Recent revenue budgets and Capital Programmes have been put together against the backdrop of some of the most significant reductions in Central Government support to Local Government since World War Two. The result of the EU Referendum on June 23rd 2016 and the subsequent plans for Brexit (cemented by triggering Article 50 on 29/3/17), is already proving to have a negative financial impact, although not perhaps as severe as some economists predicted. The increase in interest rates (from 0.5 to 0.75%) in August 2018 hints at a slight improvement in some areas, along with the Prime Ministers (unproven) assertion that austerity is coming to end.</p> <p>Ongoing Central Government cuts mean that Hackney must work with £130 million less a year than in 2010, while rising costs and increased demand for services have added a further £42 million of expenditure for the Council to find each year. Over the period 2010/11 to 2018/19 the Council's core</p>

				<p>Government funding shrunk from £310m to £180m – and by 2019/20 it is expected to be just £170m - an overall cut of 45%. The total budget for 2018/19 was £1,074 million, down £17 million on the previous year. All these points illustrate the undeniably challenging financial predicament of the Council.</p> <p>Clearly, this risk is ongoing and the need for efficiency savings will not diminish in the foreseeable future (especially with Brexit). Therefore this will have an impact on the Council which needs to be carefully managed. Proposals are being developed to manage an expected further reduction in resources of approximately £30m by 2021/22. Score remains at 20 with no movement due to the extremely high impact of the financial consequences.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0001B National and International Economic Downturn Page 102	There is a need to ensure that the Medium Term Financial Plan accurately reflects best estimates of future funding levels. Financial planning will be constantly diligent and reflect the changing circumstances of budgets available. Also, controls from other related risks are relevant, e.g. Regeneration projects and Recruitment and Retention [increasing access routes into the Council's employ].	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Mar-2019	December 2018 - action ongoing. Progress made in various areas should provide assurance that even in challenging circumstances, the Council is well placed to manage its duties.
SRCR 0001A National and International Economic Downturn	Whilst the overall risk is external and largely beyond control of the Council, there is a clear need to identify, implement, monitor and resource the delivery of significant reductions in expenditure and to ensure the services that continue to be provided are resourced adequately. Also, Officers' advice to members needs to be explicitly clear as to what can and cannot be delivered including the organisations ability to deliver and implement the commitments contained within the local manifesto.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Mar-2019	December 2018 - action ongoing.
SRCR 0001D National and International Economic Downturn	Savings proposals were developed and agreed with members in order to bridge the forecast reduction in resources in 2017/18 and subsequent financial years. At the same time, the capital programme is subject to review to ensure that available resources are used to deliver Council priorities. Several measures, including numerous restructures, have been used to reduce overall expenditure levels across the Council. There are also continuing efforts at seeking ways to generate additional income, for example in the use of Corporate Estates for events /major regeneration and building projects / changes in service delivery models etc. This is already resulting in considerable savings to help mitigate the risk of funding cuts.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	Ian Williams	31-Mar-2019	December 2018 - ongoing. The Senior Management restructure was completed and the final transitional arrangements came to an end in April 2017. Various other restructures are ongoing.
SRCR 0001DE Commercialisation	The Council is looking to take advantage of commercial opportunities which are presenting themselves as a new way of raising capital and mitigating impacts of austerity. These more innovative ways of working present opportunities to protect the Council against cuts in other areas.	Tim Shields; Ian Williams; Kim Wright; Anne Canning		31-Mar-2019	December 2018 - The Council has sought ways of generating income in constrained financial circumstances and therefore the scale of investment activity (for

					example in commercial property) has increased. As yet, Hackney has not adopted a corporate approach to commercialisation across the organisation, although there are specific examples where commercial activity and projects are in progress or being considered. Examples include the Nile Rd and Tiger Way building maintenance companies with Hackney officers as directors for the companies. The Housing Development Board has oversight of multiple crucial projects which could clearly benefit the Council, but also the community at large.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 103</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 possibility 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. The disruption this could cause to supply chains could have a damaging effect on business continuity.</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>Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing</p>	 <p>Likelihood</p> <p>Impact</p>	<p style="text-align: center;"></p> <p>January 2019 – Article 50 was triggered on March 29th 2017, formally commencing the exit process, which will complete in under 3 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. Also, 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. However the main terms on the exact settlement / deal with the EU were to be voted for by Parliament on December 11th. However, on December 10th, it was announced this vote would be postponed, only adding to the uncertainty and possibility of a no-deal. This vote will now happen on January 15th, 2019 (after this update).</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</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.			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). *The focus of this risk is liable to change on an almost weekly basis, especially with the postponement of the parliamentary vote. More clarity should come in the first few months of 2019 (but equally may not!).
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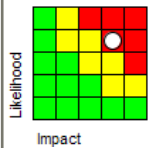

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0001A Brexit Implications	Brexit and its potential impacts are constantly discussed at all levels, whether at HMT, DMT, cross-London leadership discussions or within detailed briefings from Legal, which are regularly e-mailed out to all.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All	31/3/2019	A separate Brexit Risk Register was initially produced before the main threads of these risks were subsumed into the normal Directorate / Service registers.
SRCR 0001A UK leaving the EU Project	The Council have commenced a special organisation wide initiative called the "UK leaving the EU project". Through multiple meetings and sharing of material, senior officers are discussing and keeping up to date with the impact of Brexit on the full range of Council operations and services.	Ian Williams	Various Directors and other senior officers around organisation	31/3/2019	First meeting of this group occurred on 7 th November 2018. Google community groups have been set up for discussions regarding this. Updates are regularly occurring on all areas of the potential outcomes.
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 November 2018
FR DR 0007b Brexit impact on Treasury and Pensions	Ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/investment consultants. Additionally, there has been ongoing monitoring of financial markets and regular communication with treasury advisers. Monitoring of both interest rates/ yields as well as the impact on the credit risk of potential investment counterparties, especially UK based institutions.	Ian Williams; Michael Honeysett	Rachel Cowburn, Pradeep Waddon	Ongoing	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 (August 2018).

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0002 Management of Capital Programmes / Schemes EXTERNAL RISK FUTURE RISK Page 105	<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>December 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 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. All major projects (another example being the long term plans for the Tesco site) contain detailed break clauses, which essentially provide guarantees that (even with the initial investment) the council cannot lose money.</p> <p>Because of the (recent) increased quantities of forward funding / borrowing here, the impact had to rise to a 5, however the likelihood decreased to a 3 as the controls (and previous experience) provided assurance that the Council was well positioned to manage this risk. Since June, the risk has remained stable.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0002A Management of Capital	All capital schemes are subject to review via capital budget monitoring process. Slippages can be identified via this process and appropriate	Tim Shields; Ian Williams; Kim	Michael Honeysett	31-Mar-2019	December 2018 – ongoing. The latest Capital Programme has been

Programmes / Schemes	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.	Wright; Anne Canning			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-Mar-2019	December 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-Mar-2019	December 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.

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0003 Regeneration Programmes EXTERNAL RISK CURRENT & FUTURE RISK	<p>There are a number of key risks which require careful management between Regeneration and a range of services across the Council, including finance, procurement and planning. Major risks are associated with:</p> <ul style="list-style-type: none"> • Procurement and performance related risks with developer/contractor partners. • Falls in property values and increasing construction costs could impact the viability of schemes. • Challenges around social cohesion associated with potential increased polarisation, greater transience and reduced housing affordability. <p>An uncertain economic environment, particularly as a result of Brexit, poses risks to projects that rely mainly or partly on disposal of assets or the subsequent sale of newly developed properties.</p>	Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>December 2018 - There are a number of regeneration projects ongoing across the borough, including the nationally significant Woodberry Down programme and the borough-wide Estate Regeneration and Housing Supply programmes. These have substantial borrowing requirements which, if not carefully project managed, could adversely impact the Council's overall financial position.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 006a Regeneration Programmes	Application of sound programme and project management methodology for delivery of complex programmes and projects including reporting where agreed tolerances have been exceeded, and finance assessment of business cases including those that need to be revised.	Kim Wright	John Lumley	Ongoing	December 2018 - Risk reviewed and updated.
NH DR 006b Regeneration Programmes	Robust programme management and governance procedures in place for key capital projects and programmes with project sponsorship at Director level. Major schemes are managed via project boards to ensure reputational issues managed and project/programme outcomes delivered to required standard, on time and within budget.	Kim Wright	John Lumley	Ongoing	December 2018 - Risk reviewed and updated.
NH DR 006c Regeneration Programmes	Sales and Marketing is now business as usual within the Regeneration Division and has a business assurance role in the delivery of every project. The Council's overarching Sales & Marketing Strategy was agreed at Cabinet in July 2016 with an additional paper presented to Cabinet in November 2016 setting out a flexible framework for affordability and eligibility for shared ownership homes.	John Lumley	Zoe Collins	Ongoing via Gateway Reviews and reporting via Housing Development Board	December 2018 – NEW controls are managed as part of the business assurance role within the Regeneration Gateway Review process and regular reporting to Housing Development Board

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0009 Reputation Management INTERNAL RISK FUTURE RISK	Risk that (through press / media) perceptions about the Council's performance/image do not reflect relative levels of performance and the huge service improvements leading to public dissatisfaction or misunderstanding about the progress actually being made. Essentially, this risk is about not capitalising on the opportunity that the Council's positive progress presents us with.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>December 2018 – Risk remains stable.</p> <p>Although the scale of continuing funding reductions announced in the 18/19 settlement is sizeable, the risk has not increased due to careful mitigation. Impact remains steady, benefitted by an (external) website and (internal) intranet refresh. Communications are also proactive in spreading positive messages.</p> <p>Whilst working within a challenging economic climate, past MORI results and continued positive media coverage, prestigious events and other awards (eg – previous prize for 'Best Council of the past 20 years') illustrate that this risk is being managed.</p>

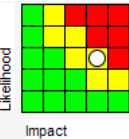

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0009A Reputation Management	<p>Key ongoing activities include active press engagement, key stakeholders involvement, MORI and active media coverage. Corporate Communications are very proactive in managing this and always quick to respond to any issues.</p> <p>Media monitoring is carried out daily and examines coverage of Hackney as a Council and a Borough. Analysis of this informs communication work plans. Collection and use of robust performance and customer intelligence.</p> <p>A two pronged approach is taken to the specific risks associated with reduced funding: firstly communications associated with overarching budget setting and secondly communications associated with major changes to specific services. There is also a 6 weekly forward public affairs forward plan circulated to senior management and members.</p>	Tim Shields	Polly Cziok	30-March-2019	December 2018 - ongoing. Controls continue to be applied.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 108</p> <p>SRCR 0010 Pension Fund EXTERNAL RISK CURRENT & FUTURE RISK</p>	<p>General market volatility, and recent legislative changes (eg- the future asset pooling of resources and also the opportunity for 'Freedom and Choice') poses risk to investment returns which underpin Fund performance and ability to meet future liabilities without additional financial burdens on taxpayer. If investment returns are poor with a post Brexit plummeting of stock markets, or the outflow of resources is much larger than expected or an asset category seriously underperforms, this will have serious financial implications for the Pension Fund and ultimately add cost pressures to the Council's budget via employer's pension contributions.</p>	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>November 2018 - Risk ongoing. The impending Brexit continues to pose risks in the future about meeting liabilities. In its immediate aftermath (June 2016), the initial impact on the markets was negative, but steadily gained strength in the following weeks, and has steadily gained strength in the years since. The impact on the strength of the pound has been negative however. In light of this, the economic climate remains volatile.</p> <p>The likelihood of this risk occurring is relatively high, given the likelihood of challenging conditions in investment markets and the impact of changing demographics. The impact has to remain high, given the potential threat to the Fund's ability to pay benefits when they are due.</p> <p>In Oct 2015, the Government called for the assets of the 91 LGPS funds in England and Wales to be pooled into 8 pools of approximately £25bn+ of assets. The Council have now transferred the first tranches of assets to the London CIV. Further proposals will incur transition risks, as well as overall strategic ones so the whole process is</p>

				<p>being managed carefully, although the overall aim is to make efficiencies in investment costs.</p> <p>Of course, an increase in the UK's interest rates could represent an opportunity of sorts for the Council, and Asset Pooling may lead to greater saving and efficiencies. All is being monitored closely.</p>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0010D Pension Fund	The funding of the Pension Fund liabilities continues to be monitored closely and 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; Ian Williams	Rachel Cowburn	31-Mar-2019	November 2018 - ongoing
FRFSV 0052D Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position. Regarding proposed (asset pooling) changes, all consultations and guidance from the Government are being monitored, and responded to where appropriate.	Michael Honeysett	Rachel Cowburn	31-Mar-2019	Updated November 2018 - ongoing
FRFSV 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place. Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify – financial mismatch / falling risk free returns on government bonds / higher than anticipated inflation / increasing fund maturity / insufficient deficit reduction payments.	Michael Honeysett	Rachel Cowburn	31-Mar-2019	Updated November 2018 - ongoing.
FRFSV 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible. Also regarding future Asset Pooling, planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Michael Honeysett	Rachel Cowburn	31-Mar-2019	Updated November 2018 - ongoing.
FRFSV 0042D Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund. There is ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/consultants.	Michael Honeysett	Rachel Cowburn/ Pradeep Waddon	31-Mar-2019	November 2018 - Ongoing. Detailed reports get taken to Pensions Committee at regular intervals providing them with the assurance that risks are being managed.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>SRCR 0013 Impact of New Legislation (and Welfare Reforms) EXTERNAL RISK FUTURE RISK</p> <p>Page 110</p>	<p>The Council may not be able to respond to external influences on legislation and updated policies, thus risking the efficiency and effectiveness of service provision. Also if requirements of any new act are not met, there would be an adverse impact on the Council's legal and reputational standing.</p> <p>As a result of new policies, the Council's financial position may be adversely affected, constraining its ability to invest or progress work in new areas. Many of these policies could also have damaging consequences for the local community and many people currently living in Hackney.</p> <p>Additionally, the impact of new legislation - seen in areas such as Welfare Reform (especially Universal Credit) - could result in an increase in rent, service charge, arrears, higher legal costs, increased evictions and pressure on the vulnerable.</p> <p>Further effects of new legislation could be financial, legislative (with a failure to understand the breadth of responsibility) and reputational, directly affecting the local community. There could also be issues amongst the local community in terms of dissatisfaction, lack of understanding and increased financial difficulties.</p>	<p>Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing</p>		<p style="text-align: center;"></p> <p>January 2019 –The Homelessness Reduction Act (April 2018), GDPR (May 2018) and The Housing and Planning Act 2016 are all examples of recent legislation having a significant impact on the demands to the services of the Council. The changes within the Education Bill have not materialised as it was scrapped, however further legislative changes are anticipated in this area in the future. The EU Referendum results and triggering of Article 50 continue to pose great uncertainty going forward. Regarding welfare, the proposed tax credit changes were retracted, however Universal Credit is presenting numerous challenges which are already being planned for (and dealt with) in great detail (after coming into effect in October 2018).</p> <p>Regarding the Housing and Planning Act (2016), the HRA debt cap has now been lifted, the forced sale of council houses removed, and the Council is nearing the end of the 1% rent reduction – therefore having increased flexibility for investing in new homes. So, the risk has lessened here.</p> <p>Furthermore there are other forthcoming examples of proposed legislation that could impact on the carrying out of Council functions, and the risk that needs to be managed is the implementation process and the financial and human resources that may be required. This needs to be kept under review as each legislation is passed and implemented. Likelihood of risk has marginally dropped due to assurance provided by Council's robust approach to new legislation.</p>
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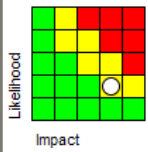
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>SRCR 0013 Impact of New Legislation</p>	<p>The Council continues to monitor and respond to consultations regarding service delivery and other innovations to ensure that it is fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation.</p>	<p>Tim Shields</p>	<p>Suki Binjal</p>	<p>31-Mar-2019</p>	<p>November 2018 - ongoing.</p>

	There is a monthly Corporate Law Update outlining all the latest legal developments and their potential impact on the Council.				
SRCR 0013A New Policies affecting Housing Page 111	<p>Detailed analysis is being carried out regarding the likely impact of these policies, both internally and with other boroughs and representative organisations</p> <p>Individually and with other boroughs, the Council continues to actively making the case to Government for flexibilities to mitigate the adverse effects of these policies.</p> <p>Once the detailed Statutory Instruments have been published (timescales still unclear), the likely impacts of the various policies can be more accurately be assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents.</p> <p><i>1% reduction in rents:</i> The current HRA savings plan delivers a fully resourced HRA and keeps HRA borrowing at a sustainable level now that the HRA debt cap has been removed. The HRA business plan is monitored annually as part of the budget setting process, taking into account arising cost pressures, changes in government policy and legislation, and any service changes.</p> <p><i>Starter Homes:</i> The Council has made and continues to make the case to Government that Starter Homes should not be included within the definition of 'affordable housing' in Hackney. We will work with the London Mayor to help make the case for a workable implementation of the initiative in London and, though the Local Plan review, ensure that this is addressed in local planning policy.</p> <p><i>Homelessness Reduction Act:</i> This was agreed by Parliament and has now received Royal Assent. The date for implementation was April (2018). The impact of this is significant for the Council taking into account the impact of the 56 day 'nowhere safe to stay' duty, changes to s21 notices, the additional reviews anticipated and the additional resources required to carry out assessments and manage the necessary additional temporary accommodation. The total cost could amount to up to £11.4m in year 1, as well as placing significant additional strain on the Council's temporary accommodation estate.</p>	John Lumley; Ajman Ali	Kevin Thomson	31-Mar-2019	Updated
SRCR 0013B Care Act 2014	<p>This Act has reformed the law relating to care and support for adults and the law relating to support for carers. Detailed work has been undertaken to ensure its effective implementation, and clear timescales and budgets which need to be adhered to. Adult Social Care managers have a robust monitoring system in place to track the impact of the Care Act which will inform service and financial planning.</p>	Anne Canning		31-Mar-2019	<p>The Care Act introduced serious changes and new responsibilities for local authorities with broad changes in social care and delivery in tight timescales. Although the introduction of the cap on care costs was deferred until April 2020 (and now been further postponed), the introduction of the national eligibility criteria is widening the responsibility of the Council in</p>

					respect of care and support and increasing demand for services. Potential consequences of this risk could include a major adverse impact on the Council's financial health and Adult Social Care savings delivery plan. Additionally there would be a strong additional demand on services. Also if requirements of any new Act are not met, there would be an adverse impact on the Council's legal and reputational standing.
FR RV 1617 Impact of new Welfare Reforms	The risks have been / are being managed by detailed programmes of training and briefings for staff, DHP training for frontline staff, and letters explaining any changes. There has been a communication strategy specifically developed for this so that the public have everything explained and broken down as comprehensively as possible. Resident's briefings, 'surgeries', and online explanations also further contributing to making transitions as smooth as possible.	Ian Williams	Kay Brown	31-Mar-2019	Control updated November 2018. Welfare Reforms (introduced in recent years and still continuing) include benefit caps, new rules on under occupancy, and changes to DLA, Council Tax Support and also Universal Credit (coming into force later in 2018). All these reforms could result in an increase in arrears, higher legal costs, increased evictions and pressure on the vulnerable.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0018 Workforce & Skills INTERNAL RISK FUTURE RISK	<p>The world of technology and work is changing fast and there is a risk that the Council might fail to maximise the potential of these changes, including the potential to transform services through effective use of data, technology and digital approaches and mind sets. As well as the risk of missing opportunities to deliver more cost effective services, this also risks Hackney failing to meet residents' expectations of the Council's services.</p> <p>There is also the additional risk that amidst an atmosphere of financial reductions and redundancies, the Hackney workforce become demotivated, leading to a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also that restructures may cause temporary loss in efficiency as officers are unsure of how new reporting arrangements, responsibilities and service provisions are put into practice. Knowledge could be lost with a large number of experienced staff taking redundancies. An additional organisational risk in this area is around the modernisation agenda and a need for the workforce to adapt and</p>	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>December 2018 – This risk has been altered significantly since the last meeting. The importance of skills within the workforce is now the prominent theme of this risk with the modernisation agenda requiring a need for the workforce to adapt, change and be receptive to new ways of working. Failure to do this could result in the Council lacking to dynamism to succeed in effectively utilising opportunities open to it.</p> <p>Risk has reduced with likelihood going down, with more stability post restructures. A major (Senior Management) restructure has been long completed (with final interim arrangements ending in April 2017) whilst</p>

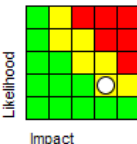

	change and be receptive to new ways of working. Failure to do this could result in the Council lacking to dynamism to succeed in effectively utilising opportunities open to it.			<p>further ones have occurred (or are continuing). These are being carried out for a variety of reasons including improving team's organisational efficiency, adapting to new ways of working and also in some areas due to cuts to funding.</p> <p>However, the new changes have generally been embedded effectively, so the likelihood of negative impacts to service delivery have reduced. Procedures are documented so arrangements in place not to lose knowledge.</p> <p>The Council are currently switching over to G-suite, which will result in increased efficiencies and dynamism, and the transition is being carefully managed by project teams overseeing a phased process. This should provide assurances that teams will effectively adapt to the new ways of working, and reduce the likelihood of an organisational disruption.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0018 a Workforce & Skills	Investing in staff skills and digital leadership across all services Ensuring that the Council has a joined up approach to workplace - designing technology, workspace, policy and practice to ensure that these come together cohesively to support maximisation of these opportunities	Tim Shields, Ian Williams	Dan Paul, Rob Miller	31 March 2019	December 2018 - This is currently being accomplished through close work between ICT and HR.
SRCR 0018 b Workforce & Skills	There are detailed HR procedures and processes to deal with all relevant areas (including problems/instability created by restructures) and these are carefully adhered to by teams involved. All communication is regular and carefully considered. Staff are well supported in adapting to new ways of working (whether from an IT or HR perspective).	Tim Shields	Dan Paul	31 March 2019	December 2018 – these controls are in place and continuing.
SRCR 0018 c Workforce & Skills	Ensuring that the Council's strategic plans reflect these opportunities	Tim Shields	Policy	31 March 2019	New Corporate and Community Strategy (2018-2028) reflect this.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0018B Recruitment and Retention INTERNAL RISK CURRENT RISK	<p>Services across the Council struggle to effectively and successfully recruit for certain positions, leading to a negative impact on service delivery.</p> <p>Also, with the Council needing an increasingly agile workforce (not constrained by traditional customs and practises), it may struggle to compete with other</p>	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources;		<p>December 2018 - Risk was recently broadened across the Council by HMT (from having been focused on ICT). Risk has dropped slightly with likelihood decreasing to 2, reflecting some positive progress made</p> <p style="text-align: center;">↓</p>

	organisations to get the best candidates.	Neighbourhoods & Housing		<p>In a competitive market for skills the Council has experienced difficulties recruiting to a range of roles essential to delivery of services and planned service improvements (including ICT, Adult Social Care, Quantity Surveyors and Highway Engineers). This could impact seriously on the ability to develop and maintain effective service delivery due to difficulties with recruitment and retention. This is exacerbated by the recent changes to IR35, which is having the effect of driving skilled specialist workers to the private sector (as many ICT skills are transferable across sectors) and also worries about Brexit's potential impact on EU workers.</p> <p>However, there have been recent developments on this. Particularly with the completion of the first (and largest) phase of the ICT restructure with senior positions having been successfully filled through a creative campaign, emphasising the benefit 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>
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0018B Recruitment and Retention	<p>Services are continuing to work with HR / OD to carry out the following suggested mitigations:</p> <ul style="list-style-type: none"> - 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. 	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All Service Managers	31 March 2019	<p>December 2018 – This has been ongoing around the Council, and these proposed controls have been implemented (with 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.</p> <p>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</p>

					arising from the restructure.
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.	Tim Shields; Ian Williams; Kim Wright; Anne Canning	All managers	31 March 2019	Control reviewed and amended December 2018. If all these processes are followed, (with staff having opportunity for improved professional development) that should lead to a greater assurance that this risk won't materialise.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 115 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	 Likelihood Impact	 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. November 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	Due Date	Control - Latest Note
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			Manager		
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). This will be an ongoing activity (no fixed end date).	Rob Miller; Ian Williams	Henry Lewis	31-Mar-2019	<p>November 2018: enhanced training has been developed and these 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.	Ensure that infrastructure and application lifecycle management practices are in place and functioning effectively so that the Council's systems remain supported. This will be an ongoing activity (no fixed end date).	Rob Miller; Ian Williams	Henry Lewis	31-Mar-2019	<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>November 2018: the</p>

					Council's PSN accreditation was renewed in August 2018 and the ICT Security Group will continue to 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	31-Mar-2019	Nov 2018 - This is currently on hold pending completion of more time critical upgrade and refresh work.

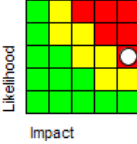

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR IT 0001 Information Assets INTERNAL RISK FUTURE RISK	The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the forthcoming General Data Protection Regulation (which came 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>November 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</p>

				coordinated by the ICT Services division.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management	<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	31-Mar-2019	November 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.
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	31-Mar-2019	November 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 0001d Third party information sharing	Ensure that we can do business efficiently and	Ian Williams	Matthew	31-Mar-2019	November 2018: Control

	<p>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>		Cain		ongoing.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 119</p> <p>FR IT 0003 Resilience of ICT systems / Disaster Recovery</p> <p>INTERNAL RISK</p> <p>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>November 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 critical part of future planning. The recent BA incident emphasises the</p>

				<p>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 120</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	31 March 2019	<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>November 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 that their plans are based on accurate expectations of the provision available.	Rob Miller; Ian Williams	Henry Lewis	31 March 2019	<p>A Business Continuity Management Group started regular meetings as of July 2017.</p> <p>November 2018: the corporate review of</p>

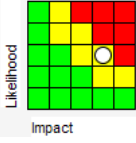
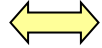
	It is planned to implement a rolling 18 month schedule of review for all the council's BCPs. This will be in place following the current review of BCPs across all services, which has pretty much been completed within the last six months.				Business Continuity Plans has completed.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0023 Person suffers significant harm, injury or death EXTERNAL RISK FUTURE RISK	Children, young people and adults who use our care and support services are at higher than usual risk of harm, injury or death. If risks are not adequately assessed and protected a child, young person or adult could suffer significant injury or death attributable to the Directorate's failure to take appropriate safeguarding and risk management measures. Additionally, general members of the public or Hackney staff could suffer harm due to a lack of general health and safety measures being in place.	Children, Adults & Community Health		 Update November 2018 – This remains a high risk, although the controls should provide strong assurance that we are well positioned to manage it.

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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CYP 006B Local Safeguarding Children Board (LSCB) reviewed and operating as an effective multi-agency forum.	The City & Hackney Safeguarding Children Board (CHSCB) has a remit to monitor safeguarding across all partner agencies, including the local authority.	Anne Canning	Rory McCallum	31 Mar - 2019	Update November 2018 – A range of measures have been put in place to ensure the CHSCB is operating as an effective multi-agency forum. There is an Independent Chair in place, defined governance arrangements, regular attendance from partners at Board and relevant sub / working groups and Hackney-specific self-assessment. CHSCB also maintains a risk register covering all key statutory requirements; these actions and progress are regularly reviewed through the CHSCB Executive and full CHSCB. The July 2016 Ofsted inspection rated the CHSCB as 'Outstanding.'
CYP 006D Ensure staff have the necessary skills to ensure risk and need are	The Directorate as a whole understands areas of high risk and works together to mitigate risk in relation to individual children by joint training and development and joint	Anne Canning	Sarah Wright	31 Mar - 2019	November 2018 - Ofsted inspectors noted in July 2016 that "When children are at immediate risk of harm, referrals are dealt

properly assessed	monitoring of practices across the services.				with swiftly and children are seen to complete effective child protection enquiries. Appropriate decisions are taken when risk is identified to safeguard children."
CYP 006E Child Protection procedures in place	Children subject to Child Protection Plans and Looked After Children are visited in line with statutory guidance and care plans are monitored, updated and amended as appropriate. Children are to be seen alone.	Anne Canning	Sarah Wright	31 Mar - 2019	Update November 2018 - Ongoing, monitored through management oversight and audit, monthly, quarterly and annual performance reports, including statutory returns to DfE and by Child Protection Conference Chairs and Independent Reviewing Officers.
CYP 006F Risk assessing activities for young people	All activities directly provided and commissioned by the directorate must be subject to rigorous risk assessments. These follow a consistent format. Also, the internal health and safety team conduct assessments and provide advice to mitigate risks of harm to staff in the course of work.	Anne Canning	Pauline Adams	31 Mar - 2019	Update November 2018 - All providers of proposed activities, including the local authority, are required to submit a written risk assessment which is scrutinised and approved / not approved by the service area. Where a risk assessment is not approved, the activity is not able to proceed. Minimum ratios of adults to young people are required.
CACH AS 005 Validating the strength of controls in place through external review	An ADASS peer review into the effectiveness of Safeguarding in Hackney will be carried out in April 2018 to test the current controls in place and make recommendations on areas for improvement to help manage this risk.	Anne Canning	Simon Galczynski	31 Mar - 2019	The Peer Review is in November 2018 and an implementation plan based on the recommendations of the review will be developed April – May 2018.
CACH ASC 0005 Implementing a robust safeguarding approach across adult services	The City & Hackney Safeguarding Adults Board, with a newly appointed independent chair, is monitoring the refreshed strategy for safeguarding adults to ensure the delivery of the strategic outcomes which includes embedding learning from Safeguarding Adult Reviews into practice through policies and training.	Anne Canning	Simon Galczynski	31 Mar - 2019	November 2018 – As a stand-alone risk / control, this would be lower than red, however in the overall context of the risk (especially relating to children), it remains red.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0024 Devolution INTERNAL RISK FUTURE RISK	The Council does not take advantage of the devolution powers on offer and therefore misses any potential benefits they could present. By not capitalising on this opportunity the Council could miss a genuine chance to increase revenues, streamline services and improve efficiencies.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p style="text-align: center;"></p> <p>November 2018 - This has been mentioned at an earlier Audit Committee as being a good example of an 'opportunity' risk. The negative side of this lies in not capitalising on its potential. The opportunity is that by utilising the new powers / funding, savings and improved efficiencies occur, to the overall benefit of the Council.</p> <p>Hackney has already been at the forefront of taking part in a health and social care devolution. The integrated commissioning model which was</p>

				approved by Cabinet and is well underway ensures that this innovative approach continues, and is evidence the opportunities are not being missed.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0024 Devolution	Detailed talks (at Senior Management level) and preparation continue to ensure all are best prepared to take advantage of what devolution can offer.	Tim Shields; Ian Williams; Kim Wright; Anne Canning		31 Mar - 2019	November 2018. This work is clearly ongoing, and evidence of its success can be seen in the recent Cabinet approval of Integrated Commissioning across the borough with CCGs. There is significant opportunity connected to this risk in that serious opportunities could be missed if we do not take advantage of it.


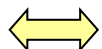
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 123</p> <p>SRCR 0025 Contract Procurement and Management (especially in Housing Services). INTERNAL RISK CURRENT RISK</p>	As a result of Contract Management not being carried out properly or with regard to agreed parameters, revenue is lost or charges are levied which are not justified, leading to a poor level of resident's satisfaction (and general negative reputational impacts), unjustified cost and time overruns. Poor procurement decisions could result in non-viable contracts being awarded to non-viable contractors.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		<p style="text-align: center;">↔</p> <p>November 2018 – Risk continues in light of the amount of investigation work currently ongoing. This risk is currently being acutely demonstrated by some of the work the Pro-active Fraud team is undertaking. A major investigation is well underway into external contractors and how their relationship with Housing Services (formerly Hackney Homes) has been managed, and whether the work actually completed accurately corresponds to the charges which have been levied. Also scrutiny is being applied to the quality and accuracy of their work. All this ultimately relates to the Council ensuring it gets the best deal for its money.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 007 Detailed Council guidance in place for Procurement, Partnership and overall Contract Management	There is detailed supporting guidance available for all elements of the procurement process, including detailed Risk Assessment tools and specialised Partnership guidance.	Rotimi Ajilore	Rotimi Ajilore	31 Mar 2019	November 2018 - ongoing
NH DR 007a Contract Specification in place	Contracts clearly define the requirements of the business.	Sinead Burke	Each Contract	Ongoing	December 2018 – these controls are in place and continuing.

			Manager		
NH DR 007b Tender Stage process followed	<p>Robust tender process in line with EU procurement law and council standing orders.</p> <p>Internal procedures reinforced via regular Planned Asset Management/Procurement meetings, establishment of contract management board, and current recruitment to additional housing procurement resource.</p>	Sinead Burke	Each Contract Manager	Ongoing	December 2018 – these controls are in place and continuing.
NH DR 007c Contract Monitoring and Fraud Prevention Page 124	<p>Restructure of Asset Management Team is based around the new contracts and clarity of responsibility for the contract managers in line with the contract manual.</p> <p>Key performance indicators in placed and used to assess the performance of the contracts. Where these show poor performance, corrective action is taken in line with contract procedures; recent examples include reallocation of work away from poorly performing contractors or raising Early Warning Notices.</p>	Ajman Ali	Contract Managers	Ongoing	December 2018 – these controls are in place and continuing.
		Sinead Burke			
	<p>Final accounts prepared in a timely manner. A cross-working team has been established with Leasehold Services to ensure final accounts are prepared in line with leasehold recharge requirements as well as contract procedures.</p> <p>Regular contract audit.</p> <p>A Fire Safety Programme Board has been established to ensure greater oversight of capital fire safety projects. This board is chaired by Kim Wright with agenda items led by Jon Markovic.</p>	Sinead Burke	Contract Managers		
		Michael Sheffield	Patrick Sanders Wright		
NH DR 007d Review of form of Contract	<p>The Contract options are being reconsidered to ensure that the contract form is fit for Hackney's purpose.</p> <p><i>This will more actively be worked on as part of the re-procurement of Contract 1 & 4 to start in 2019. A senior project team is being established to carry out this work.</i></p>	Ajman Ali; Rotimi Ajilore	Sinead Burke	Ongoing	December 2018 – these controls are in place and continuing
NH DR 007e Detailed Council guidance in place for Procurement, Partnership and overall Contract Management	There is detailed supporting guidance available for all elements of the procurement process, including detailed Risk Assessment tools and specialised Partnership guidance.	Rotimi Ajilore	Contract Managers	Ongoing	December 2018 – these controls are in place and continuing.
NH DR0007f Establishment of Housing	The Group Director Neighbourhoods and Housing has	Ajman Ali/Deirdre	Sinead	Ongoing	December 2018 – New Control

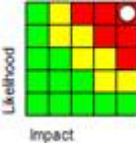
<p>Capital Monitoring Board</p>	<p>established a Housing Capital Monitoring Board to</p> <ul style="list-style-type: none"> maintain an overview of the Asset Management Plan element of the Housing Capital Programme approved by Cabinet; make decisions on the progression of Housing Capital schemes using the Gateway process. approve Sectional Commencement Agreements (SCA) with the Council's contractors, ensure that each capital scheme has a robust communications plan linked to each Gateway point to ensure residents are consulted and engaged in capital investment in their homes, monitor delivery against the programme, and make decisions on the reprioritisation of capital resources within the capital limits approved by Cabinet as part of the annual budgeting process. <p>The Board is responsible for ensuring that the schemes undertaken through the Housing Capital programme have a communications plan that joins up with other initiatives and projects affecting a locality so that communications with residents on estates where works are taking place are holistic.</p> <p>This board approves all Sectional Commencement Agreements (SCA) for issue to contractors. A checklist is presented on each project which outlines how pre-contract procedures have been completed. A full list of all SCAs (issued and in development) is now available.</p>	Worrell	Burke		established.
<p>NH DR0007g - Asset Management Strategy</p>	<p>A new asset management strategy is going to March Cabinet for approval. This sets out the decision making framework for all capital projects and will ensure that a consistent rationale is in place for all capital expenditure. It identifies an action plan of supporting processes to be developed to implement the strategy (e.g. procurement strategy, staff resources, IT systems) and timeframes for identifying these.</p>	Ajman Ali/Deirdre Worrell/John Lumley	Sinead Burke/Simon Theobald	February 2019	December 2018 – New Control established.
<p>SRCR 0025 Contract Procurement and Management (especially in Housing Services).</p>	<p>Major investigation is ongoing with dedicated team (Proactive Anti-Fraud Team) of 3 staff.</p>	Ian Williams	Michael Sheffield	02-Oct-2018	Progress is confidential at this stage.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
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<p>SRCR 0027 Impact of the government reforms on education service delivery. EXTERNAL RISK FUTURE RISK</p>	<p>The academisation of schools and the powers exercised by the Regional Schools Commissioners ends the role of LAs in school improvement and exercising the mediating layer. A further dilution of LA's role could cast a question of the Hackney Learning Trust's future.</p>		<p style="text-align: center;"></p> <p>November 2018: The Risk Review Group recommends retaining the current risk rating. The government has recently announced changes to the role off the RSC and the grounds for conversion to Academy status have been restricted to only schools who have failed their Ofsted. The HSG programme is underway, with six work streams now established. A degree of slippage has occurred in the timetable. On-going staff engagement is important, and staff briefings will be utilised to ensure staff are informed of developments.</p>
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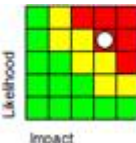
Control Title	Control Description	Service Manager	Control - Latest Note
<p>SRCR 0027A Development of an alternative service delivery model that provides a governance structure for the local schools system.</p>	<p>An alternative model for the governance of the Hackney school system is developed that retains the capacity for the strategic provision of school improvement and enables the continuation of a local mediating layer.</p>	<p>Anne Canning; Frank O'Donoghue</p>	<p>November 2018: Progress has been made on defining the work packages that need to be completed to move progress forward on several work streams. Operational difficulties in securing the programme management have resulted in a material delay to the timetable. At the same time, there appears to be reduced government impetus to school conversions, at least in the short term, although the push for academisation is still present.</p>
<p>SRCR 0027B Staffing challenges – Developing a strategy that retains staff with key skills knowledge and ability; identifying new talent and encouraging people to work for HLT.</p>	<p>The risk of being unable to retain talented people over time is a challenge in this context. HLT will need to retain current employees through maintaining improvement capacity through trading; identifying and encouraging new talent through succession planning and promoting a more resilient and adaptable culture for long serving staff to meet the new challenges we face.</p>	<p>Anne Canning; Oilly Cochrane</p>	<p>November 2018: SLT/WLG continue to consider the necessary skills and staff required for the future and retention of key staff. The recruitment of staff is not considered to be an issue at present. The learning and development programme promotes succession planning and the organisational development programme is focused on resilience and change management.</p>

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
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<p>SRCR 0028 CYPs, SEND funding – Escalating SEND spend has an adverse impact on HLT and Council budgets.</p>	<p>The number of pupils eligible for SEN statements continues to increase at a significant rate exceeding the population growth in the Borough, the effect of which is to place the SEND budget in deficit.</p>		<p>November 2018 – The comments against controls suggest progress continues to be limited towards achieving any significant savings. Given this, Risk Review Group recommends retaining the highest risk rating as it reflects the severity of the risk. As reported to the Audit Committee, the risk remains at this level due to the combined effect of the Council not receiving any additional funding over many years in spite of a dramatic increase in pupil numbers, combined with difficulty in reducing provision for pupils with existing support plans and transport. The prospect for immediate budget reductions is restricted due to the time taken for funding changes to be implemented and the limited control over aspects of the cost.</p>
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Control Title	Control Description	Service Manager	Control - Latest Note
<p>Page 12 SRCR 0028 a Risk 02 The action plan to address SEND budget pressure and reduce overspend is in place and its effectiveness is regularly monitored by SLT.</p>	<p>SLT has approved an action plan to address the pressures placed on the SEND budget by increasing numbers of children and young people being eligible for SEN statements. This action plan introduces new oversight and challenge into the process, with a view to controlling expenditure and making sure resources are distributed fairly.</p>	<p>Anne Canning; Andrew Lee</p>	<p>November 2018: The 5% reduction has been implemented. Special schools have been notified of their single funding value. The Co-design task and finish groups have been organised and began meeting in July. Other operational activities that may produce some savings continue such as prioritising in borough provision when considering placements. However, any wider policy changes that may affect current processes will be considered once the codesign process has finished to avoid undermining the process.</p> <p>The current action plan is unlikely to bring about the 'savings' at the scale and timeframe required. It is likely that significant strategic decisions on how to manage SEND funding going forward will need to be made politically and/or at highest officer level.</p>
<p>SRCR 0028 b Risk 06 - Management of financial impact of SEND budget pressures.</p>	<p>Rapid, significant short term reductions in SEND costs and outlays will be difficult to achieve. Ensuring that the policy changes in the action plan result in medium term cost savings that relieve the pressures on the SEND budget, whilst ensuring the operational effectiveness of HLT is not detrimentally affected by the overspend, is imperative.</p>	<p>Anne Canning; Yusuf Erol</p>	<p>November 2018 – There has been very little change and very little progress. A small reduction of 5% has been agreed and was launched from April 2018 regarding SEND support paid to schools for new SEND plans. This will not result in significant savings and HLT continue to rely on reserve funding which is an unsustainable position.</p>

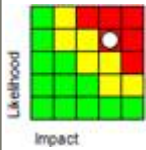
Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0028 c Risk 07 - Changing the culture of SEND in schools and HLT to implement the action plan.	If the action plan is to control expenditure and distribute resources fairly, changes in the existing culture in HLT teams and schools must also change to critical assessment and the equitable distribution of limited resources. Collaborative working with schools will be necessary to ensure pupils SEND needs are met from delegated SEND resources, with EHCP referral only for exceptional needs.	Anne Canning; Andrew Lee	November 2018: Workshops on provision management are being offered to all schools to reinforce the message that there is an expectation that schools must demonstrate how they have used and reviewed their use of Element 2 prior to requesting element 3 funding. This will be reflected in Panel response letters. Sources and rates of requests for element 3 funding will be published on the Local Offer. The distribution of pupil with EHCPs in schools will also be published. A recent public event was helpful in raising the profile of SEND issues in the borough.
SRCR 0028 d Risk 08 – The initiation of EHCP assessments is rigorously reviewed	The decision to initiate assessments needs to be rigorously reviewed to ensure the level of support is appropriate and sustainable. This may include senior managers signing off decisions, or refusing to do so.	Anne Canning; Andrew Lee	November 2018 – no changes to report: the monthly dashboard is reviewed to monitor numbers of EHCP initiations as a percentage of requests and by type.
SRCR 0028 e Risk 09 – The costs of providing ECHPs is born equitably across agencies	All agencies need to contribute to the costs of the Education & Health Care Plans through the joint commissioning budget.	Anne Canning; Andrew Lee	November 2018 – The need for a joint commissioning / pupil funding panel to ensure all agencies contribute to the cost of Plans where appropriate has been agreed and terms of reference drafted, but it has yet to meet.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0029 Serious Safeguarding failure in regard to pupils not in school EXTERNAL RISK FUTURE RISK	Safeguarding considerations for those pupils who are not registered at a school – Electively Home Educated pupils, children missing from education, children attending unregistered settings, children who are yet to be allocated a school place etc is increasing in importance. This is the particular focus for current Local Authority Safeguarding Inspection frameworks, and there is an expectation that HLT must work to ensure the safety and wellbeing of all such pupils, challenging existing legislative frameworks and guidance where necessary to do so, and working with partners to ensure effective and robust identification, tracking, consultation and referral.		November 2018 – The CYP Scrutiny Commission report into Unregistered educational settings has been published with recommendations that relate to Elective Home Education and safeguarding. HLT/LBH notes the disputed advice between the DfE and Ofsted as to whether appropriate powers are available to Ofsted to intervene and the difficulties this places on the Council in terms of fulfilling its safeguarding role & responsibilities with these settings. Risk Review Group notes that this presents a very high reputational risk for the borough, although given the limited statutory powers, the Council has limited options to mitigate this risk. We

			recommend that the risk rating remains unchanged to take account of this. This risk definition requires linkage to the new duty to track pupils not in school.
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Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0029A Safer Recruitment and Safeguarding training offered to schools and governing bodies– Traded	<p>School governing bodies are responsible for ensuring that school staff have completed the relevant safeguarding training. The HLT Wellbeing and Education Safeguarding Team provide training through CPD package.</p> <p>The latest version of DfE guidance 'Keeping Children Safe in Education (September 2016) states that the school staffing regulations require governing bodies of schools to ensure that at least one person on any appointment panel has undertaken safer recruitment training. From September 2014 (and subject to parliamentary procedure) schools may choose appropriate training and take advice from CHSCB in doing so.</p> <p>HLT Safeguarding Team has an approved list of training providers, to compliment the resource currently available to schools. The HLT Quality and Assurance Training officers will ensure that all future training packages incorporate all relevant aspects of the new DfE guidance.</p>	Anne Canning; Paul Kelly	November 2018 – Safer recruitment and Safeguarding training continues to be offered as a traded service to schools and governing bodies. To date, the take up by schools of this offer has been positive.
SRCR 0029B Information sharing activities in place.	<p>HLT are represented on local Safeguarding Boards at all levels, and work proactively across 1CYPs by contributing to all safeguarding forums and initiatives, subject to capacity. HLT are also engaged on other partnership panels where safeguarding is a concern, such as MATs and Children and Young Peoples partnership panel. The HLT contributes to all reviews as required by the Safeguarding Board, and implement all actions.</p> <p>HLT's membership of the Ofsted Preparation Group for Ofsted inspections provides the opportunity to establish and use linkages to share information.</p> <p>HLT disseminates to schools briefings based on the findings of Serious Case Reviews. All published SCRs have been shared at Head teacher termly briefings, and with Schools and Settings after discussion and agreement with HLT SLT.</p>	Anne Canning; Paul Kelly	<p>November 2018– HLT is represented at all relevant Safeguarding Forums and engages extensively in Partnership working.</p> <p>The Safeguarding in Education Team provides advice and guidance to schools on all training, legislation, Serious Case Reviews etc.</p> <p>New and refreshed safeguarding guidance, CHSCB information and newsletters are disseminated to schools and settings through HLT's Bulletin and Leadership Updates.</p> <p>Officer from the HLT Safeguarding in Education Team is working with the CFS and relevant community groups re: a Strategic Safeguarding proposal for specific communities within the borough. Sarah Wright is leading on this.</p> <p>HLT has representation at the LBH Officer Group working on community engagement. HLT has consistently raised safeguarding concerns related to independent and unregistered settings in Hackney.</p>

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0029C Monitoring of Safeguarding and Safer Recruitment issues through SRAS process	Oversight of any concerns picked up through SIP visits and SRAS process used to inform interventions and support provided to schools	Anne Canning; Sian Davies	November 2018: The School Improvement team has worked to identify strategies to support governors in monitoring their own safeguarding arrangements. A Safeguarding SEF Audit has been issued to schools with the recommendation that it is completed annually and reported to governors.
SRCR 0029D e-safety	Raising awareness of e-safety strategies, within the broader context of child protection/safeguarding – link to S11 audits	Anne Canning; Paul Kelly	November 2018– Online Learning Policies for Primary/Early Years settings, and Secondary schools have been disseminated to the Borough's schools and settings.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 130 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		December 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 Government's new Homelessness Reduction Act took effect from April 2018. Early impacts show that year to date approaches for housing advice and assistance have increased by 33.4% and correspondingly temporary accommodation placements have increased by 10.9%. Households in Temporary Accommodation have reached in excess of 3000, with more than 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. Additional resources may need to be identified to procure more properties with a higher rate of incentives from private sector landlords as well as the possibility of joining a pan-London procurement vehicle. This is in response to the usual suppliers not having any availability of stock as the housing crisis worsens. 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-Mar-2019	Control ongoing December 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-Mar-2019	Control ongoing December 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-Mar-2019	Control ongoing December 2018

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0031 NEW RISK Fire Safety INTERNAL RISK FUTURE RISK	As a result of inadequate fire safety measures or defective workmanship (on cladding installation for example), death and serious injury occur from fire in LBH managed properties.	Neighbourhoods & Housing	<p>Likelihood</p> <p>Impact</p>	<p>Updated December 2018 - In the light of the Grenfell tragedy and the increased focus on materials / workmanship on Council properties nationally, this risk was immediately escalated to Directorate and Corporate level. There were always Fire Safety risks on Housing registers, but recent events and understandable sensitivities necessitated this being featured at the highest level. As the controls below demonstrate, detailed work is taking place – and this has always been the case in terms of this threat. As a result of the tragedy however, extra focus and scrutiny is now been applied to all elements of fire safety in the Borough and there is certainly no complacency as to the situation. The Borough has to be receptive to new recommendations and lessons learnt emanating from Grenfell. However, the controls below and accompanying notes should provide some strong assurance that the risks are being managed.</p> <p>This risk focuses solely on risks of an incident in blocks managed by the Council. However, the Council also has limited responsibilities in relation to housing association and privately owned blocks in the borough. An incident in one of these blocks is also a risk to the Council, though obviously we have in place measures to meet the</p>

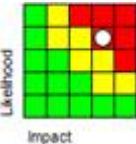
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				Council's responsibilities. The MHCLG is currently trying to add new burdens on LAs in relation to privately owned blocks.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>Page 32</p> <p>SRCR 0031a Fire Risk Assessments</p>	<p>Ongoing review of all Fire Risk Assessments (circa 1,800) for all of our stock in order to provide reassurance to residents.</p> <p>Ensure that these new Fire Risk Assessments (FRA) are undertaken by suitably qualified assessors and that the assessments they produce meet strict quality standards.</p> <p>Publish all new Fire Risk Assessments on the Council's website.</p>	Tim Shields; Kim Wright	Ajman Ali	Ongoing	<p>December 2018 - Four fire risk assessor posts have now been appointed to and there is now a fire risk assessment schedule in place to review all FRA's and to carry out Type 3 FRA's over a three year period.</p> <p>The recruitment of the Resident Safety team has now been completed and a fire safety team implemented to provide support and advice to both staff and residents.</p> <p>Type 1 FRA's have been completed in 1867 properties and the FRA team are now reviewing all Type 1 assessments and carrying out Type 3 assessments over a three year programme based on risk.</p> <p>A new Fire risk assessment system is currently being developed to track actions and monitor the closing down of actions identified. The system will also allow us to let residents view the fire risk assessment for their buildings in live time.</p> <p>All critical actions from the Phase 1 FRA's have been closed, 40% of the High (most of the remaining actions are FED's which are in a scheduled programme), 40% of medium actions have been completed and 20% of low actions completed.</p>
<p>SRCR 0031b Fire Safety</p>	Each Directorate has responsibility for ensuring agreed work plans from the previously convened Corporate Fire Safety Group are being delivered.	Kim Wright; Anne Canning; Ian Williams	Ajman Ali	1/01/20	December 2018 - Fire safety Programme Board for Housing Services has been implemented to monitor fire safety compliance and the various work streams that have

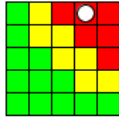

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
					come out of the FRA's.
SRCR 0031c Fire Safety – high risk blocks	<p>Ongoing implementation of the key findings and recommendations from the new FRAs that have been/will be undertaken across all of our high rise blocks. Blocks to be assessed in priority based on a risk-based Forward Plan (scissor blocks first).</p> <p>Carry out additional non-FRA inspections across our high rise blocks in order to provide a visible presence across the Borough.</p> <p>Carry out any other ad hoc fire safety inspections that are required.</p>	Kim Wright	Ajman Ali	01/07/19	<p>December 2018 - A programme for reviewing all Fire risk assessment is ongoing and type 3 fire risk assessments are being carried out over a three year programme.</p> <p>The new neighbourhood housing model ensures that inspections are being carried out regularly by trained Housing Officers.</p> <p>Housing Officers have been recruited who carry out inspections of blocks on a regular basis including any issues relating to fire.</p> <p>A programme of health and safety audits to include fire safety has been implemented to cover the 10 + blocks in the first six months of 2019.</p>
SRCR 0031e Fire Safety – everyone's responsibility	<p>Develop and implement a communications strategy that, amongst other things,</p> <p>(a) communicates the need for residents to take responsibility for fire safety in their area and also that we have taken all necessary action to keep them safe from the risk of fire,</p> <p>(b) ensure effective communication and engagement with tenant representatives,</p> <p>(c) manage communications with Members so that they are engaged and up to speed with the work that we are doing but we are not distracted from the work that we are doing,</p> <p>(d) keep staff up to speed with developments,</p> <p>(e) respond quickly to press enquiries.</p>	Kim Wright	Ajman Ali / John Wheatley	Ongoing	<p>Communications strategy in place and regular meetings between the tenants and the Resident Safety Team are held to ensure the Council is actively engaged with residents and that residents are aware of their obligations to co-operate with fire safety control measures.</p> <p>All sites have been assessed for accessibility and LFB are still carrying out regular inspections of blocks and providing advice.</p> <p>We continue to work with LFB ensuring that they have easy access to our estates in the event of fire.</p>
SRCR 0031f LFB meetings	Develop robust arrangements for meeting regularly with the London Fire Brigade (LFB) to consider fire risk assessments and safety on our estates.	Tim Shields; Kim Wright	Ajman Ali	15 Oct 2019	<p>December 2018 - Monthly meetings with the LFB Fire Safety Officer and Head of Resident Safety in place.</p> <p>Joint visits to high risk blocks with Fire safety manager and LFB inspectors.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0031g Fire safety policy Page 134	<p>Based on the lessons learnt from the fire safety response work undertaken since Grenfell, undertake a series of policy reviews and develop a set of proposal papers that will enhance the way that the Council undertakes fire safety management across the Borough. This will include:</p> <ul style="list-style-type: none"> • Agreement on the new corporate Fire Safety Policy and the development of a new fire strategy with Council professionals, residents and industry experts. • Leaseholder Obligations/Requirements: This will cover a number of areas, including (a) ensuring that leaseholders are providing evidence that they are meeting their fire safety obligations, (b) developing a policy on how we ensure that all leaseholder front doors are 30 minute fire resistant, (c) developing a policy on allowing or requiring leaseholders to be included in communal safety works and inspections, e.g. gas safety or sprinkler or alarm installation; at their cost. • Our current policy and procedures for dealing with fire risks in communal areas (e.g. storage of combustible materials, blocking of escape routes. • Enhanced parking enforcement on our estates. • Responding to any recommendations coming from the Grenfell enquiry. <p>Budget Management: Ensure that the necessary resources are in place to undertake all of the work coming out of the new FRAs.</p> <p>Establish "asks" of the government with respect to resourcing additional fire safety work and related costs, wider building regulation and perhaps industry with respect to cladding and sprinkler systems.</p>	Tim Shields; Kim Wright	Ajman Ali	01/08/19	<p>December 2018 - Policy has now been reviewed and implemented as of August 2018. Policy will be reviewed in August 2019 by Head of Resident Safety</p> <p>Budget Management: Analysis is taking place of the likely costs of the recommendations coming out of 1,800 new FRAs and how much can be phased/built into planned programmes. This will be prioritised in the HRA Business Plan.</p> <p>The update report went to Cabinet in October 2018, and the previous March and this provided thorough updates.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>SRCR 0032 NEW RISK Integrated Commissioning INTERNAL RISK CURRENT RISK</p>	<p>As a result of a loss of direct control over some of the Council's social care and public health budgets, elements of the new service delivery are compromised and don't prove as effective as initially envisioned. Also, the impact of managing and resourcing additional governance structures (and adapting to them) would need to be addressed; and if it fails to be, the effectiveness and transparency of the process will be compromised.</p>	<p>Children, Adults and Community Health</p>		<p>Of course, Integrated Commissioning also presents numerous opportunities. If it continues to become effectively embedded within the organisations, it could offer a clear way of offering a more joined up and comprehensive way of working together. Health and social care partners across Hackney share an ambition to improve health outcomes for local people by commissioning these services in a more integrated way that makes the most of our shared investment at a time when public funding has experienced serious reductions and increasing budgetary pressures. Therefore, there could be clear financial benefits.</p>
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Control Title	Control Description	Responsible Group Director / Officer	Service Manager	Due Date	Control - Latest Note
<p>SRCR 0032a The ICB</p>	<p>The Integrated Commissioning Board is tasked with developing risk identification, monitoring and mitigation arrangements in line with the corporate approach. There are detailed schemes of delegation agreed between the separate bodies specifying exactly what individual and shared duties are.</p>	<p>Anne Canning</p>		<p>31-Mar-2019</p>	<p>Regular meetings (with accompanying minutes) of the ICB should provide assurance of effective communication between the organisations.</p>
<p>SRCR 0032b Section 75</p>	<p>The Section 75 Agreement including the financial framework sets out: - Scope of pooled and aligned budget; - Ground rules for its use and treatment of overspends; and - How conflicts in budget-setting priorities would be settled. The Section 75 Agreement also sets out the risk share agreement; should there be an overspend, the party with statutory responsibility for the function or budget will be responsible.</p>	<p>Anne Canning</p>		<p>31-Mar-2019</p>	<p>The Section 75 Agreement will be for a 2-year period with a break clause on 9 months' notice. This will ensure that the Council is able to withdraw from these arrangements if they have concerns. The budget and approach will be negotiated and agreed each year to reflect changing circumstances.</p>
<p>SRCR 0032c Ensuring effective governance</p>	<p>Ensure all arrangements and structures are properly organised and that the governance is sound.</p>	<p>Anne Canning</p>		<p>31-Mar-2019</p>	<p>A meeting was held with the partners and external auditors in January 2017. The external auditors provided assurance that the proposed arrangements were in line with guidance.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 135</p> <p>FR FSV 0043 Pensions - Inaccurate or Late Pay Information Supplied to Hackney Pension Fund (LGPS)/Local Pensions Partnership (LGPS)/Teachers Pensions</p> <p>INTERNAL RISK CURRENT RISK</p>	<p>Inaccurate payroll data supplied to the Hackney Pension Fund introduces the following risks:</p> <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. • 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</p>	<p>Finance & Corporate Resources</p>	 <p>Likelihood</p> <p>Impact</p>	<p style="text-align: center;"></p> <p>Reviewed December 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 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> <p>Until the monthly report is running BAU, risk remains as is outlined. One recent development is that the Council now have a “working” interface that is being tested in Pensions system. This is likely to result in a high number of queries generated. We continue to work with payroll to ensure that processes are embedded to deal with these. Once the interface is working in live and we are certain that payroll are dealing with queries we can consider reducing risk on this in terms of the likelihood.</p>

	Pensions Regulator			
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0043 A Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn; Lorraine Robinson	31-Mar-2019	Reviewed December 2018 - ongoing.
F RTP 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied	Michael Honeysett; Dan Paul	Rachel Cowburn; Lorraine Robinson	31-Mar-2019	Reviewed December 2018. Good communication with payroll, as accurate data is very important.
F RTP 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	31-Mar-2019	Reviewed December 2018
F RTP 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	31-Mar-2019	Reviewed December 2018

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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR / AAF 015 Major fraud not identified INTERNAL RISK FUTURE RISK	<p>The Council's response to a serious fraud is inadequate because either –</p> <ul style="list-style-type: none"> (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. <p>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.</p> <p>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.</p>	Finance & Corporate Resources and Cross Council		<p style="text-align: center;">↔</p> <p>November 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 some notable recent achievements to prevent and minimise the impact of fraud.</p>

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	31 Mar 2019	November 2018 – ongoing.
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	31 Mar 2019	November 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 through the Comms team.	Ian Williams	Michael Sheffield; Julie Sharp	31 Mar 2019	November 2018 – ongoing.
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	31 Mar 2019	November 2018 – ongoing.

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PERFORMANCE OVERVIEW

AUDIT COMMITTEE MEETING DATE 2018/19 28 January 2019	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 expected to move from a long term debt free position to a substantial external borrowing position over the next 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.
- 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


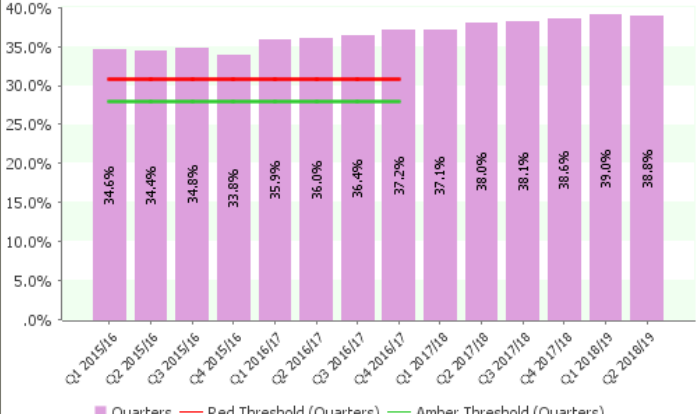
None

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Comments of Director, Legal	Dawn Carter-McDonald ☎020-8356 4817 dawn.carter-mcdonald@hackney.gov.uk

Q2 Audit Committee Report 2018



PI Code	Short Name	2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19 Note	Annual Target 2018/19	DOT	Traffic Light	Chart																												
		Value	Value	Value																																	
CACH CSC 010 Page 147	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	99.0%	Not measured for Quarters			100.0%	↑	▲	<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 Percentage of child protection cases which were reviewed within required timescales (ex NI 67)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>~95%</td> </tr> <tr> <td>2014/15</td> <td>~92%</td> </tr> <tr> <td>2015/16</td> <td>~95%</td> </tr> <tr> <td>2016/17</td> <td>~98%</td> </tr> <tr> <td>2017/18</td> <td>~98%</td> </tr> </tbody> </table>	Year	Percentage	2013/14	~95%	2014/15	~92%	2015/16	~95%	2016/17	~98%	2017/18	~98%																
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CE HROD 001	Sickness 12 month rolling average	7.82	7.79	8.87	With the introduction of the new HR and Payroll system, HR and ICT have been working to ensure reporting on the Council's data is aligned to best practice standards and is comparable with other organisations such as the Office for National Statistics (ONS) and London Councils, to enable accurate benchmarking data. This has led to changes this quarter in the way this indicator is calculated - for instance in the categories of staff who are included (casual workers are now excluded) and in the way the average itself is calculated.	7.5	↓	●	<p>CE HROD 001 Sickness 12 month rolling average</p> <table border="1"> <caption>CE HROD 001 Sickness 12 month rolling average</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Q1 2015/16</td> <td>7.64</td> </tr> <tr> <td>Q2 2015/16</td> <td>7.17</td> </tr> <tr> <td>Q3 2015/16</td> <td>6.24</td> </tr> <tr> <td>Q1 2016/17</td> <td>6.24</td> </tr> <tr> <td>Q2 2016/17</td> <td>6.45</td> </tr> <tr> <td>Q3 2016/17</td> <td>6.36</td> </tr> <tr> <td>Q4 2016/17</td> <td>6.55</td> </tr> <tr> <td>Q1 2017/18</td> <td>6.53</td> </tr> <tr> <td>Q2 2017/18</td> <td>6.63</td> </tr> <tr> <td>Q3 2017/18</td> <td>6.94</td> </tr> <tr> <td>Q4 2017/18</td> <td>7.82</td> </tr> <tr> <td>Q1 2018/19</td> <td>7.79</td> </tr> <tr> <td>Q2 2018/19</td> <td>8.87</td> </tr> </tbody> </table>	Quarter	Value	Q1 2015/16	7.64	Q2 2015/16	7.17	Q3 2015/16	6.24	Q1 2016/17	6.24	Q2 2016/17	6.45	Q3 2016/17	6.36	Q4 2016/17	6.55	Q1 2017/18	6.53	Q2 2017/18	6.63	Q3 2017/18	6.94	Q4 2017/18	7.82	Q1 2018/19	7.79	Q2 2018/19	8.87
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Page 148					<p>Changing the reporting methodology has led to a significant jump in this indicator. Based on the old reporting methodology, the increase would have been 0.1 this quarter.</p> <p>We recognise this remains above target, even on the old reporting standards. The new reporting standards enable us to automate the creation of new sickness reports for managers, giving them richer data on sickness so that action can be promptly taken. These will be rolled out over the spring of 2019. However, we did expect an increase in this indicator with the introduction of the new HR and payroll system in any case, as reporting sickness is now easier and quicker, reducing instances of under-reporting.</p>																																		
	CE HROD 023	% of employees aged 50 or over	38.6%	39.0%	38.8%		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 - Quarterly Data</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</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> <tr><td>Q2 2018/19</td><td>38.8%</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	Percentage	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%	Q2 2018/19
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		Value	Value	Value	Note				
CE HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	27.01%	25.22%	23.53%		25.00%	↓	⚠	<p>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</p>
Page 149 CE HROD 030a	Top 5% of earners: Women (ex BV 11a)	52.41%	54.39%	49.28%		50.00%	↓	⚠	<p>CE HROD 030a Top 5% of earners: Women (ex BV 11a)</p>

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CE PPD 021	Number of Resolution Stage complaints received by the Council	2967	724	779				↑	<p>CE PPD 021 Number of Resolution Stage complaints received by the Council</p> <table border="1"> <thead> <tr> <th>Quarter</th> <th>Value</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> <tr><td>Q2 2018/19</td><td>779</td></tr> <tr><td>Q3 2018/19</td><td>605</td></tr> </tbody> </table>	Quarter	Value	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	Q2 2018/19	779	Q3 2018/19	605
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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	13.2 days (YTD)	8.7 days (YTD)	7.9 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"> <thead> <tr> <th>Quarter</th> <th>Value (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>11.8</td></tr> <tr><td>Q1 2017/18</td><td>10.0</td></tr> <tr><td>Q2 2017/18</td><td>15.7</td></tr> <tr><td>Q3 2017/18</td><td>17.4</td></tr> <tr><td>Q4 2017/18</td><td>17.4</td></tr> <tr><td>Q1 2018/19</td><td>13.2</td></tr> <tr><td>Q2 2018/19</td><td>7.9</td></tr> </tbody> </table>	Quarter	Value (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	11.8	Q1 2017/18	10.0	Q2 2017/18	15.7	Q3 2017/18	17.4	Q4 2017/18	17.4	Q1 2018/19	13.2	Q2 2018/19	7.9		
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FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	2,867	2,887	3,007				↓	<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>Value</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> <tr><td>Q2 2018/19</td><td>3,007</td></tr> </tbody> </table>	Quarter	Value	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	Q2 2018/19	3,007
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Page 151 FCR RB REV 003	% of current year Council Tax collected (QRC basis)	95.0%	26.9%	50.1%		94.5%		↑	<p>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</p> <table border="1"> <caption>Data for FCR RB REV 003 Chart</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> <tr><td>Q2 2018/19</td><td>50.1%</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%	Q2 2018/19	50.1%
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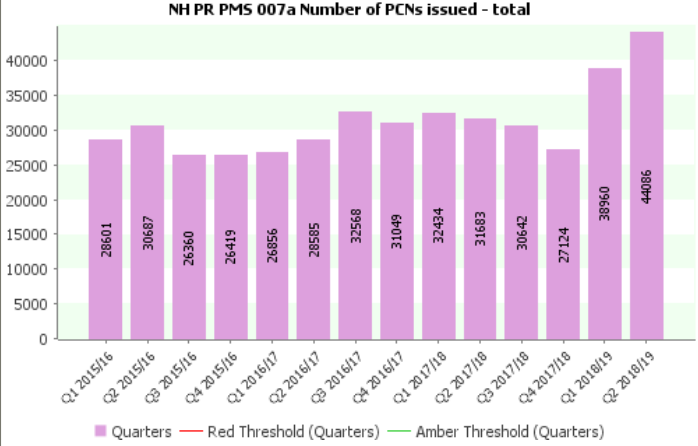
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FCR RB 005	Percentage of non-domestic rates collected	97.87%	26.06%	50.20%	<p>Collection is down in September as expected, mainly because LBH has not yet paid the annual bills (last year it did so earlier than in previous years) and because of the impact of Principal Place. This will come back into line as the year progresses.</p> <p>The NCD has increased from £124.5m to £141.5m, primarily as a result of the revaluation as transition winds out and the first phase of Principal Place being entered into the valuation list, and we expect that some ratepayers will struggle to find the extra sums due.</p> <p>- The Local Discretionary scheme awards have been made, but the work to do this has resulted in work that would otherwise have been completed still being outstanding. The daily correspondence is now virtually up to date and so the effect of the delay will start to unwind over the remainder of the year</p> <p>- The summonses due to be issued in July were postponed following the change in the Magistrates court fees charged to Local authorities, and the need to seek clarity on the impact on the fees that can be charged as a result. The first summonses with the new costs were issued at the end of August and so it will take time for recovery action to impact on collection.</p> <p>- Phase 1 of Principal Place has</p>	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>Actual (%)</th> <th>Red Threshold (%)</th> <th>Amber Threshold (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>29.10%</td><td>29.10%</td><td>29.10%</td></tr> <tr><td>Q2 2015/16</td><td>60.00%</td><td>60.00%</td><td>60.00%</td></tr> <tr><td>Q3 2015/16</td><td>62.43%</td><td>62.43%</td><td>62.43%</td></tr> <tr><td>Q4 2015/16</td><td>96.10%</td><td>96.10%</td><td>96.10%</td></tr> <tr><td>Q1 2016/17</td><td>29.07%</td><td>29.07%</td><td>29.07%</td></tr> <tr><td>Q2 2016/17</td><td>61.48%</td><td>61.48%</td><td>61.48%</td></tr> <tr><td>Q3 2016/17</td><td>81.00%</td><td>81.00%</td><td>81.00%</td></tr> <tr><td>Q4 2016/17</td><td>96.40%</td><td>96.40%</td><td>96.40%</td></tr> <tr><td>Q1 2017/18</td><td>28.00%</td><td>28.00%</td><td>28.00%</td></tr> <tr><td>Q2 2017/18</td><td>55.36%</td><td>55.36%</td><td>55.36%</td></tr> <tr><td>Q3 2017/18</td><td>81.00%</td><td>81.00%</td><td>81.00%</td></tr> <tr><td>Q4 2017/18</td><td>97.87%</td><td>97.87%</td><td>97.87%</td></tr> <tr><td>Q1 2018/19</td><td>26.06%</td><td>26.06%</td><td>26.06%</td></tr> <tr><td>Q2 2018/19</td><td>50.20%</td><td>50.20%</td><td>50.20%</td></tr> </tbody> </table>	Quarter	Actual (%)	Red Threshold (%)	Amber Threshold (%)	Q1 2015/16	29.10%	29.10%	29.10%	Q2 2015/16	60.00%	60.00%	60.00%	Q3 2015/16	62.43%	62.43%	62.43%	Q4 2015/16	96.10%	96.10%	96.10%	Q1 2016/17	29.07%	29.07%	29.07%	Q2 2016/17	61.48%	61.48%	61.48%	Q3 2016/17	81.00%	81.00%	81.00%	Q4 2016/17	96.40%	96.40%	96.40%	Q1 2017/18	28.00%	28.00%	28.00%	Q2 2017/18	55.36%	55.36%	55.36%	Q3 2017/18	81.00%	81.00%	81.00%	Q4 2017/18	97.87%	97.87%	97.87%	Q1 2018/19	26.06%	26.06%	26.06%	Q2 2018/19	50.20%	50.20%	50.20%
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Q4 2017/18	97.87%	97.87%	97.87%																																																																		
Q1 2018/19	26.06%	26.06%	26.06%																																																																		
Q2 2018/19	50.20%	50.20%	50.20%																																																																		

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					an in year sum due of £7.0m (following the merge of the multi floors into one assessment). Instalments are being paid. If Principal Place were excluded from the calculation the QRC collection rate would be 52.1% - In 2017/18 the majority of LBH NDR bill was paid earlier than in the previous year, thereby inflating the year collection rate. If the LBH bill had been paid in September this year the collection rates would have been 56.1% (excluding Principal Place as well) and would therefore have been on track with 17/18.																										
NH H IM 005	Rent Arrears as a % of rent debit	3.52 %	3.62 %	3.80 %	The disappointing uptrend trend in arrears has continued during this quarter. The transition from agency to permanent staff has continued to have an impact over the quarter. All front-line income staff are now permanent. As they undergo training this has meant that we are not working to optimum performance, resulting in a slight deterioration. Additionally, up to 6 staff are still diverted to testing the new IT platform which should launch during October. We also have two staff on long term sick where we are covering their workload. The Interim Head of Income Services has now left and some changes are going to be introduced during this month to help reinvigorate our performance (e.g. bulk texting and targeted home visits). We anticipate that the onset of	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> <tr><td>Q2 2018/19</td><td>3.80 %</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 %	Q2 2018/19	3.80 %
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NH H IM 006	Total value of rent arrears YTD (Total)	£4,414,846.32	£4,616,847.00	£4,823,831.00	Universal Credit from 3 October will result in a further slight deterioration in performance, but this will be offset by the new platform's functionality of automating some of the arrears collection processes and the trend will be reversed. It is expected that the combination of permanent staff and new ways of working will exceed the target by year end	£4,366,787.00	↓	🚦	<p>NH H IM 006 Total value of rent arrears YTD (Total)</p> <table border="1"> <caption>Data for 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>£4,308,921.90</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> <tr><td>Q2 2018/19</td><td>£4,823,831.00</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	£4,308,921.90	Q3 2017/18	£4,598,598.35	Q4 2017/18	£4,414,846.32	Q1 2018/19	£4,616,847.00	Q2 2018/19	£4,823,831.00
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NH H RespRep 001	% of Repair Appointments Kept	92.82%	96.30%	99.90%	This PI has been Green throughout the course of this year having been Red for the whole of 2016/17 and Amber for the whole of 2017/18. The improvement is the result of a joint working venture between the DLO and the Housing Transformation team. The upgrade to DRS (Dynamic Resource Scheduling) software has been beneficial for the service area, boosting the efficiency of the tool and the service's performance. In August and September this PI's out-turns were 100%.	95.00%	↑	🟢	<p>NH H RespRep 001 % of Repair Appointments Kept</p> <table border="1"> <caption>Data for 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>76.72%</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> <tr><td>Q2 2018/19</td><td>99.90%</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	76.72%	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%	Q2 2018/19	99.90%
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NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction)	67.08%	72.12%	75.58%	<p>This PI has been recalculated in order to bring it into line with the Right First Time methodology used for NH H RespRep 003 – e.g., excluding responses relating to Surveyor inspections. This has had the effect of raising the Q1 score from 65.9% to 72.12%.</p> <p>Q2 has seem performance improve by nearly 3.5 percentage points relative to Q1, and represents four quarters of consistent growth in satisfaction levels under the new text survey methodology. This is a reflection of the work being done by the DLO to act on the feedback which Qlik sends direct to managers' inboxes each day. The Head of Repairs in the DLO is taking an active lead on this by monitoring action on the feedback received on a week by week basis. This approach will shortly be rolled out to contract managers to drive further improvement.</p>	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>% of repairs completed</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>67.88%</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>55.56%</td></tr> <tr><td>Q2 2017/18</td><td>67.81%</td></tr> <tr><td>Q3 2017/18</td><td>70.05%</td></tr> <tr><td>Q4 2017/18</td><td>72.12%</td></tr> <tr><td>Q1 2018/19</td><td>75.58%</td></tr> <tr><td>Q2 2018/19</td><td>75.58%</td></tr> </tbody> </table>	Quarter	% of repairs completed	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	67.88%	Q3 2016/17	76.14%	Q4 2016/17	70.09%	Q1 2017/18	55.56%	Q2 2017/18	67.81%	Q3 2017/18	70.05%	Q4 2017/18	72.12%	Q1 2018/19	75.58%	Q2 2018/19	75.58%
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NH H RespRep 003	% of repairs completed on first visit (based on system generated data)	63.7%	82.6%	87.4%	<p>The joint working venture of the DLO and Housing Transformation teams from the beginning of this financial year has resulted in a consistent improvement in this PI, to the extent that it went Green in September 2018.</p> <p>A Housing Transformation team Business Intelligence Analyst has been spending two days a week at the DLO, working directly with managers to help them interrogate/fully utilise Qlik view and to drill down into data/performance issues and resolve them. This has helped resolve a number of issues that have been impacting on performance. The improved performance reflects this valuable joint working.</p>	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</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>92.36%</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>69.8%</td></tr> <tr><td>Q2 2017/18</td><td>44.4%</td></tr> <tr><td>Q3 2017/18</td><td>64.9%</td></tr> <tr><td>Q4 2017/18</td><td>74.5%</td></tr> <tr><td>Q1 2018/19</td><td>82.6%</td></tr> <tr><td>Q2 2018/19</td><td>87.4%</td></tr> </tbody> </table>	Quarter	% of repairs completed	Q1 2015/16	93.99%	Q2 2015/16	93.29%	Q3 2015/16	92.36%	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	69.8%	Q2 2017/18	44.4%	Q3 2017/18	64.9%	Q4 2017/18	74.5%	Q1 2018/19	82.6%	Q2 2018/19	87.4%
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NH H Voids 001	Average time taken to re-let local authority housing [all voids including major & minor voids]	70 days	72 days	54 days	<p>Void turnaround has continued to improve this quarter, and is at its lowest figure in the last three years. In addition to faster service for residents, this has had a financial impact. Voids had around 71 days turnaround in the YTD this time last year, an average loss of £1126 per void. This is reduced this year to 63 days, or £999 per property. Overall, it is the lower volume of properties being re-let which is having the biggest impact, with £340,474 rent loss in 2017/18 compared to £177,489 this year.</p>	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 (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> <tr><td>Q2 2018/19</td><td>54 days</td></tr> </tbody> </table>	Quarter	Average time taken (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	Q2 2018/19	54 days								
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NH PR PMS 007a Page 157	Number of PCNs issued - total	118363	38960	44086	<p>The marked growth in PCNs issued in the last two quarters is due primarily to the launch of a new banned left turn enforced by CCTV at the junction of Richmond Road and Mare Street, which commenced in June 2018.</p> <p>The number of PCNs issued at this location was 85% lower from October - December when compared to the first two months of the scheme, which demonstrates that compliance is much improved.</p> <p>Under s. 55 of the Road Traffic Regulation Act 1984, any surplus generated from the annual Parking account may be used for a specified number of purposes, for example: the maintenance of roads and parking bays. Hackney Council uses any surplus from its Parking account to contribute towards its charge for the London-wide Freedom Pass scheme. In 2017/18, Hackney's charge for the Freedom Pass scheme was £12.3m.</p>	Data only			<p>NH PR PMS 007a Number of PCNs issued - total</p>  <table border="1"> <caption>NH PR PMS 007a Number of PCNs issued - total</caption> <thead> <tr> <th>Quarter</th> <th>Number of PCNs</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>26601</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>26585</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>38960</td></tr> <tr><td>Q2 2018/19</td><td>44086</td></tr> </tbody> </table>	Quarter	Number of PCNs	Q1 2015/16	26601	Q2 2015/16	30687	Q3 2015/16	26360	Q4 2015/16	26419	Q1 2016/17	26856	Q2 2016/17	26585	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	38960	Q2 2018/19	44086
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NH PR PMS 010a	PCN recovery rate – including estates	66.5%	64.4%	65.4%					<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> <tr><td>Q2 2018/19</td><td>65.4%</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%	Q2 2018/19	65.4%
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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%																																						
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Q2 2018/19	65.4%																																						
NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	100.00%	100.00%	67.00%	The reason that the Q2 major apps stats are 67% is that there was a relatively small number of cases cleared (only 6) and 2 of those were refusals for which we were unable to obtain an extension of time agreement with the applicant. We normally decide more applications than this each quarter and don't normally refuse many applications as we usually negotiate an acceptable scheme. However, it happened that in the last quarter 2 applicants were unwilling to negotiate. Our figures for the first quarter were 100%, and we're at 91% for the year so far.	70.00%			<p>NH PR PRS 001a % of Major planning applications determined within 13 weeks (ex NI 157a)</p> <table border="1"> <caption>NH PR PRS 001a % of Major planning applications determined within 13 weeks (ex NI 157a)</caption> <thead> <tr> <th>Quarter</th> <th>% Determined (%)</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> <tr><td>Q2 2018/19</td><td>67.00%</td></tr> </tbody> </table>	Quarter	% Determined (%)	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%	Q2 2018/19	67.00%
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PI Code	Short Name	2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																														
		Value	Value	Value	Note																																		
NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	78.00%	76.00%	82.00%		75.00%	↑	🟢	<p>NH PR PRS 001b % of Minor planning applications determined within 8 weeks (ex NI 157b)</p> <table border="1"> <caption>Quarterly Performance Data for NH PR PRS 001b</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> <tr><td>Q2 2018/19</td><td>82.00%</td></tr> </tbody> </table>	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%	Q2 2018/19	82.00%
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Q2 2018/19	82.00%																																						
Page 159 NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	85.00%	83.00%	88.00%		80.00%	↑	🟢	<p>NH PR PRS 001c % of Other planning applications determined within 8 weeks (ex NI 157c)</p> <table border="1"> <caption>Quarterly Performance Data for NH PR PRS 001c</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>84.00%</td></tr> <tr><td>Q2 2015/16</td><td>86.00%</td></tr> <tr><td>Q3 2015/16</td><td>84.00%</td></tr> <tr><td>Q4 2015/16</td><td>86.00%</td></tr> <tr><td>Q1 2016/17</td><td>90.00%</td></tr> <tr><td>Q2 2016/17</td><td>88.00%</td></tr> <tr><td>Q3 2016/17</td><td>91.00%</td></tr> <tr><td>Q4 2016/17</td><td>85.00%</td></tr> <tr><td>Q1 2017/18</td><td>85.00%</td></tr> <tr><td>Q2 2017/18</td><td>81.00%</td></tr> <tr><td>Q3 2017/18</td><td>84.00%</td></tr> <tr><td>Q4 2017/18</td><td>90.00%</td></tr> <tr><td>Q1 2018/19</td><td>83.00%</td></tr> <tr><td>Q2 2018/19</td><td>88.00%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2015/16	84.00%	Q2 2015/16	86.00%	Q3 2015/16	84.00%	Q4 2015/16	86.00%	Q1 2016/17	90.00%	Q2 2016/17	88.00%	Q3 2016/17	91.00%	Q4 2016/17	85.00%	Q1 2017/18	85.00%	Q2 2017/18	81.00%	Q3 2017/18	84.00%	Q4 2017/18	90.00%	Q1 2018/19	83.00%	Q2 2018/19	88.00%
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NH PR PR 009	% of open planning enforcement cases less than 4 years old	61.0%	64.0%	68.0%	<p>In 2015/16 over 1,500 historic yet open Planning Enforcement cases were uncovered. Many of these cases stretched back as far as 2001, and of the open cases less than 40% were under 4 years old. The Planning Service put a strategy in place to address the outstanding cases from both ends, i.e. 2012-2015 (to reduce the risk of cases becoming immune from enforcement action) and 2001 onwards (to make decisions on old cases where notices had been served but no further action taken). The work programme has so far resulted in over 75% of pre 2016 cases having been identified and closed since January 2016. Of the initial list of over 1,500 open cases, 1,134 have been properly closed/resolved and only 376 remain open as of October 2018.</p> <p>However the Enforcement Team continue to receive new Enforcement complaints (averaging 55 per month), that continue to be investigated in a timely fashion, and have a total of 800 open cases (including the remaining 376 older cases) up to and including October 2018. This programme of work will continue throughout 2018/19 to resolve and close all historic cases. Many of the historic cases require legal action to progress and are resource intensive.</p> <p>In this context the target that</p>	80.0%	↑	🛑	<p>NH PR 009 % of open planning enforcement cases less than 4 years old</p> <table border="1"> <caption>Data for NH PR 009 % of open planning enforcement cases less than 4 years old</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q2 2016/17</td><td>66.0%</td></tr> <tr><td>Q3 2016/17</td><td>70.0%</td></tr> <tr><td>Q4 2016/17</td><td>70.0%</td></tr> <tr><td>Q1 2017/18</td><td>70.0%</td></tr> <tr><td>Q2 2017/18</td><td>67.0%</td></tr> <tr><td>Q3 2017/18</td><td>60.0%</td></tr> <tr><td>Q4 2017/18</td><td>61.0%</td></tr> <tr><td>Q1 2018/19</td><td>64.0%</td></tr> <tr><td>Q2 2018/19</td><td>68.0%</td></tr> </tbody> </table>	Quarter	Value (%)	Q2 2016/17	66.0%	Q3 2016/17	70.0%	Q4 2016/17	70.0%	Q1 2017/18	70.0%	Q2 2017/18	67.0%	Q3 2017/18	60.0%	Q4 2017/18	61.0%	Q1 2018/19	64.0%	Q2 2018/19	68.0%
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					80% of open planning enforcement cases be less than 4 years old is a deliberately aspirational yet ultimately achievable target that will only be achieved when the vast majority of historic enforcement cases are closed. The team have made excellent progress towards this target from a base figure of below 40%, and this performance indicator has been designed to act as an early warning indicator to highlight any future build-up of historic cases. A figure of 60-70% has consistently been achieved in recent quarters as although the historic cases have continued to significantly reduce in number, cases under 4 years have also been closed at a similar rate. The total number of cases therefore continues to significantly fall, but the balance between old and new has remained relatively static.																										
NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	1.88%	2.66%	N/A	The Results for Tranche 2 will be available in Q3 (Tranche 1 was reported in Q1. There are 3 tranches per year)	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 (ex NI 195a) by Quarter</caption> <thead> <tr> <th>Quarter</th> <th>Litter Level (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2015/16</td><td>3.28%</td></tr> <tr><td>Q2 2015/16</td><td>3.44%</td></tr> <tr><td>Q3 2015/16</td><td>2.19%</td></tr> <tr><td>Q4 2015/16</td><td>1.72%</td></tr> <tr><td>Q1 2016/17</td><td>3.81%</td></tr> <tr><td>Q2 2016/17</td><td>1.88%</td></tr> <tr><td>Q3 2016/17</td><td>2.97%</td></tr> <tr><td>Q4 2016/17</td><td>1.41%</td></tr> <tr><td>Q1 2017/18</td><td>1.25%</td></tr> <tr><td>Q2 2017/18</td><td>2.66%</td></tr> </tbody> </table>	Quarter	Litter Level (%)	Q1 2015/16	3.28%	Q2 2015/16	3.44%	Q3 2015/16	2.19%	Q4 2015/16	1.72%	Q1 2016/17	3.81%	Q2 2016/17	1.88%	Q3 2016/17	2.97%	Q4 2016/17	1.41%	Q1 2017/18	1.25%	Q2 2017/18	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)	2.71%	4.84%	N/A	The Results for Tranche 2 will be available in Q3 (Tranche 1 was reported in Q1. There are 3 tranches per year)	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 (ex NI 195b)</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>4.20%</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	4.20%	Q3 2017/18	1.88%	Q4 2017/18	2.03%	Q1 2018/19	4.84%
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NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	.21%	4.84%	N/A	The Results for Tranche 2 will be available in Q3 (Tranche 1 was reported in Q1. There are 3 tranches per year)	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>Graffiti Levels (ex NI 195c)</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>.5%</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	.5%	Q4 2017/18	2.66%	Q1 2018/19	4.84%
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PI Code	Short Name	2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart
		Value	Value	Value	Note				
NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	2.29%	1.56%	N/A	The Results for Tranche 2 will be available in Q3 (Tranche 1 was reported in Q1. There are 3 tranches per year)	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>
NH PR WS 047	Residual household waste per household (ex NI 191)	545.1Kg	134.7Kg	128.6Kg		518.0Kg	↑	✅	<p>NH PR WS 047 Residual household waste per household (ex NI 191)</p>

PI Code	Short Name	2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Annual Target 2018/19	DOT	Traffic Light	Chart																														
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NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	27.40%	27.36%	27.86%		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>Chart Data: Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</caption> <thead> <tr> <th>Quarter</th> <th>Percentage</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> <tr><td>Q2 2018/19</td><td>27.86%</td></tr> </tbody> </table>	Quarter	Percentage	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%	Q2 2018/19	27.86%
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PI Status	
	Alert
	Warning
	OK
	Unknown
	Data Only

Long Term Trends	
	Improving
	No Change
	Getting Worse

Short Term Trends	
	Improving
	No Change
	Getting Worse

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Corporate Risk Management Performance Overview January 2019 (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 in December 2018, after being updated, reviewed and monitored by appropriate teams in throughout 2018. There has been a further review since the HMT sign off in June (2018).

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	↔	8	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 elections, new legislation, interest rate changes or the Brexit negotiations). Some risks have 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 June 2019, so the full detail on all risks will be provided then.

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4.7 CAPITAL

This is the second OFP Capital Programme monitoring report for the financial year 2018/19. The actual year to date capital expenditure for the six months April 2018 to September 2018 is £81.2m and the forecast is currently £309.7m, £142.5m below the revised budget of £452.2m. In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and therefore monitoring reflect the anticipated progress of schemes. The first phase of re-profiling for 2018/19 has been completed and November Cabinet will be asked to approve a total of £140.4m to be allocated into future years. A summary of the forecast outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 – London Borough of Hackney Capital Programme – Q2 2018/19	Revised Budget Position	Spend as at end of Q2	Forecast	Variance (Under/Over)	To be Re-Profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Chief Executive	87	0	0	-87	0
Children, Adults & Community Health	54,108	2,207	15,978	-38,130	38,718
Finance & Corporate Resources	119,787	30,201	99,960	-19,827	19,522
Neighbourhoods & Housing (Non-Housing)	48,626	3,563	22,657	-25,969	23,666
Total Non-Housing	222,608	35,971	138,595	-84,013	81,906
AMP Capital Schemes HRA	81,786	18,373	81,786	0	0
Council Capital Schemes GF	1,728	671	1,543	-185	185
Private Sector Housing	2,501	441	1,821	-680	680
Estate Renewal	99,869	16,869	64,869	-35,000	57,632
Housing Supply Programme	32,399	5,474	9,767	-22,632	0
Other Council Regeneration	11,267	3,373	11,267	0	0
Total Housing	229,549	45,200	171,052	-58,497	58,497
Total Capital Expenditure	452,157	81,171	309,648	-142,510	140,402

CHIEF EXECUTIVE SERVICES

This capital budget in this area will be used to part-fund the refurbishment works in Gascoigne Community Hall which is one of the Council's Housing Annual Maintenance Programme (AMP) Capital Schemes. The works have been tendered and will commence in October/November and be complete by February 2019. The budget of £0.87m will move from the Chief Executives Directorate to the Housing Directorate and will be included in the Housing Capital monitoring in the next quarter.

CHILDREN, ADULTS AND COMMUNITY HEALTH

The overall forecast for Children, Adults and Community Health is £16m, £38.1m below the revised budget of £54.1m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	3,834	227	726	-3,108
Education Asset Management Plan	4,309	498	3,399	-910
Building Schools for the Future	853	118	291	-562
Other Education & Children's Services	636	-55	100	-536
Primary School Programmes	17,144	606	6,003	-11,140
Secondary School Programmes	27,332	814	5,453	-21,878
TOTAL	54,108	2,207	15,973	-38,135

Adult Social Care

The main variance in Adult Social Care relates to the £2.4m budget set aside for a potential project at Median Road Resource Centre. The budget of £0.60m was approved by Cabinet in September 2018 to resource the first phase of the project for the development of concept designs. This will cover architect costs, engineering costs and consultancy fees who look at the range of options and the recommended approach for a more extensive capital project. As the project is at the very early feasibility stages, the remaining budget of £2.4m will be re-profiled to future years.

Education Asset Management Plan

The main variance relates to Daniel House AMP which is showing £0.40m underspend. Daniel Housing AMP is one of the capital schemes in the Council's AMP cyclical and periodic yearly maintenance programme. This particular scheme is currently suspended, and the budget is under review. Therefore, the variance will be re-profiled to 2019-20 until the review is complete.

Building Schools for the Future

The two main variances in the Building Schools for the Future are Stormont College and Ickburgh BSF which are showing a combined underspend of £0.56m against an in-year budget of £0.75m. The forecasted spend will support the final accounts on the build scheme and the variance will be re-profiled to 2019/20.

Primary School Programmes

The overall scheme is reporting an underspend of £11.1m against an in-year respective budget of £17.1m and this variance will be re-profiled to 2019/20. Woodberry Down Relocation is reporting an underspend of £0.17m as a result of the delays in land swap decisions which has finally been agreed. The variance will be re-profiled into future years to support these works.

Shacklewell School is reporting an underspend of £0.67m against the respective in-year budget of £1.6m. The consultants have now been appointed and the scheme will spend over £0.70m in the next 2 quarters. The variance will be re-profiled to 2019/20.

Secondary School Programme

The overall scheme is reporting an underspend of £21.9m against an in-year respective budget of £27.3m. The main variance relates to the budget set aside to resource the additional secondary school provision which is showing an underspend of £18.8m against the respective in-year budget of £19m. The first phase of the works is complete. As there are no further works identified for 2018/19 the variance will be re-profiled to 2019/20 to better reflect programme delivery.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £100m, £19.8m under the revised budget of £119.8m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Property Services	8,682	766	7,542	-1,139
ICT	7,499	1,537	5,109	-2,390
Financial Management	1,084	-123	325	-760
Other Schemes	205	16	152	-53
Mixed Use Development	102,318	28,005	86,832	-15,486
TOTAL	119,787	30,201	99,960	-19,827

Strategic Property Services - Strategy & Projects

The main variance relates to essential works in the Council's Hackney Service Centre relating to the upgrade of the lighting and floor replacement. This is showing an underspend of £0.40m against the respective budget of £0.90m. The delay is due to unexpected work on heating and pipes in the HSC which need to be done before the flooring and lighting can be replaced. The variance will be re-profiled to 2019/20.

ICT Capital

The End-User Device Refresh programme is showing an underspend of £1.2m against the respective budget of £2.8m. 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. The variance will be re-profiled to 2019/20.

Mixed Used Development

The two mixed use projects at Tiger Way and Nile Street are reporting a combined underspend of £7.81m. The construction programme at Tiger Way, providing the new facilities for Nightingale Primary is currently one month behind schedule. The completion date for the school is now expected to be February 2019. The school will remain in its existing premises until then. The show flat for the private residential housing on Tiger Way has been completed and is currently being prepared for public access. Sales have commenced, and the Government's Help to Buy Scheme is helping to generate interest. Regarding construction spend, the current profile is based on the most recent forecast which continues to be reviewed and revised by the programme team. The variance has been re-profiled into 2019/20.

The BSF PRU is reporting an underspend against 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 an underspend of £1.2m against the respective in-year budget of £11.9m. The school, residential (H1/H2) and infrastructure/public realm have commenced Stage 4 design (Phase 1 in conjunction with Morgan Sindall) and the project is preparing for planning subcommittee. The construction phase resourcing is now being reviewed in preparation for the main works to commence in the first quarter of 2019/20. The spend profile has been revised and is based on the agreed milestones. The variance has been re-profiled to 2019/20.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING):

The overall forecast in Neighbourhoods and Housing (Non) is £22.6m, £26m under the revised budget of £48.6m. 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	78	411	-1,111
Leisure Centres	1,750	0	350	-1,400
Parks and Open Spaces	6,535	960	2,364	-4,171
Infrastructure Programmes	14,582	1,799	12,793	-1,790
EHPC Schemes	3,308	95	714	-2,594
TFL	4,361	606	4,361	0
Parking and Market Schemes	305	0	125	-180
Other Services	450	0	450	0
Regulatory Services	79	0	0	-79
Safer Communities	1,078	25	1,050	-27
Regeneration	14,656	0	40	-14,616
Total	48,626	3,563	22,657	-25,969

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 £1.1m against the respective in-year budget of £1.3m. The planned spend is likely to be in 2019/20 and the variance has been re-profiled to 2019/20.

Parks and Open Spaces

The main variance relates to Springfield Park Restoration which is showing an underspend of £2.7m against the respective in-year budget of £2.8m. This project is a joint partnership to repair the buildings in the park and the park's infrastructure. This project aims to bring about real potential for community spaces which will generate much needed income to help secure a more financially sustainable future for the park. As the project has to be re-tendered the variance has been re-profiled to 2019/20 to fall in line with the procurement timetable.

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 full business case will be done to look at the various options for the replacement of the vehicles. As no further spend has been identified for 2018/19 the variance will be re-profiled to 2019/20.

Regeneration

The main variance relates to the budget held for Hackney Wick and Dalston Regeneration. As no further spend has been identified for 2018/19 the variance will be re-profiled to 2019/20 in line with the revised scheme delivery timetable.

HOUSING:

The overall forecast in Housing is £171.1m, £58.5m below the revised budget of £229.6m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance	Commentary
	£m	£m	£m	£m	
AMP Housing Schemes HRA	81,786	18,373	81,786	0	Projects are progressing well within Asset management. There is an increased programme of fire risk works, however spend will be managed within overall approved budget.
Council Schemes GF	1,728	671	1,543	185	Budgets realigned as part of Q1 monitor. Following a review of spend some budgets have been reprofiled
Private Sector Housing	2,501	441	1,821	680	There has been a reduction in grant applications therefore £680k reprofiled to 2019/20
Estate Regeneration Programme	99,869	16,869	64,869	35,000	Regeneration Q2 reviews due October, however of the forecast £50m relates to committed contract spend. Progression of the programme will be reported within Q3 capital monitor.
Housing Supply Programme	32,399	5,474	9,767	22,632	Housing Supply programme has been reprofiled to 2019/20 following delays in planning and procurement.
Woodberry Down Regeneration	11,267	3,373	11,267	0	Woodberry Down Q2 reviews due October. Progression of the programme will be reported within Q3 capital monitor.
Total Housing	229,549	45,200	171,052	58,497	



Certification of Grants and Returns 2017/18

AUDIT COMMITTEE 2018/19 28 January 2019	CLASSIFICATION: Open
WARD(S) AFFECTED All Wards	
Ian Williams, Group Director Finance and Corporate Resources	

1. INTRODUCTION

This report summarises the results of the work carried out by the Council's external auditors, KPMG, in respect of the 2017/18 grants claims and returns, the details of which are included in the appendix to the report.

2. RECOMMENDATION(S)

The Audit Committee is recommended to:

Note the contents of the attached report from KPMG, the Council's external auditors for 2017/18.

3. REASONS FOR DECISION

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. Consideration of the Council's management of grant claims and returns by the Audit Committee is in accordance with this statutory obligation and within the Committee's remit to consider specific reports as agreed with the external auditor.

4. BACKGROUND

4.1 Policy Context

Not applicable

4.2 Equality Impact Assessment

Not applicable

4.3 Sustainability

Not applicable

4.4 Consultations

Not applicable

4.5 Risk Assessment

It is imperative that claims and returns are completed both on a timely and accurate basis in order that funding associated with those returns is received by the Council as expected, particularly in the present financial climate when external funding from the government continues to be reduced significantly. The processes and controls in place for the completion and submission of grant claims and returns ensure that deadlines are met and that the quality of submission is maintained.

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

There are no direct financial implications arising from this report as it refers to the previous financial year. It is worth noting however that the actual fees for the certification of grants and returns totalled £53,995, including an additional charge of £4,049 over the indicative fee in respect of the work to certify the Housing Benefit Subsidy Claim. This compares to fees of £46,005 in the previous year in respect of the claims and returns certified.

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 control which includes arrangements for the management of risk. Consideration of the Council's management of grant claims and returns by the Corporate Committee is in accordance with the statutory obligation.
- 6.2 There are no immediate legal obligations arising from the report.

7. 2017/18 CLAIMS AND RETURNS

- 7.1 As set out above, the report from the Council's external auditors attached as an Appendix to this report provides a summary of the work carried out in relation to auditable claims and returns during 2015/16.
- 7.2 In total, 4 grant claims and returns required certification by an external auditor. The largest of these, in respect of the Council's Housing Benefit subsidy claim, was carried out by KPMG under the Public Sector Audit Appointment arrangements. The remaining 3, Pooling of Housing Capital Receipts, the Teachers' Pensions Return and the Education & Skills Funding return were also carried out by KPMG but under separate specific engagements.
- 7.3 There are a number of other grant claims and returns required throughout the year but they do not require separate audit certification. The Council does however use the same internal process for officer certification of these claims in order to ensure timeliness and accuracy of all claims.
- 7.4 As set out in the auditor's report, whilst only 2 minor recommendations in respect of the Skills Funding Agency were made, they have noted that additional work was required during the audit of the HB Subsidy claim resulting in an additional fee of £4,089.
- 7.5 The changes or qualification made to the claims and returns have not resulted in any change to the income due to the Council or additional costs.

APPENDICES:

Report from KPMG re Certification of claims and returns – annual report 2017/18

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

None

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Annual Report on grants and returns 2017/18

London Borough of Hackney

January 2019



Contents

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Headlines

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Summary of certification work outcomes

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Fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2017/18 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2017/18 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2017/18 Housing Benefit Subsidy claim. This had a value of £304 million.
- Under separate engagements we issued reports on two claims/returns as listed below:
 - Teachers' Pensions return;
 - Pooling of Housing Capital Receipts return; and
 - Skills Funding Agency return

Certification and assurance results (Pages 5)

Housing Subsidy Benefit

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was subject to a qualification letter. The factual accuracy of the letter was agreed with the Authority prior to dispatch to the DWP. Issues contributing to the qualification, which were similar to those identified in prior years included incorrect claimant income, tenure classification and treatment of non-dependent student status.

Teachers Pensions

Our work to complete AUPs on the *Teachers' Pensions* return followed the instructions issued by the Teachers' Pensions agency (TP) and included:

- completing a comparison of the actual employee's and employer's contributions included in the return with the expected value using the contributory salary reported in the return for each tier (ie the teachers' pensions scheme has six tiers related to salary with different contribution rates for each);
- sample testing confirming that contributory salaries have been extracted correctly from payroll records, teachers' contributions have been deducted at the appropriate rate, employer's contributions have been calculated correctly and where relevant that 'other' contributions had been dealt with correctly; and
- completing testing in relation to any refunds of contributions made to teachers.

We reported one exception when completing the comparison of the actual employee's and employer's contributions included in the Return with the expected value using the contributory salary reported in the Return for each Tier. This difference reported was £140.98. The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) and it was agreed no adjustment was required in year and the amount would be corrected in the following years' return.

No issues were noted in the prior year.

Pooling of Housing Capital Receipts

Our work included testing of entries specified by the Ministry for Housing, Communities and Local Government (MHCLG) as follows:

- total receipts received by the Council in the relevant quarter arising from disposal of dwellings under Right to Buy (RTB) or any other disposal to which the Schedule to Regulations applies;
- total receipts received by the Council in the relevant quarter arising from disposals of dwellings made before 01 April 2012 under RTB or equivalent provision;
- number of sales made by the Council in the relevant quarter to which the Schedule applies;
- quarterly attributable debt for the relevant quarter; and
- actual amount of new-build expenditure between 01 April 2017 and 31 March 2018.

We have not identified any issues in 2017/18.

In 2016/17, the pooling of capital receipts claim was amended to take into account a misclassification between the quarterly analysis.

Skills Funding Agency

Our work to complete AUPs on the *Skill Funding Agency return* followed the instructions issued by the Teachers' Pensions agency (TP) and included agreed upon procedures over specific elements of the Council's end-to-end subcontracting process specified in the ESFA common and performance-management funding rules which, in summary, cover the following areas:

General subcontracting, Selection and procurement, Entering into a subcontract, Monitoring, Second level subcontracting, Reporting on subcontracting; and Fees and charges.

We noted two minor recommendations relating to sub-contractor contract pro-formas.

All prior year recommendations have been implemented.

Fees (Page 7)

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2017/18 of £38,616 fee. Our actual fee was higher than the indicative fee as additional work was required, and this compares to the 2016/17 fee for this claim of £34,755. The final fee was £42,705 which includes £4,089 of additional cost which is still subject to determination by PSAA.

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2017/18 (£11,250) were in line with those in 2016/17.

Summary of reporting outcomes

Page 187

Overall, we carried out work on four grants and returns.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2017/18 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Issues reported	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1	●			
Other grant/return engagements					
— Teachers pensions audit	2		●		
— Pooling of capital receipts					●
— Education and skills funding	3		●		

Summary of certification work outcomes

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This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations
1	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> — The Council’s 2017/18 claim has a value of £304 million. — Our testing covered 60 initial cases, eleven 40+ testing and 84 additional cases. The factual accuracy of the letter was agreed with the Authority prior to dispatch to the DWP. Issues contributing to the qualification, which were similar to those identified in prior years included incorrect claimant income, tenure classification and treatment of non-dependent student status.
2	<p>Teachers’ Pension Return</p> <ul style="list-style-type: none"> — We reported one exception when completing the comparison of the actual employee’s and employer’s contributions included in the Return with the expected value using the contributory salary reported in the Return for each Tier. This difference reported was £140.98. — The Council considers these to be caused by the cumulative effect of monthly overpayments (which did not exceed monthly tolerance levels) and it was agreed no adjustment was required in year and the amount would be corrected in the following years’ return.
3	<p>Skill Funding Agency</p> <ul style="list-style-type: none"> — In testing the Entering in a Contract – Compliance procedure, we noted the subcontractors’ contract pro-forma excludes a number of specific clauses as required by ESFA. This was not a repeat of a prior year recommendation and the Authority agreed to amend the pro-forma. — In testing the Selection and Procurement- Tendering documents (Funding Rules 87), we were not able to inspect some tendering documents relating to two subcontracts (St Marys Secret Garden and DBIZ8 Empowerment Consultancy Limited) thus we were not able to ascertain that the appropriate due diligence checks were performed. This was not a repeat of a prior year recommendation and the Authority agreed to our recommendation ensuring all tendering documentation being available for inspection.

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2017/18 was £53,995.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2017/18 of £38,616 fee. Our actual fee was higher than the indicative fee as additional work was required, and this compares to the 2016/17 fee for this claim of £34,755. The final fee was £42,705 which includes £4,089 which is still subject to determination by PSAA.

The main reasons for the fee exceeding the original estimate were additional work that involved re-performing the work by the Authority in attempting to isolate (rather than extrapolate) the errors identified.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2017/18 were in line with those in 2016/17.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2017/18 (£)	2016/17 (£)
Housing Benefit Subsidy claim	42,705*	34,755
Teachers' Pensions Return	3,750	3,750
Pooling of Housing Capital Receipts Return	3,500	3,500
Skills funding agency	4,000	4,000
Total fee	53,995	46,005

*this is subject to overruns of £4,089 for the additional work performed on the Housing Benefits return. This figure is still subject to PSAA approval.



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<p>TREASURY MANAGEMENT STRATEGY 2019/20</p> <p>28th January 2019</p> <p>AUDIT COMMITTEE</p>	<p>Classification:</p> <p>Public</p>
<p>Ward(s) affected</p> <p>None</p>	
<p>Corporate Director</p> <p>Ian Williams, Group Director of Finance and Resources</p>	

1. INTRODUCTION

1.1 This report introduces the Treasury Management Strategy for 2019/20 and Annual Treasury Management Strategy for 2019/20, for the Audit Committee, setting out the expected treasury operations for the 2019/20 financial year.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

- **Approve the draft Treasury Management Strategy 2019/20 to 2021/22 for submission to Council subject to finalisation of the Capital programme with delegated powers to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.**

3. REASONS FOR DECISION

- 3.1 The Treasury Management Strategy is required under the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") to be approved by full Council along with the Prudential Indicators.

4. BACKGROUND

4.1 Policy Context

- 4.1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the MHCLG's Investment Guidance.

4.2 Equality Impact Assessment

There are no equality impact issues arising from this report

4.3 Sustainability

There are no sustainability issues arising from this report

5. RISK ASSESSMENT

5.1 Consultations

No consultations have taken place in respect of this report.

5.2 Risk Assessment

The treasury management function is a significant area of risk for the Council if the function is not properly carried out and monitored by those charged with responsibility for oversight of treasury management. This Strategy sets out measures that mitigate that risk and sets the parameters within which the function should be carried out. Regular reporting on treasury ensures that the Committee is kept informed.

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

- 6.1 The Treasury Management Strategy sets out how the Council's cash flow will be managed during the financial year 2019/20. The actual cost of borrowing and interest on investments will depend on market conditions and timing will be an important factor in decisions to be taken on the debt portfolio. The prudential

indicators are still to be finalised as part of the annual budget setting process relating to the capital programme.

- 6.2 Whilst the financial crisis would appear to be receding, the impacts are still being felt in terms of record low interest rates and also how financial institutions are rated and in particular the steps being taken by governments around the globe to bring about stable growth and ensure that risks from banking failures are avoided in the future. The changes highlighted in this report covering changes to the protections for investors in such institutions are likely to impact the Council's treasury strategy for investment going forward and is covered in this report.

7. COMMENTS OF THE DIRECTOR OF LEGAL

- 7.1 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.
- 7.2 There are no immediate legal implications arising from the report.

8. BACKGROUND

- 8.1 The Treasury Strategy set out below is set in the context of the current macro-economic environment and the continuation of record low interest rates.
- 8.2 The Council has an increasing Capital Financing Requirement (CFR) due to the financing requirements of its ambitious capital programme and therefore may need to borrow externally in future years, depending on the actual level of reserves and capital receipts and other resources available to it.

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TREASURY MANAGEMENT STRATEGY 2019/20 TO 2021/22

1 SUMMARY

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the MHCLG's Investment Guidance.

2 BACKGROUND

2.1 The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

2.2 In addition, the Ministry of Housing, Communities and Local Government (MHCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

2.3 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.

2.4 The purpose of this TMSS is, therefore, to set out the:

- Treasury Management Strategy for 2019/20
- Annual Investment Strategy for 2019/20

2.5 The Council invests large sums of money and therefore, potentially, has exposure to certain financial risks concerning the capital sums invested and the effect of changing interest rates. The successful identification, monitoring and control of risk, is therefore central to the Council's treasury management strategy.

3 ECONOMIC BACKGROUND

3.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

3.2 Consumer UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1%

while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

- 3.3 The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.
- 3.4 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
- 3.5 While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

4 INTEREST RATE FORECAST

- 4.1 Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Authority's treasury management adviser believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 4.2 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Authority's treasury management adviser view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is

struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a “no deal” Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside

- 4.3 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose’s interest rate projections, due to the strength of the US economy and the ECB’s forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.
- 4.4 A more detailed economic and interest rate forecast provided by Arlingclose is attached at *Appendix A*.

5 CURRENT POSITION AND BALANCE SHEET SUMMARY

- 5.1 The Council currently (as at 31.12.18) has outstanding external borrowing of £42.8m. Total investments as of the date were £116m.

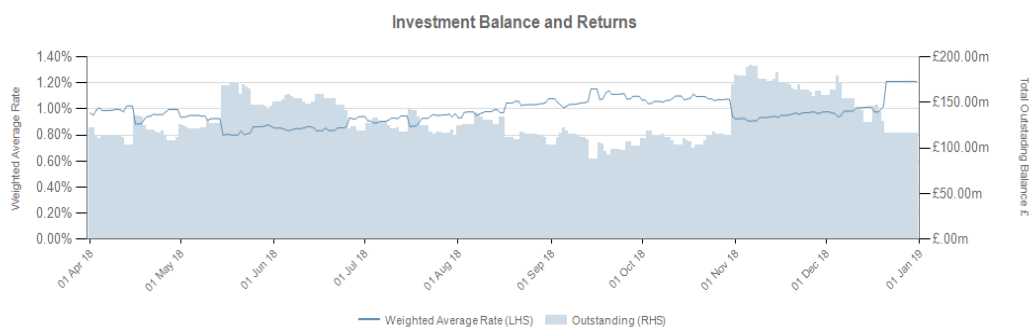
Table 1: Existing Investment & Debt Portfolio Position as at 31/12/18

	Portfolio outstanding as at 31/12/2018 £'000
External Borrowing:	
Market – Fixed Rate	42.800
Total External Borrowing	42.800
Other Long Term Liabilities:	
PFI	13.540
Finance Leases	0.341
Total Gross External Debt	56.681
Investments:	
Short-term monies - Deposits/ monies on call/MMFs	109,543
Long-term investments	6,700
Total Investments	116,243

- 5.2 The Council investment balances have fluctuated over the last year, initially there was an increase due to capital receipts but this has been followed by a slight downward trend, as these were consumed by working capital requirements. Weighted average rate (investment return) has steadily increased, the result of

effective treasury and cash management. The movement of cash balances (thick grey block) and yield (thin blue line) throughout the year is represented in the graph below:

Graph 1: Investment balance and return



5.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, otherwise known as internal borrowing. Forecast changes in these sums are shown in the balance sheet analysis in table 2 below.

Table 2: Balance Sheet Summary and Forecast

	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22*** Estimate £m
General Fund CFR	402	413	407	393
HRA CFR	137	176	288	366
Total CFR	539	589	695	760
Less: Other long-term liabilities *	18	18	17	16
Less: External borrowing **	3	55	163	230
Cumulative Maximum External Borrowing Requirement	518	516	515	514
Less: Usable reserves***	100	100	100	100
Cumulative Net Borrowing Requirement /(Investments)	418	416	415	414

* finance leases and PFI liabilities that form part of the Authority’s debt

** shows only loans to which the Authority is committed and excludes optional refinancing

***Table 2 is subject to finalisation of the Budget Report

- 5.4 The Authority currently has £42.8m in external borrowing. This is made up of a single £2.8m London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration, along with £40m short term to cover liquid cash flow requirements.
- 5.5 Furthermore, the Council has an increasing CFR due to the financing requirements of its capital programme and therefore is likely to need to externally borrow over the forecast period, depending on the actual level of reserves.
- 5.6 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2019/20.
- 5.7 Table 3 set out the operational boundary and authorised limits for the Authority for the coming years:

Table 3: Operational Boundary and Authorised Limit

	31.3.19 Estimate £m	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m
Operational Boundary for External Debt	577	627	731	795
Authorised Limit for External Debt	607	657	761	825

6 BORROWING STRATEGY

- 6.1 The balance sheet forecast in Table 2 shows that the Authority expects to borrow up to £55 million in 2019/20. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £607 million in 2019/20.
- 6.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

- 6.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 6.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Undertaking regular reviews regarding borrowing options, such as cost of carry and breakeven analysis will help determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.
- 6.5 Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. The potential for this as an efficient method of borrowing will be monitored throughout the year.
- 6.6 In addition, the Authority may borrow short-term loans (normally for up to three to six months) to cover liquid cash flow shortages, as required.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board and any successor body
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- Municipal Bond Agency (subject to relevant Council authorisations being in place)
- UK public and private sector pension funds (except London Borough of Hackney Pension Fund)
- Capital market bond investors
- Special purpose companies created to enable joint local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

6.7 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

6.8 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in point 9.4 below.

7 INVESTMENT RISK MANAGEMENT

7.1 Both the CIPFA Code and the MHCLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.2 As a result of the 2008 financial crisis, there has been a major effort by governments and regulators to make legislative and regulatory changes to the banking environment. These changes were undertaken with the aim of preventing the future failures of banks and to move away from tax payer funded bail outs, as was the case for Lloyds and RBS, and move towards a bail in scenario.

7.3 Bail in is whereby a levy on deposits within banks would be made to lower the amount of external bail out needed. It would take place before a bankruptcy with regulators imposing losses on shareholders, bond holders and unsecured deposits.

7.4 Bail in was first introduced during the Cypriot financial crisis in March 2013, when the Cypriot government was to able to re-finance its banks and the EU did not provide the finance to bail the banks out. Subsequently, the Cypriot banks were bailed-in via a levy on all unsecured depositors of more than £100,000.

7.5 The Banking Reform Act (2013) delivered significant reform to the UK banking sector and introduced into law the bail in process as a pre-emptive measure to stop failing banks. This means that unsecured depositors, such as Local Authorities, would be subject to a levy on their deposits if that counterparty was bailed in.

7.6 To reduce and manage this risk, it is recommended that the Council continues with its current investment strategy for high diversification and hold some investments in more secured instruments (those instruments excluded from bail in risk) such as Covered Bonds and Tri-party Repos, as well as looking at non-financial counterparties such as corporations. For unsecured deposits, the Council will continue to ensure high diversification amongst the Banks and Building Societies which will help to reduce single exposure to one organisation and increase diversification.

8 INVESTMENT STRATEGY

8.1 The Authority holds varying levels of invested funds at varying lengths of duration. These investments represent income received in advance of expenditure plus balances and reserves held.

8.2 For the 2018/19 financial year the Council had an average investment balance of £116m as of 31.12.18, down from £136m for the same period last year. It is expected that investment levels will continue to decrease in forthcoming years as balances are used to fund the delivery of the capital programme.

8.3 Given the increasing risk as detailed in section 7, the Authority aims to further diversify into more secure asset classes during 2018/19. During 2017/18 the Council has made a conscious effort to reduce its exposure to bail-in risk via bank deposits. Consequently, the majority of Council investments are no longer in unsecure bank deposits. Instead the majority of the Authorities surplus cash is currently invested in money market funds, deposits in Local authorities and Housing Associations and Corporate bonds.

8.4 In the next year the Council will continue to look to increase its exposure to investments exempt from Bail in, such as Tri-party repos. Tri-party repos is a financial transaction in which one party sells an asset to another party with the promise to repurchase the asset at a pre-specified later date. This could assist in further diversification of investments for the council.

8.5 The Council's 2018/19 Lending Policy reflects this approach by setting separate limits for secured and unsecured investments. Appendix 1 details the Council's lending policy and limits.

8.6 Investment regulations require the Council to determine what specified and non-specified investments it will use. MHCLG guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:

- the UK Government,
- a UK local authority, parish council or community council, or
- a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations as those having a credit rating of A- (or equivalent) or higher, that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

- 8.7 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 4 below.

Table 4: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£90m
Total investments without credit ratings or rated below [A-] which includes non-rated banks and building societies	£45m
Total investments in foreign countries rated below [AA+]	£45m

- 8.8 The Council understands that credit ratings are a good predictor of investment default but are rating agencies’ expressed opinions and not a perfect indicator. Therefore, Officers will use other sources of information; including credit default swap ratings and equity prices, to determine the credit quality of an organisation. These are detailed in the Appendix B, section 1 of the proposed Lending Policy.
- 8.9 No investments will be made with an organisation if there are substantive doubts about its credit quality even though it may meet the Lending Policy criteria. This means the Lending Policy applied operationally may at times be more restrictive than it formally allows.
- 8.10 When deteriorating financial market conditions affect the creditworthiness of all organisations but these are not generally reflected in credit ratings, then the Council will restrict its investments in those organisations to maintain the required level of security. These restrictions may mean that insufficient commercial organisations of “high credit quality” are available for investment and so any cash surplus will be deposited with the government’s Debt Management Office or with other local authorities. This may result in a reduction

in the level of investment income earned but will protect the principal sums invested.

- 8.11 The proposed 2018/19 Treasury Management Strategy has considered a full range of risks and Officers will apply the strategy to ensure that security of deposits is the prime consideration. However, in agreeing the proposed strategy, Members should be aware that there is always a risk of default of counterparties other than the Debt Management Office which is guaranteed by the government.
- 8.12 The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

9 TREASURY MANAGEMENT INDICATORS

- 9.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 9.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

- 9.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3 month period, without additional borrowing.

	Target
Target total cash available within 3 months	£30m

- 9.4 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

	2019/20
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£4m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0.5m

A 1% rise in interest rate exposure is calculated based on the forecast capital financing requirement for the financial year. It is unlikely that borrowing to that extent will be required on short term basis but if borrowing takes place on short term basis then the impact of 1% increase in interest rates will be funded from reserve

A 1% fall in interest rate exposure is calculated based on the current investment portfolio of the council. In the event of fall in interest rate investment strategy will be revisited to identify measures to limit the impact, albeit the Council do not rely on investment income to balance its budget.

- 9.5 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

- 9.6 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£90m	£90m	£90m

10 OTHER ITEMS

- 10.1 There are a number of additional items that the Authority is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

- 10.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 10.3 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 10.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 10.5 **Policy on Apportioning Interest to the HRA:** The Council has adopted a two pooled approach following the self-financing settlement in March 2012. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Where the HRA needs to borrow from the General Fund to meet its remaining borrowing requirement the General Fund is compensated based on what the Council would have to borrow from the PWLB, with rates based on a best decision from a treasury management perspective and the current interest rate outlook. This will be determined annually following advice from the Council's treasury advisers and the interest transferred between the General Fund and the HRA at the year end.
- 10.6 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of individual staff appraisal processes, and additionally when the responsibilities of individual members of staff change.

- 10.7 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.
- 10.8 **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. Arlingclose are an independent treasury advisory company providing unbiased financial advice and capital financing expertise for the public sector. They provide advice on investment trends, developments and opportunities consistent with the Council's chosen strategy relating to investments, debt repayment and restructuring, and also for economic information and data interpretation.
- 10.9 Although the Council uses the expertise of an external provider for treasury management advice relating to investing, borrowing and restructuring of the portfolios, the Council remains fully accountable for any decisions made.
- 10.10 Regular communications are received in relation to economic data releases, interest rate forecast and debt structuring opportunities with, sometimes, daily communications in respect of counterparties. Officers also attend training sessions facilitated by Arlingclose relating to Prudential Code, Treasury Management Code of Practice and Accounting.
- 10.11 Meetings are held on a quarterly basis with Officers of the Council, including the Director Financial Management, to discuss treasury management strategies, which may, from time to time, include discussions in regard to enhancement of the service provision if required. Additional ad-hoc meetings are arranged as required if specific issues arise during the course of the year outside of scheduled quarterly meetings.
- 10.12 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
- 10.13 The total amount borrowed will not exceed the authorised borrowing limit of £607 million in 2019/20. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

11 Other Options Considered

11.1 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Group Director of Finance and Corporate Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2018

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening - previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - London Borough of Hackney's Lending Policy

1. Policy for determining which institutions and instruments are included in the lending policy

1.1 The Council will lend to the following types of institutions;

- UK Central Government
- UK Local Authorities
- UK Police and Fire Authorities
- UK Banks and Building Societies
- Corporate Institutions
- Banks domiciled in other countries or their subsidiaries domiciled in the UK providing the country has a sovereign rating of at least AA+ from each of the three credit rating criteria set out below. If the ratings of a parent bank fall below the minimum criteria, no lending will be undertaken with its subsidiaries even if their ratings continue to meet the minimum criteria
- Supranational Banks
- AAA rated Money Market Funds
- Pooled Funds
- UK registered providers for Social Housing

1.2 The Council will lend using the following types of instruments

- Call and Notice Account
- Fixed Term deposits
- Treasury bills
- Bonds
- Certificate of deposits
- Money Market Funds
- Commercial Papers
- Pooled Funds
- Revolving Credit Facility
- Repurchasing agreements
- Alternatives

- 1.3** The Council may invest its surplus funds with any of the counterparty detailed in paragraph 1.1, subject to the cash limits (per counterparty) and the time limits shown in table 1.

Table 1: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	The Authority's account bank (Lloyds Bank)	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£20 m 5 years	£25m 5 years	£20 m 5 years	£20 m 50 years	£10 m 20 years	£10 m 20 years
AA+	£20 m 5 years	£25m 5 years	£20 m 4 years	£15 m 25 years	£10 m 10 years	£10 m 10 years
AA	£20 m 4 years	£25m 5 years	£20 m 3 years	£15 m 15 years	£10 m 5 years	£10 m 10 years
AA-	£20 m 3 years	£25m 5 years	£20 m 2 years	£10m 10 years	£7.5 m 4 years	£5 m 10 years
A+	£20 m 2 years	£25m 5 years	£15 m 13 months	£10m 5 years	£7.5 m 3 years	£5 m 5 years
A	£15 m 13 months	£20m 5 years	£20 m 5 years	£5 m 5 years	£7.5 m 2 years	£5 m 5 years
A-	£10 m 6 months	£15m 5 years	£10m 13 months	£5m 5 years	£7.5 m 13 months	£5 m 5 years
None	£2 m 6 months	n/a	n/a	n/a	£1m 5 years	£5 m 5 years
Pooled funds	£ 15m per fund but not to exceed 0.5% of the individual fund size.					

- 1.4** As well as the above limitations, no investment will exceed 10% of total investments at the point of the investment being made. This level will be monitored on an ongoing basis.
- 1.5** UK Local governments with no credit rating will be treated in line with the credit rating of the UK central government.
- 1.6** For secured investments, where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.
- 1.7** Sovereign credit rating criteria will not apply to investments in multilateral development banks (e.g. the European Investment bank and the World Bank) or other subsidiaries.

- 1.8** The table 1 shows the minimum credit rating for the Fitch agency. When determining whether the Council should lend to a counterparty, it must have at least the minimum credit rating shown above for all of the agencies which provide a rating. The lowest available credit rating will be used to determine credit quality.
- 1.9** As well as assessing credit rating as an indicator of risk, the Council will also analyse the following sources of information:
- Credit default Swap
 - Equity Prices
 - Economic output
 - Counterparty's financial Statements and financial ratios
 - News
- 1.10** In order to ensure security of the sums invested and to limit the sums that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government organisations) will be £25 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts, foreign countries and industry sectors as set out in the table below:

Table 2: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£25m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£25m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee custodian account	£60m per broker
Foreign countries	£25m per country
Registered Providers	£25m in total
Building Societies	£40m in total
Loans to small businesses	£3m in total
Money Market Funds	£120m in total

Appendix C - Glossary of Terms

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Appendix D

TREASURY MANAGEMENT POLICY STATEMENT

1. Approved Activities

In accordance with the Council's Constitution and Delegated Powers, the Group Director of Finance and Corporate Resources and Officers authorised by the Group Director, may arrange all investments, borrowing, repayment of debt outstanding and leasing required and permitted by the Local Government Act 2003.

Borrowing must be contained within the limit determined under the Authorised Limit of the Prudential Code and used solely for the purpose of the Council's statutory functions. Treasury management operations will comply with the CIPFA Code of Practice.

1. Treasury Management Policy Objectives

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The treasury management activities of the Council will be conducted to achieve the following policy objectives: -

- (a) To ensure that risk to the Council's financial position is minimised by the adoption of sound debt management and investment practices;
- (b) The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

- (c) The overall average rate of interest on short-term investments to be greater than the average seven-day LIBID rate (source: Bloomberg), whilst having regard to the security of funds and the minimisation of risk;
- (d) To have a policy to repay debt, take opportunities to make premature debt repayments, and restructuring of debt when and where it is advantageous to the Council to do so.

2. Adoption of the CIPFA Code of Practice

The Council has adopted the key recommendations of CIPFA Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of that Code.

Accordingly, this organisation will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement, stating policies and objectives of its treasury management activities.
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, prescribing how the Council will manage and control those activities.

The contents of the Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

- The Council will receive reports on its treasury management policies practices and activities, including, as a minimum, an annual strategy and plan in advance of the year.
- The Council delegates responsibility for the implementation, monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the Group Director of Finance and Corporate Resources, who will act in accordance with the policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

3. Investment of Cash Balances

Investment of all balances arising from day to day cash flows, capital receipts, minimum revenue provisions and other financial reserves and provisions will be in accordance with Government regulations or guidelines to produce a maximum return having regard to the security of funds and the minimisation of risk.

The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.

The spread of risk will be controlled by reference to the approved criteria and financial limits. Investment liquidity will be structured with regard to cash flow projections maintained under the authority of the Group Director of Finance and Corporate Resources.

4. Investment Names/Financial Limits

Investments are to be made only to those institutions, which meet the approved criteria for lending, and within the current maximum financial limits as approved, by the Cabinet and Council. Where investments in any of these institutions were made at a time where a higher maximum limit applied, the new maximum limit will be applied as existing investments mature.

Between reports to the Cabinet/Council, the Group Director of Finance and Corporate Resources, under delegated powers, is authorised to revise, and further restrict or relax, the investment names/limits to reflect changes in market sentiment, information and credit ratings.

5. Risk Appetite Statement

The Council's objectives in relation to debt and investment is to assist the achievement of the Council's service objectives by obtaining funding and managing the potential debt and investments at a net cost which is as low as possible, consistent with a degree of interest cost stability and a very low risk to sums invested

This means that the Council takes a low risk position but is not totally risk averse. Treasury management staff have the capability to actively manage treasury risk within the scope of the council's treasury management policy and strategy.

6. Legal Issues

Borrowing and investment will be arranged efficiently through a range of brokers practising in the money markets and, in addition, the Director of Finance and Corporate Resources is authorised to deal directly with counterparties where it is advantageous to do so. The requirements of the Bank of England Non-Investment Products Code (NIPS) (November 2011) will be met in all the above arrangements.

7. Use of Bankers

Approved agreements are currently in place with the Lloyds Bank and the RBS/Natwest Bank for the conduct of banking business for the Council and schools respectively.

The Group Director of Finance and Corporate Resources is authorised to negotiate appropriate changes to the mandates which may be needed to cover any exceptional market circumstances to protect the Council's finances.

8. Review

The Group Director of Finance and Corporate Resources will report to the appropriate committee on the Treasury Management performance as follows:

- **TM Outturn Report –**

Frequency - once a year against the TM Strategy and Prudential Indicators approved for the previous financial year, no later than September of the current financial year

To – Cabinet via the OFP (Overall Financial Position) and Audit Committee

- **TM Half-Year Activity and Performance Report –**

Frequency – a report on its treasury activity and performance, it is anticipated to be no later than January of the current financial year

To – Cabinet via OFP and Audit Committee

- **TM Quarterly Activity Report –**

Frequency - report to be submitted on treasury activity for the previous quarter

To – Audit Committee

- **Ad-hoc –**

Additional reports will be submitted to the appropriate committee as required, in order to react to extreme fluctuations in market conditions and/or increased levels of treasury activity

The Group Director of Finance and Corporate Resources will make such arrangements as are necessary for monitoring daily activities in the treasury functions.

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TREASURY MANAGEMENT UPDATE REPORT 28th January 2019 AUDIT COMMITTEE	Classification: Public
Ward(s) affected None	
Group Director Ian Williams, Group Director of Finance & Corporate Resources	

1. INTRODUCTION

- 1.1 The half year treasury activity report for 2018/19 is the detailed update on the treasury activity for the first six months of the financial year (Appendix 1) and the Q3 treasury activity update for the period October 2018 to December 2018 (Appendix 2).

2. RECOMMENDATION(S)

- 2.1.1 **The Audit Committee is recommended to note the treasury management activity reports at Appendices 1 and 2.**

3. REASONS FOR DECISION

- 3.1 The Treasury Management Half Year Report is required in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") which the Council has adopted. The quarterly update at Appendix 2 is presented in accordance with the Council's Treasury Management Strategy.

4. Policy Context

The CIPFA code of practice requires that those charged with oversight receive regular updates on the progress of Council's treasury strategy during the year. Members are being provided with the detailed report on the first six months activity (to September 2018) with an update of the primary treasury indicators along with the Q3 Treasury Management Report which provides details of activity during the months of October to December 2018.

4.1 Equality Impact Assessment

There are no equality impact issues arising from this report

4.2 Sustainability

There are no sustainability issues arising from this report

5. RISK ASSESSMENT

There are no risks arising from this report as the information provided is in respect of past events. Clearly though the treasury management function is a significant area of risk for the Council, if the function is not properly carried out and monitored by those charged with responsibility for oversight of treasury management.

5.1 Consultations

No consultations have taken place in respect of this report.

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

6.1 The half yearly Treasury Activity Report provides an update to this Committee on the treasury activities undertaken on behalf of the Council for the first six months of the current financial year 2018/19. There are no direct financial consequences arising from the report as it reflects the first half year's performance. 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.

6.2 The third quarter's treasury report covers the latest quarter ending December 2018 and reflects the most recent treasury activity.

6.3 Whilst the financial crisis would appear to be receding, the impacts are still being felt in terms of record low interest rates and also how financial institutions are rated and in particular the steps being taken by governments around the globe to bring about stable growth and ensure that risks from banking failures are avoided in the future.

7. COMMENTS OF THE DIRECTOR OF LEGAL

- 7.1 The Accounts and Audit Regulations 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.
- 7.2 There are no immediate legal implications arising from the report.

8. BACKGROUND

- 8.1 The half yearly Treasury Activity Report (Appendix 1) provides a summary for the Committee on the economic background for the first six months of the current financial year 2018/19, with an update covering the final 3 months of 2018 in the Q3 Activity Report at Appendix 2.
- 8.2 The Council has an increasing Capital Financing Requirement due to the delivery of its capital programme and therefore may need to borrow in future years, depending on the actual level of reserves and cash balances.
- 8.3 With regard to the investment portfolio, security of capital remains the prime consideration, particularly given the world economy still struggling to pull itself out of recession and the continuing sovereign and institutional downgrades. The average rate of interest received on investments at the end of December 2018 was 1.2%, compared to 0.88% in December 2017. The Council has taken a longer term view of its cash balances and interest rates and invested an element of its core cash for a short duration in highly secure counterparties. The level of investments outstanding has decreased from £122 million at the beginning of April 2018 to £116 million at end of December 2018.

APPENDICES

The appendices to this report details the treasury management activities undertaken by the Council. It sets out in detail the economic background in which the treasury management function has had to operate since the beginning of the financial year and the treasury activities which have taken place in the first six months of the financial year to end of September 2018 and for the period October to December 2018.

Appendix 1 – Treasury Management Half Year Activity Report 2018/19

Appendix 2 – Q3 Treasury Management Activity Update Report 2018/19

Report Author	Pradeep Waddon, 020 8356 2757, pradeep.waddon@hackney.gov.uk
Comments of the Group Director of Finance and Resources	Michael Honeysett, 020 8356 3332 michael.honeysett@hackney.gov.uk
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Appendix 1

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2018/19 (6 MONTHS TO 30TH SEPTEMBER 2018)

1. Background

- 1.1 The Annual Treasury Management Report is a requirement of the Council's reporting procedures and this report covers the treasury activity for the first six months of the financial year 2018/19, 1st April 2018 to 30th September 2018.
- 1.2 The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
- 1.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.
- 1.4 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.5 The Authority's Treasury Management Strategy for 2018/19 was approved by full Council on 21st February 2018 and can be accessed on by the following link:
<http://mginternet.hackney.gov.uk/documents/s59421/Appendix3TreasurymanagementStrategy.pdf>
- 1.6 The Authority has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

- 2.1 Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August Inflation Report, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households. The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend.

The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

- 2.2 The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.
- 2.3 Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher money market rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

3. Debt Management

- 3.1 At the beginning of the financial year the Council had one external debt of £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.
- 3.2 In addition, the Council had £30m short term borrowing at the beginning of the year. This short term borrowing was taken at the end of 2017-18 financial year to manage liquid cash flow.
- 3.3 The Authority does not expect to undertake long term borrowing externally in 2018/19. However, it is anticipated that the Council will require to externally borrow for short term cash flow purposes. The Council borrowed £25m in first six months on short term basis to meet the working capital requirement.

Table 1: Debt Portfolio positions as at 01/04/2018 and 30/09/2018

	Balance on 01/04/2018 £'000	Balance on 30/09/2018 £'000	Avg Rate %
Short Term Borrowing*	30,400	40,400	0.75%
Long Term Borrowing	2,800	2,600	1.90%
TOTAL BORROWING	33,200	43,000	
Other Long Term Liabilities	14,600	14,121	
TOTAL EXTERNAL DEBT	47,800	57,121	
Increase in borrowing		9,321	

* Loans that mature within 1 year

- 3.4 For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. However, this position will not be sustainable over the medium term and the Council expects it will need to borrow for capital purposes in due course.
- 3.5 **PWLB Borrowing:** The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period.
- 3.6 **Alternative borrowing sources:** Whilst there are several claims that a competitive, comparable equivalent to long-dated PWLB borrowing is readily available, the Council will continue to adopt a cautious and considered approach to funding from the capital markets when required.

4. Investment Activity

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2018/19 the Authority's investment balances would range between £110m and £150 million.
- 4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Table 2: Investment Portfolio positions as at 01/04/2018 and 30/09/2018

	Balance as at 01/04/2018 £'000	Average Rate of Interest %	Balance as at 30/09/2018 £'000	Average Rate of Interest %
Short term Investments*	51,211	-	46,303	-
Long term Investments	6,700	-	6,700	-
AAA-rated Stable Net Asset Value Money Market Funds	25,350	-	14,200	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	3,000	-	3,000	-
Covered Bonds	3,602	-	0	-
Corporate Bonds	6,961	-	6,853	-
Housing Associations	25,000	-	25,000	-
	121,824	0.95	102,056	1.1

* Less than one year

4.2 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19. Investments are currently held with the following below institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- AAA rated Cash enhanced Variable Net Asset Value Money Market Funds
- Deposits with UK Banks (Notice Accounts)
- UK Housing Associations
- Corporate Bond
- Corporate

4.3 Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution and share price.

4.4 Given the increasing risk and continued low returns from short-term unsecured bank investments the Authority has further diversified into more secure and/or higher yielding asset classes such as; covered bonds which are secured on the financial institutions' assets, pooled funds which have the advantage of diversifying investment risks without

the need to own and manage the underlying investments, coupled with professional fund management, Housing Associations and short/medium term Corporate Bonds which are excluded from Bail-in risk.

5. Credit Risk

5.1 Counterparty credit quality remains an important factor in the Council's assessment of approved counterparties. The Council continuously monitors the overall credit quality of its investment portfolio and this is clearly demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end in-house investment position.

Table 3: 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

6. Counterparty Update

6.1 The ring-fencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – was completed, the transfer of their business lines into retail (ring-fenced) and investment banking (non-ring-fenced) was progressing to be completed by the end of 2018.

6.2 There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ring-fencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2018/19, which were set in March 2018 as part of the Council's Treasury Management Strategy Statement and budget setting report.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2018/19 to 2021/22 are shown in the table below:

	31/03/2019 Estimated £m	31/03/2020 Estimated £m	31/03/2021 Estimated £m	31/03/2022 Estimated £m
Gross CFR	539	589	695	760
Less: Other Long Term Liabilities	18	18	17	16
Borrowing CFR	521	572	678	744
Less: Existing Profile of Borrowing	3	55	163	230
Gross Borrowing Requirement/Internal Borrowing	518	516	515	514
Usable Reserves	100	100	100	100
Net Borrowing Requirement/(Investment) Capacity	418	416	415	414

- **Gross Debt and the Capital Financing Requirement**

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.

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

	31/03/2019 Estimate £m	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m
CFR	539	589	695	760
Gross Debt	3	55	163	230
Borrowed in excess of CFR? (Yes/No)	No	No	No	No

The Group Director of Finance and Corporate Resources reports that the Authority had no difficulty meeting this requirement in to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

- **Usable Reserves**

Estimates of the Council's level of Usable Reserves for 2018/19 to 2020/21 are as follows:

	31/03/2019 Estimate £m	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m
Usable Reserves	100	100	100	100

- **Estimates of 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.

Capital Expenditure	31/03/2019 Estimate £'000	31/03/2020 Estimate £'000	31/03/2021 Estimate £'000	31/03/2022 Estimate £'000
Non-Housing	139	147	105	83
Housing	171	157	205	242
Total	310	304	310	325

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/2019 Estimate £m	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m
Capital receipts	138	128	99	158
RCCO	63	50	51	52
Grants	16	46	18	18
Reserves/discretionary	39	36	31	18
S106/CIL	17	4	-	-
HRA borrowing	36	40	111	78
Total	310	304	310	325

The table above shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

- **Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	31/03/19 Estimate £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Total CFR	539	589	695	760

- **Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Council to set an **Authorised Borrowing Limit**, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Council's **Authorised Borrowing Limit** was set at **£600m for 2018/19**.

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 **Operational Boundary for 2018/19 was set at £570m.**

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; and current borrowing is £2.8m.

	Authorised Limit (Approved) as at 31/03/2019 £m	Operational Boundary (Approved) as at 31/03/2019 £m	Actual External Debt as at 30/09/2019 £m
Borrowing	600	570	43
Other Long-term Liabilities	18	18	13
Total	607	577	56

- **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2017/18 £'000
Upper Limit for Fixed Rate Exposure	100,000
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	20,000
Compliance with Limits:	Yes

- **Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing as at 30/09/18	% Fixed Rate Borrowing as at 30/09/18	Compliance with Set Limits?
under 12 months	0	100	30,400	2.69%	Yes
12 months and within 24	0	100	10,400	2.60%	Yes

months					
24 months and within 5 years	0	100	1,200	1.90%	Yes
5 years and within 10 years	0	100	1,000	1.90%	Yes
10 years and within 20 years	0	100	0	0	Yes
20 years and within 30 years	0	100	0	0	Yes
30 years and within 40 years	0	100	0	0	Yes
40 years and within 50 years	0	100	0	0	Yes
50 years and above	0	100	0	0	Yes

- **Total principal sums invested for periods longer than 364 days**

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2018/19 was set at £90m.

During the reporting period, the Council had a total of £11.5m in a fixed term investment over 365 years.

- **Credit Risk**

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);

- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2017/18 TMSS.

- **HRA Limit on Indebtedness**

Further to changes in government legislation, there is no longer a Housing Revenue Account debt cap.

10. Summary

- 10.1 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 the first two quarters of 2018/19. As indicated in this report 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.

Appendix 2

Q3 TREASURY MANAGEMENT UPDATE 2018/19 (OCTOBER 2018 to DECEMBER 2019)

1. Economic Highlights in Q3 2018/19

- **Growth:** The third estimate of Q3 GDP showed the UK economy expanded by 0.6% over the quarter and 1.5% year-on-year.
- **Inflation:** The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month rate was 2.2% in November 2018, unchanged from October 2018. The Consumer Prices Index (CPI) 12-month rate was 2.3% in November 2018, a decrease from 2.4% in October 2018.
- **Monetary Policy:** In December 2018 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 19 December 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. Brexit uncertainties have intensified considerably since the Committee's last meeting. These uncertainties are weighing on UK financial markets. The further intensification of Brexit uncertainties, coupled with the slowing global economy, has also weighed on the near-term outlook for UK growth.

2. Borrowing & Debt Activity

- 2.1 The Authority currently has £2.8m in long-term external borrowing. This is made up of a single London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration. In addition, council has £40m short term borrowing to meet the working capital requirements.
- 2.2 Close analysis of the Council's cashflow requirements and its Capital Financing Requirement (CFR is an indicator of the overall need to borrow), as it is currently known, indicates that new borrowing, including borrowing proposed in the HRA business plan, will be required in the next 3 years.

3. Investment Policy and Activity

- 3.1 The Council held average cash balances of £148 million during the three month period, compared to £143 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/18 to 31/12/18

	Balance as at 01/10/2018 £'000	Average Rate of Interest %	Balance as at 31/12/2018 £'000	Average Rate of Interest %
Short term Investments*	46,303	-	46,339	-
Long term Investments	6,700	-	6,700	-
AAA-rated Stable Net Asset Value Money Market Funds	14,200	-	22,848	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	3,000	-	3,000	-
Covered Bonds	0	-	0	-
Corporate Bonds	6,853	-	2,356	-
Housing Associations	25,000	-	35,000	-
	102,056	1.1	116,243	1.2

*deposits less than one year

- 3.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.
- 3.3 The Council's specific policy objective is to invest its surplus funds prudently. The Council's investment priorities are:
- security of the invested capital; liquidity of the invested capital; and,
 - an optimum yield which is commensurate with security and liquidity.
- 3.4 The ongoing investment strategy remained cautious but counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below:

Table 3: 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
31/10/2018	4.8	A+	4.8	A+
30/11/2018	4.8	A+	4.8	A+
31/12/2018	5.0	A+	5.2	A+

Value we-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

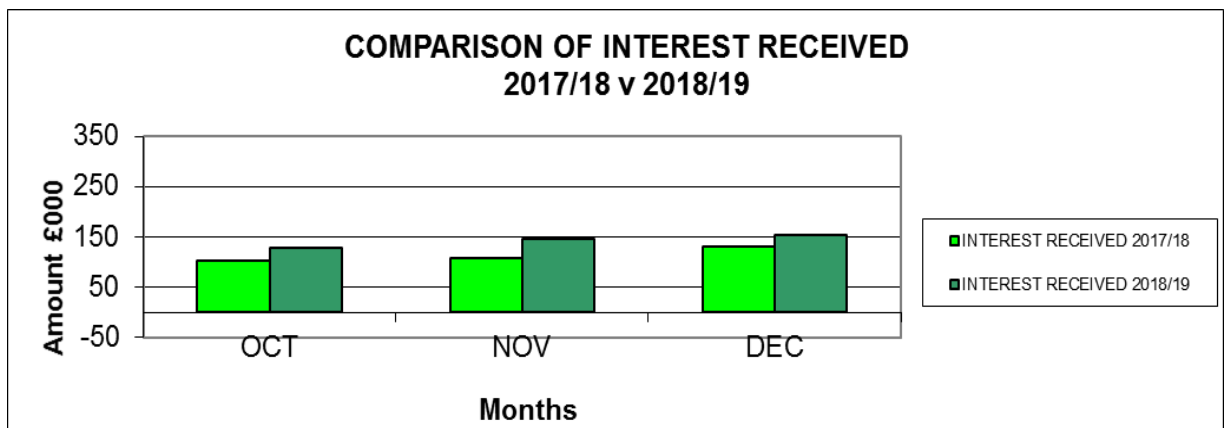
3.5 The Council continues to utilise AAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances, together with high credit rated call accounts. This type of investment vehicle has continued to provide very good security and liquidity, although yield has suffered in recent months

4. Comparison of Interest Earnings

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

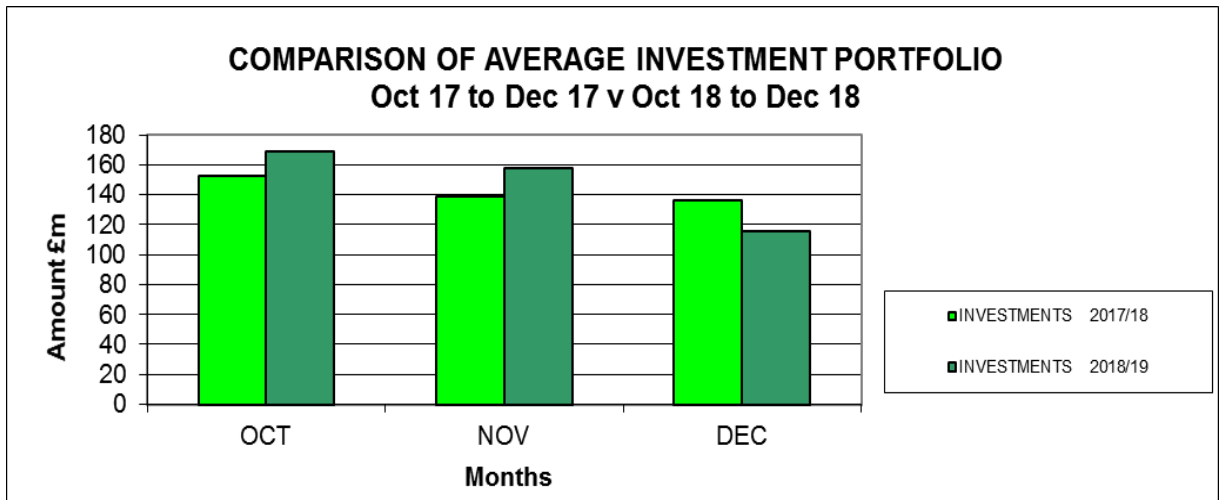
4.2 The graph below provides a comparison of interest earnings for 2018/19 against the same period for 2017/18. The graph highlights that the Council's longer term investment approach is paying dividends with high levels on interest received when taking into account the investment market environment.

Average interest received for the period October to December 2018 was £142k compared to £114k for the same period last financial year.



5. Movement in Investment Portfolio

- 5.1 Average investment levels for period October to December 2018 were £148 million in comparison to the same period last year of £143million.



7. Summary

- 7.1 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 the third quarter of the financial year 2018/19. As indicated in this report, a prudent approach has been taking in relation investment activity with priority being given to security and liquidity over yield.

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AUDIT AND ANTI-FRAUD PROGRESS REPORT JANUARY 2019

**AUDIT COMMITTEE
MEETING DATE 2018/19**

28 January 2019

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

- 2.1. The Audit Committee is recommended to note and consider Audit & Anti Fraud's progress and performance to December 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.
The 2018 Annual Report of the Audit Committee is provided for information in advance of preparation of the 2019 iteration as Appendix 5.

- 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 selected key areas of enquiry are as follows:

Investigation area	Estimated saving arising from enquiries £
Tenancy Fraud	936,000 (minimum)
Overstaying Families	201,792
National Fraud Initiative 2016	27,742
Blue Badge/Parking	1,320
Total	£1,166,854

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 – December 2018

Appendix 2 - Progress with planned audits

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to December 2018

BACKGROUND PAPERS

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

Description of document

None

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Audit & Anti-Fraud Progress Report

1 September – 31 December 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 December 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, trainees rotate every six months. Resources have been impacted by an auditor vacancy and maternity leave as well as the departure of the Head of Internal Audit & Risk Management in November 2018.
- 2.2 The 2018/19 Audit Plan consists of 73 audits, two audits have been postponed since the plan was agreed and management have requested two additional audits be included. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

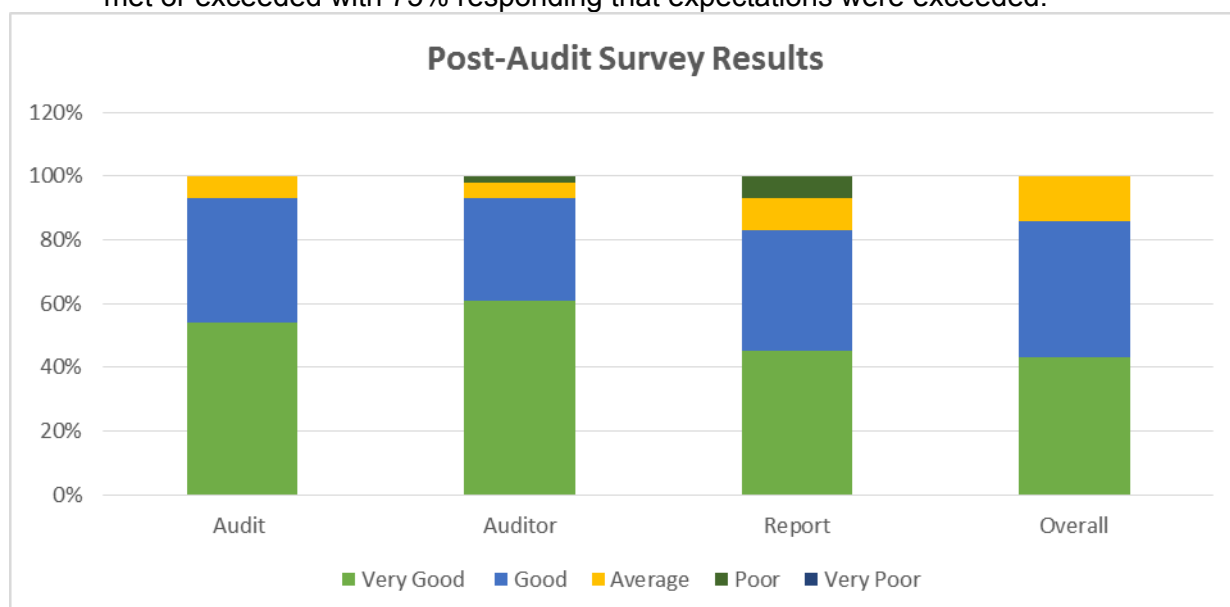
- 3.1 Internal Audit's performance for 2018/19 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

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) 68% complete or in progress by 31 December 2018 2) >15 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** 29% - partially implemented
Client Satisfaction <i>To ensure that clients are satisfied with the service and consider it to be good quality</i>	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) No. of Complaints / Compliments	1) Responses meeting or exceeding expectations 2) Satisfactory 3) Actual numbers reported	1) 97% (75% exceeded expectations and excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

- 3.2 The increase in timeframes from completion of fieldwork to issue of draft report was directly affected by the departure of the then Head of Internal Audit & Risk Management at the end of November 2018. A recruitment exercise undertaken before her departure failed to attract a suitable candidate however, an interim has now been employed to cover this post until a permanent replacement can be found. A new recruitment drive will take place after Christmas. Any outstanding draft reports will be issued in January.
- 3.3 As at 31 December 2018 a total of 50 internal audit reviews have been started from the 2018/19 Plan, 15 have been finalised and a further two are at draft report stage. In addition during this period, 6 reviews have been completed from the 2017/18 Audit Plan and a further three are in draft.
- 3.4 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded with 75% responding that expectations were exceeded.



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	22	30
Fieldwork in progress	11	15
Draft report issued	2	3
Completed	15	20
Total work completed and in progress	50	68%
Original Plan	73	
Cancelled and Postponed	2	
Additional requests	2	
Total Revised Plan	73	

Table 2

- 4.2 The table shows 68% of planned assignments have been completed or are in progress.

- 4.3 The postponed audits relate to (i) Capital Schemes (Public Realm) postponed to align better with the re-tender of this contract, (ii) Health & Social Care Integration/Integrated Commissioning deferred as PWC have recently reported on a review in this area.
- 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	0
Limited	5	2
Reasonable	4	3
Significant	4	1
Not Applicable	2	0
Total	15	6

- 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 December 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.	10	4
Medium	Important issues which should be addressed by management in their areas of responsibility.	48	20
Total		58	24

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 December 2018, three school audits were completed, another three are at draft report stage and fieldwork has commenced at a federation covering another three of the schools and children centres listed in the plan. The remaining 8 audits are scheduled across the spring term 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. In addition follow-up audits were undertaken at two schools.

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 December 2018 are presented in Table 4.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	9	4	0	6	13
Neighbourhoods and Housing	24	11	2	7	37
Finance & Corporate Resources	8	4	1	7	13
Chief Executive's	4	1	0	0	5
Corporate	3	1	0	0	4
Total number	48	21	3	20	72
Percentage (%)*	67%	29%	4%	n/a	100%

* Does not include "Not Yet Due"

Table 4

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. There were 72 'High' priority recommendations followed up, the implementation rate currently stands at 67% fully implemented by the agreed implementation date, with a further 29% partially implemented. The high number of partially implemented recommendations in Neighbourhoods and Housing result from a large number of 'High' category recommendations arising from 4 TMO audits during 2017/18. TMO Services are assisting AAF to ensure that these are implemented and there is progress toward this including regular follow up visits; however, TMOs are separate entities and so the process is taking longer than with many internal clients.

6.3 Of the 225 'Medium' priority recommendations followed up, 82% were assessed as implemented and 5% partially implemented. Details are shown in Table 5 below.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults & Community Health	47	1	8	12	56
Neighbourhoods and Housing	52	7	6	5	65
Finance & Corporate Resources	55	2	12	44	69
Chief Executive's	19	1	2	4	22
Corporate	10	1	2	0	13
Total number	183	12	30	65	225
Percentage (%)	82%	5%	13%	n/a	100%

* Does not include "Not Yet Due"

Table 5

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	16	0	6	3	22
Medium	161	3	13	4	177
Total Number	177	3	19	n/a	199
Percentage (%)	89%	1	10		100%

* Does not include "Not Yet Due"

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Head of Internal Audit & Risk Management left Hackney in November 2018, attempts to fill this vacancy before Christmas were unsuccessful. A further recruitment drive is planned for January 2019. An interim has been recruited to cover this vacancy until a permanent replacement can be found. The vacant auditor post has been filled by one of the Council's CIPFA trainees who has completed their CIPFA training this year, further strengthening the skills and qualifications within the team.

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	5	Limited	FINAL
Gifts and Hospitality	1	3	Reasonable	DRAFT
Rent collection – (arrears & debt recovery)	0	4	Reasonable	DRAFT
Disaster recovery	0	0	Significant	FINAL
Voluntary Sector Grants				WIP
Telephone contracts – monitoring	2	5	Limited	FINAL
Adults with Learning Difficulties				TOR – deferred
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	Completed for 2017/18
Payroll				
Subject Access Requests (SARs)				TOR
IR35				
Matrix agency contract management				WIP
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				Deferred to 2020/21
Mortuary Statutory Review				
Children & Families				
Looked After Children (LAC)	1	3	Reasonable	FINAL
Special Educational Needs (SEN) Transport including 2017/18 follow up				
S17 Children in Need spend				TOR
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	0	7	Limited	FINAL
Facilities Management contract in schools	1	6	Limited	FINAL
FINANCE & CORPORATE RESOURCES (EXCL ICT)				
Strategic Property				
Health & Safety				TOR
Asset management	1	2	Reasonable	FINAL
Capital Projects - Morning Lane (Tesco site)	0	1	Significant	FINAL
Commercial property - debt management				
Financial Management				
VAT				
NNDR/Business Rates				TOR
Accounts Payable				
Treasury and Investments	0	1	Significant	FINAL
General Ledger – Cedar				WIP
Customer Services				
Council Tax				TOR
Housing Benefits				TOR
Cash receipting/banking				
Registrars Services	0	4	Reasonable	FINAL
Temporary Accommodation	2	2	Limited	FINAL
Procurement				
Single Tender Action (STA) Process				
ICT				
Academy IT application review				WIP
iTrent application post implementation review				TOR
IT equipment disposals	1	7	Limited	FINAL
IT Asset Management				WIP
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)

NEIGHBOURHOODS AND HOUSING				
Housing				
Fire related safety work and H&S compliance				
TMOs –Wenlock Barn				DRAFT
- Downs				DRAFT
- Clapton Park – follow up	1	2	Significant	FINAL
- 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				TOR
APCOA parking contract				
CCTV monitoring contract				
Capital schemes				Defer to 2019/20
Waste Collection				
Regeneration				
Hackney Sales				WIP
Schools				
Baden Powell PS				
Betty Layward PS				
Viridis Federation (3 schools)				WIP
Daubeney PS+CC				
New Wave Teaching School Alliance (3 schools)		2	Significant	FINAL
Harrington Hill PS (follow up)		2	Reasonable	FINAL
Holmleigh PS				
London Fields PS				
Mandeville PS				
Princess May PS				DRAFT
Stoke Newington School and Sixth Form				DRAFT
Yesodey Hatorah SGS				
Ickburgh School	3	5	Limited	FINAL
Stormont House School				DRAFT
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 October to 31 December 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	3	2	4	9	12
	Hackney Homes	2	13	10	3	13
	Tenancy Fraud	64	89	269	190	394
	Parking	38	47	62	134	243
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	1	0	5	3	5
	Overstaying Families Intervention Team (OFIT)	15	8	69	54	104
	Hackney Learning Trust	0	0	2	2	0
Finance & Corporate Resources (F&CR)	Finance & Resources	4	2	5	7	9
Chief Executive Directorate	Chief Executive Directorate	6	1	7	7	2
Total		133	162	433	409	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	15	12	3	90	206
Other Local Authorities	13	13	0	44	74
Police	14	14	0	54	51
Immigration	6	6	0	11	10
DWP	206	206	0	654	872
Other	26	26	0	53	24
Total	280	277	3	906	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	63	35
Housing Benefit	4,202 (366)	1	51	19
Housing Tenants	1,368 (972)	1,186	68	344
Right to Buy	136 (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)	2,367	417	3,163
Council Tax Reduction Scheme	3,555 (158)	3	22	n/a
Other	88 (54)	0	29	34
Total	41,232 (5,954)	4,256	1079	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	0	7	5
Resigned as a result of the investigation	2	6	3
Referred to Police or other external body	6	9	13
Prosecution	0	1	7
Referred to Legal Services	0	0	0
Investigation Report/ Management Letter issued	5	14	12
Council service or discount cancelled	10	58	100
Blue Badges recovered	8	31	64
Other fraudulent parking permit recovered	0	6	36
Parking misuse warnings issued	4	9	28
Penalty Charge Notice (PCN) issued	10	22	60
Vehicle removed for parking fraud	0	2	44
Recovery of tenancy	18	41	66
Housing application cancelled or downgraded	18	38	40
Legal action to recover tenancy in progress	104	n/a	n/a
Right to Buy application withdrawn or cancelled	5	8	14

Table 4

Resigned as a result of the investigation

As a result of the investigations conducted by the Audit Investigation Team (AIT) two members of staff left their employment while enquiries were still in progress for the following reasons: -

- Suspected to be working elsewhere while on sick leave;
- Failing to follow procedures.

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 October to December 2018 a total of 18 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 £324,000.

In the same period 18 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 £72,000 and £324,000.

During this period five 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 £540,000.

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). Ten support packages were cancelled or refused following AAF investigation between October and December 2018. This equates to a saving in the region of £3,870 per week, if these had been paid for the full financial year it would have cost Hackney approximately £201,792.

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 8 Blue Badges, this equates to £800, and enforcement charges of £520 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. Two referrals were 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. 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	1	5	4
Restraint	0	0	0
Compensation	0	1	0
Confiscation	0	1	2
Total	1	7	6

Table 5

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.	EXTERNAL AUDIT OPINION PLAN PROGRAMME 2018/19	For information and approval	Ian Williams (Michael Honeysett)
9	AUDIT COMMITTEE WORK PROGRAMME 2018/19	To approve	All

	April 2019	Decision	Group Director and Lead Officer
1	DIRECTORATE RISK REGISTER REVIEW – CHILDRENS, ADULTS & COMMUNITY HEALTH	For information and comment	Anne Canning (Jackie Moyland)
2	DIRECTORATE RISK REGISTER REVIEW – FINANCE & CORPORATE RESOURCES	For information and comment	Ian Williams (Matt Powell)
3	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
4	INTERNAL AUDIT ANNUAL PLAN 2018/19	To approve	Ian Williams (TBA)
5	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
6	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield)
7	REVIEW OF WHISTLEBLOWING	For information and comment	Ian Williams (Michael Sheffield)
8	AUDIT COMMITTEE WORK PROGRAMME 2019/20	To approve	All
10	AUDIT COMMITTEE – ANNUAL REPORT	For information and comment	Cllr Nick Sharman (Chair)/ Michael

			Sheffield
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