AUDIT COMMITTEE

Wednesday, 15th January, 2020

at 6.30 pm

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

Committee Membership

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

Tim Shields
Chief Executive

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

The press and public are welcome to attend this meeting

Hackney

AGENDA
Wednesday, 15th January, 2020

ORDER OF BUSINESS

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

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

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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:

i. relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;

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

iii. affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

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

i. Declare the existence and <u>nature</u> of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).

ii. You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.

iii. If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

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

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

i. It relates to an external body that you have been appointed to as a Member or in another capacity; or

ii. It relates to an organisation or individual which you have actively engaged in supporting.

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

i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.

ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.

iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.

iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Suki Binjal, Interim Director of Legal on 020 8356 6234 or email suki.binjal@hackney.gov.uk

Hackney

AUDIT COMMITTEE

THURSDAY, 10TH OCTOBER, 2019

Present: **Cllr Nick Sharman in the Chair**
Cllr Michelle Gregory (Vice-Chair),
Cllr Yvonne Maxwell and Cllr Clare Potter

Officers: Tim Shields, Ajman Ali, Rob Miller, Michael Honeysett, Michael Sheffield, Dan Paul, Bruce Devile, Matt Powell

Stuart frith (Mazars)

1 Apologies for Absence

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

2 Declarations of Interest

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

3 Minutes of previous meetings on 19th June 2019

3.1 The minutes of the meeting held on 19th June 2019 were agreed as a correct record.

4 Minutes of the special meeting on 24th July 2019

4.1 The minutes of the meeting held on 24th July were agreed as a correct record.

5 Directorate Risk Register Review - Chief Executive

5.1 Tim Shields presented the report. He confirmed that members had been updated on developments around Brexit. Tim Shields reported that the Council's workforce strategy had been through the consultation process and was now proceeding to sign off. Next week's Chief Executive's Roadshow would focus on workforce strategy. In response to a question from Councillor Yvonne Maxwell, Tim Shields reported that if the country left the European Union, funding would continue for some time. The Government had given a commitment to replace this funding when it came to an end. At this stage, the timing and amounts involved was unclear. He reported that Brexit uncertainty impacted on poverty, the economy, productivity, migration and the exchange rate. He confirmed that all efforts were being made to mitigate the current uncertainty brought about by Brexit. The Chair asked if the Council continued to be in a position to provide community outcomes. Tim Shields confirmed that the Council's finances were in a good state with robust risk registers in place and that the Council would be able to achieve its community strategy. He referred to the major risks around the increase in building materials costs, including steel and concrete. Tim Shields referred to the fact that the Council's sickness levels had increased with the main symptoms being anxiety, stress and depression, followed by musculoskeletal symptoms. A member led initiative was now underway around mental health in Hackney Council workforce. In response to member questions he told the Committee that flexible working arrangements were in place at the Council.

5.2 Tim Shields told the Committee about the new risks arising from the establishment of new companies, including an energy company, together with the insourcing of contracts. Most of the companies were in the early stages of formation and there would be a need to put in place appropriate governance arrangements. The Chair stressed the need for the Committee to have oversight of the establishment and operation of these companies, ensuring good governance and financial control. Michael Honeysett confirmed that it would be necessary to produce accounts for these companies.

5.3 The Committee thanked Hackney's Emergency Team for their good efforts in relation to flooding at Finsbury Park. In response to member questions, it was noted that the work had been costed and would be recharged.

5.4 The Chair told the Committee that the slowdown in responding to member enquiries had been raised at a recent Scrutiny Committee meeting and stressed that the credibility of members depended on more speedy responses. Tim Shields confirmed that he was aware of the current situation.

5.5 Councillor Gregory referred to the risks around utility companies and the need to have contingencies to support these.

5.6 The Chair asked if the risks associated with the return of the LLDC had been evaluated. Tim Shields confirmed that some of these risks had been evaluated and that there was now a need to consider the next steps to be taken. The Chair asked to be updated this.

RESOLVED:

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

6 <u>Update on Agency Staff</u>

6.1 The Chair introduced the report from the 'deep dive' into agency staff working at Hackney Council.

6.2 Rob Miller reported on the experience of the ICT in relation to reducing agency staff, telling the Committee that there were now 17 agency staff working in ICT, a reduction from 44 agency staff in January 2018. He told the Committee that this had come about through changes to the pay structure, the introduction of salary supplements and the promotion of the Council's activities, emphasising its' good brand.

6.3 The Chair asked about efforts made to challenge the use of agency staff and stressed the need to set targets for a reduction. Dan Paul told the Committee that each directorate had been asked to develop a strategy for reducing numbers of agency staff. The next steps included the development of plans in relation to agency staff. Councillor Gregory emphasised the need to develop clear criteria for employing agency staff at the Council. Dan Paul confirmed that currently a clear rationale had to be given for the employment of agency staff.

RESOLVED:

To endorse the report.

7 Performance Overview

7.1 Ajman Ali told the Committee that there were approximately 1900 people on Universal Credit in the Borough, with 1300 of these in arrears. Additional staff were being appointed to the service to address this, together with mechanisms being put in place to modernise the service. These processes would end in spring 2020. Income collection policy was being reviewed and provision had been made for bad debt. Changes to direct debit arrangements was also being considered. He said that Brexit would put pressure on household budgets and that those on benefits would, in particular, feel these pressures. He went on to report that there would be a 1% increase in Council housing rents next year. In response to a question from Councillor Maxwell, Ajman Ali agreed to circulate figures on numbers of people on universal credit who were in debt.

Action: Ajman Ali

7.2 In response to Councillor Gregory, Ajman Ali confirmed that the cost of temporary accommodation provision was £11 million net. Councillor Gregory expressed concern that at present individuals in temporary accommodation, on universal credit and in debt were not eligible to apply for council housing. Ajman Ali agreed to ensure that this was considered as part of the review of the Council's allocations policy.

Action: Ajman Ali

7.3 Councillor Yvonne Maxwell asked how the target in relation to household waste was set and whether there were plans to increase this target. Bruce Devile reported that this was a complex calculation based on data and stress levels.

7.4 Dan Paul reported that there had been an increase in sickness levels with a significant increase in long term sickness. The most common illnesses were now anxiety, stress and depression. Directors and Group Management teams now had access to detailed real time data on sickness with the ability to analyse the figures in detail. This was an area of significant focus for managers and would be a part of the upcoming Workforce Strategy. The Chair asked for a more detailed report back on sickness levels with reduction targets, together with feedback on the effectiveness of the sickness data system, currently in place.

Action: Dan Paul

7.5 Councillor Gregory asked about any patterns of sickness relating to working in the Hackney Service Centre, given the levels of noise experienced at that location. Dan Paul agreed to give consideration to an assessment on this.

Action: Dan Paul

7.6 Yvonne Maxwell asked about what action was being taken in relation to the employee stress levels. Dan Paul confirmed that it was management responsibility to ensure proper risk assessments in this regard. Councillor Potter queried whether austerity was a contributing factor in the increase in levels of sickness at the Council.

RESOLVED:

To note the performance indicators at appendix 1, the Risk Management Scorecard at appendix 2, together with the current capital monitoring update at appendix 3.

8 Corporate RIPA Policy Review

8.1 Michael Sheffield introduced the report. The report presented the revised corporate policy on the use of surveillance and communications data powers as authorised under the Regulation of Investigatory Powers Act (RIPA) 2000 and the newly enacted Investigatory Powers Act (IPA) 2016. The Committee noted the summary of key changes to the revised policy including in relation to:

- Guidance is provided on when access to social media records may constitute activity that is governable by RIPA
- The introduction of the Investigatory Powers Act
- Changes to the list of key RIPA officers to reflect updated structures and personnel who have cause to use surveillance and communications data powers.

8.2 Michael Sheffield told the Committee that the powers could be used in cases of tenancy fraud and anti-social behaviour. He confirmed that the RIPA and IPA powers would be drawn on only in cases of serious crime where the law allows.

8.3 The Chair asked about the extent of the usage of these powers. Michael Sheffield confirmed that the RIPA powers would only be drawn on as a last resort and there that there no expectation at this time that usage would be markedly different from recent years. IPA powers were specifically not seen as a tool of last resort so there was a higher expectation that applications for these powers might be made.

RESOLVED:

To approve the revised corporate surveillance and communications data policy and the procedure at appendix 1.

9 Treasury Management Update

9.1 Michael Honeysett introduced the treasury management outturn report and the actual prudential indicators for 2018/19 for the Audit Committee. This set out the background for treasury management activity over the previous financial year, confirming compliance with treasury limits and prudential indicators. The Committee also received a quarterly update on treasury management activity for the period June 2019 to August 2019.

9.2 Michael Honeysett reported an increase in the gross borrowing requirement with a large increase in net borrowing since 2017. Investment levels had increased due to the long-term borrowing from the Public Works Local Board in respect of the Council's capital programme. The Committee noted that the Council's investment vehicle offered a good level of security and increased diversification for the Council's portfolio, whilst achieving a reasonable yield.

RESOLVED:

To note the report.

10 Audit & Anti Fraud Quarterly Progress Report

10.1 Michael Sheffield introduced the report on the performance of the Audit and 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 investigations teams. Michael Sheffield reported that:

- Estimated savings arising from enquiries was £2,254,153
- In relation to the 2019/20 Audit Plan, 37 assignments had been completed or were in progress
- During the reporting period, 11 reviews were completed from the 2018/19 Audit Plan
- 17 % of audits completed in the reporting period resulted in a 'Limited' or 'No assurance' rating, compared to 26% in the previous year
- Of the 320 'medium' priority recommendations followed up, 85% were assessed as implemented and 8% partially implemented
- During the period April to August 2019 a total of 39 tenancies had been recovered by the TFT compared to 23 in the previous year
- 28 housing applications had been cancelled following TFT review
- 5 Right to Buy applications were cancelled following investigation

RESOLVED:

To note and the Audit and Anti Fraud's progress and performance to 30 September.

11 Work Programme

RESOLVED:

To note the work programme.

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

12.1 The Chair reported that he had met with relevant officers to discuss Contract In-sourcing and that a draft paper would be produced with a meeting towards the end of the month.

13 Date of the next meeting of the Committee - 15th January 2020

13.1 Noted that the next meeting would be on 15th January.

Duration of the meeting: 6:30 – 8:45 pm

Chair at the meeting on
Thursday, 10 October 2019

PERFORMANCE OVERVIEW

AUDIT COMMITTEE MEETING DATE 2019/20 **15 January 2020**	**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, the Risk Management Scorecard in Appendix 2 and the current capital monitoring update in Appendix 3 (all attached to this report).**

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 Business Intelligence and Members Services, 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 the Committee that the Council has moved from a debt free position to a substantial external borrowing position over the last few years, 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 resources are available to meet the capital expenditure plans.

4.7.5 This reporting is now enhanced in this report to include an update on the main areas of the capital programme via inclusion of capital extract from the latest Overall Financial Position (OFP) Report to Cabinet. Work is underway that will enable us in future to supplement this with the latest forecast capital financing summary, thus allowing further insight into capital resources available to the Council and more detailed review of actual borrowing required.

4.7.6 It should be noted that the capital monitoring report to Cabinet and hence to Audit Committee now includes more discrete data regarding the actual delivery of the capital programme. This is in recognition that the previous reporting focused on the financial elements (i.e., actual outturn compared to budget expenditure) but did not give too much indication of progress of the schemes, although the RAG rating of individual schemes is intended to give a high level indication of this.

4.7.7 An extract from the latest OFP regarding the capital monitoring information is attached as **Appendix 3** to this report for information.

4.8 RISK MANAGEMENT

4.8.1 Audit Committee have over several meetings discussed their requirement to be able to also consider the wider picture of risk management within the Council on an ongoing basis. In addition to the Directorate and Corporate registers reviewed at Committee meetings, it was felt some additional information and commentary would be helpful in painting a fuller picture and also increasing levels of assurance regarding how risks are identified and managed. At each meeting, an updated scorecard of the Corporate Risks will be presented, and this will form the main part **Appendix 2**. This will ensure a continual overview is supplied of the Council's strategic risks.

4.8.2 In order to provide some more information on project risk management, an appendix has also been included on the Britannia project which serves as a clear example of a more detailed project register.(**Appendix 4**)

4.9 CIPFA FINANCIAL MODEL

CIPFA have also recently released a new code, the Financial Management Code (the Code), again partly in response to the financial issues that arose at Northamptonshire County Council. It sets out a range of measures and actions that should be in place in an authority to ensure stronger financial stewardship.

4.9.1 The brief at Appendix 5 provides a top level summary of the requirements of the code which must be followed from the April 2021, with the 20/21 financial year to be used as a measure of where the authority currently sits against its requirements. The detailed guidance notes in support of the Code are to be published in January 2020 and the Council will carry out a detailed analysis of the requirements and the Council's current standing against those in order that any gaps can be filled and current processes enhanced to ensure that the requirements are fully met by April 2021.

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 Business Intelligence and Members Services, 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

Appendix 4 - Britannia risk register

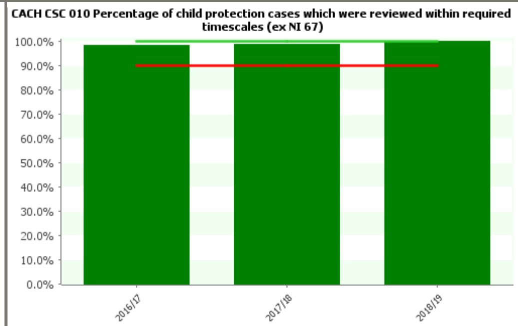
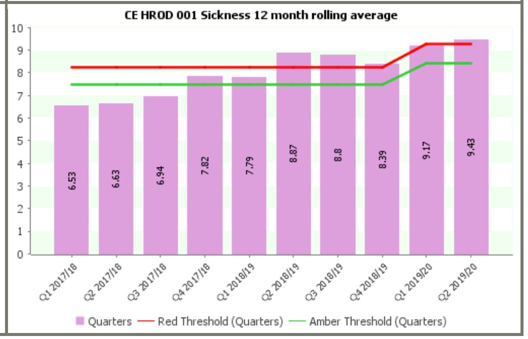
Appendix 5 - CIPFA Financial Model

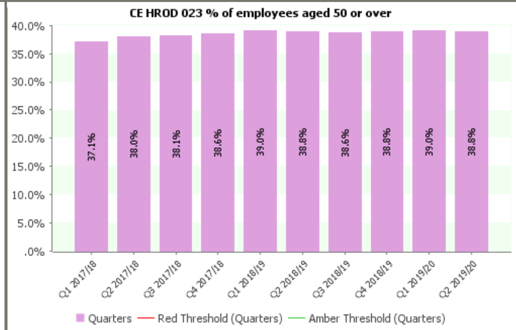
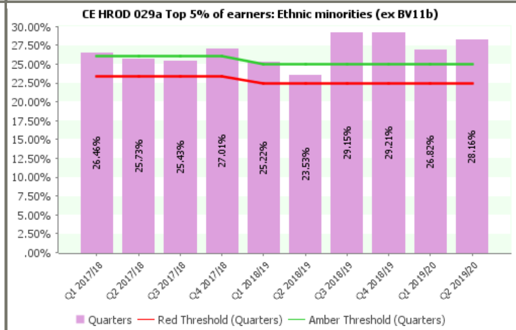
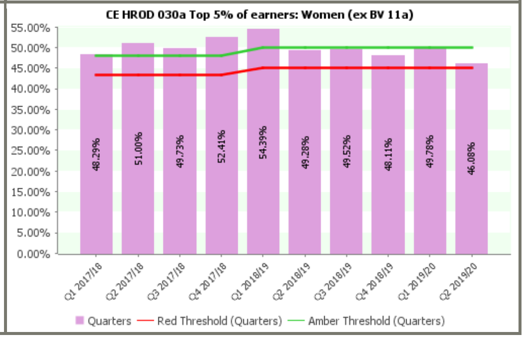
BACKGROUND PAPERS

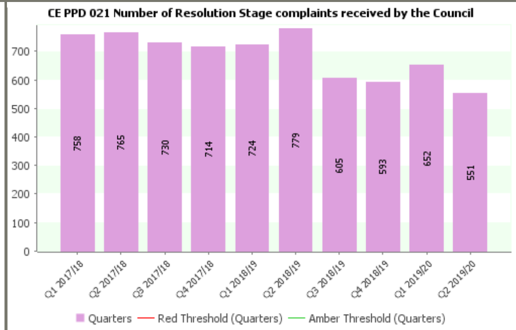
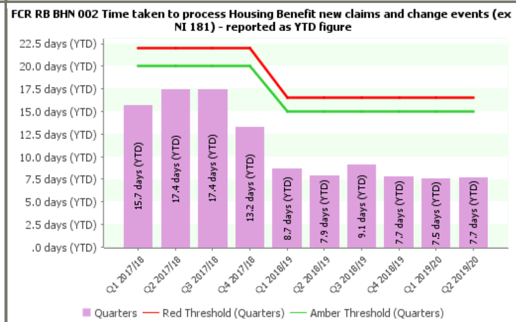
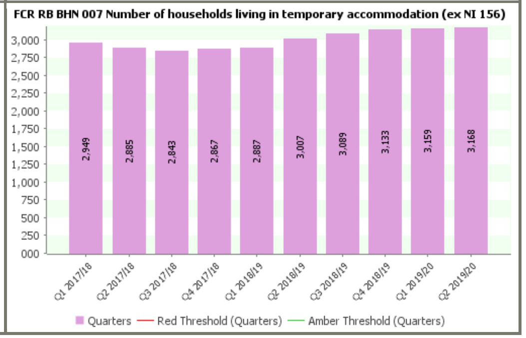
None

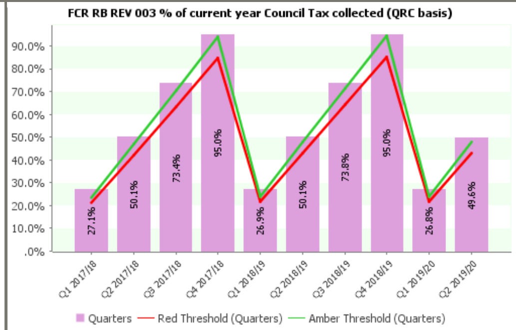
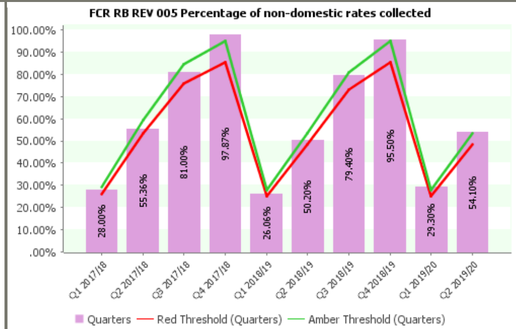
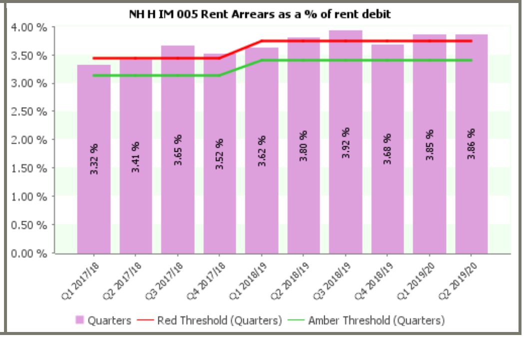
Report Author	Matt Powell 020-8356 2624 matthew.powell@hackney.gov.uk
Comments of the Group Director, Finance and Corporate Resources	Michael Honeysett 020-8356 3332 michael.honeysett@hackney.gov.uk
Comments of Director, Legal	Dawn Carter-McDonald 020-8356 4817 dawn.carter-mcdonald@hackney.gov.uk

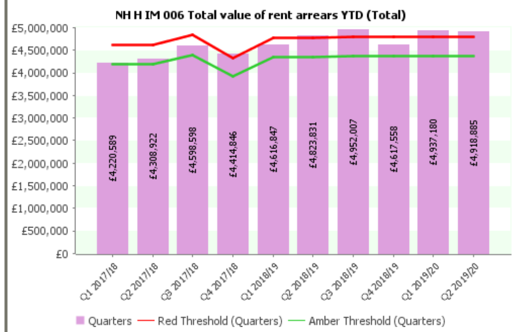
Audit Committee Report 2019

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
CACH CSC 010	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	99.0%	100.0%	Not measured for Quarters			100.0%			
CE HROD 001	Sickness 12 month rolling average	7.82	8.39	9.17	9.43	The sickness indicator, drivers and actions and the latest performance were covered in detail at the last audit committee meeting, and the figure given in that meeting as the latest performance is exactly reflected in this report.	8.43			

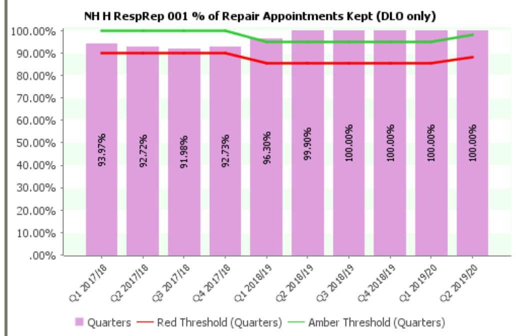
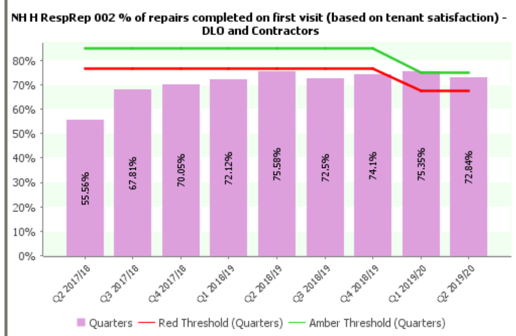
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
CE HROD 023	% of employees aged 50 or over	38.6%	38.8%	39.0%	38.8%		Data Only			
CE HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	27.01%	29.21%	26.82%	28.16%		25.00%			
CE HROD 030a	Top 5% of earners: Women (ex BV 11a)	52.41%	48.11%	49.78%	46.08%		50.00%			

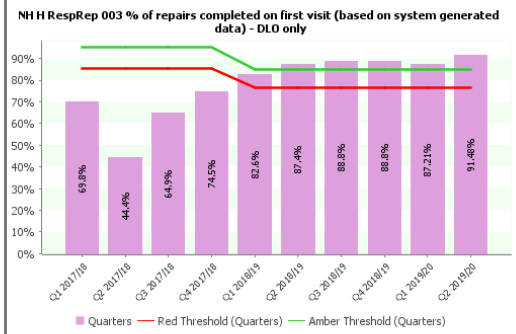
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
CE PPD 021	Number of Resolution Stage complaints received by the Council	2967	2701	652	551		Data Only			
FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	13.2 days (YTD)	7.7 days (YTD)	7.5 days (YTD)	7.7 days (YTD)		15.0 days (YTD)			
FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	2,867	3,133	3,159	3,168		Data Only			

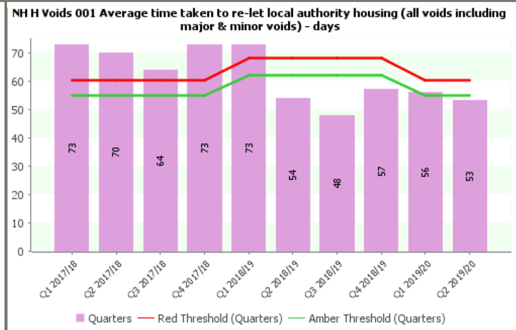
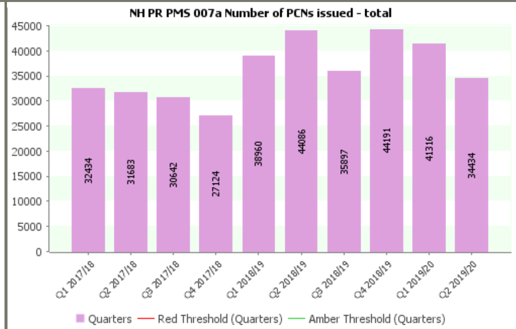
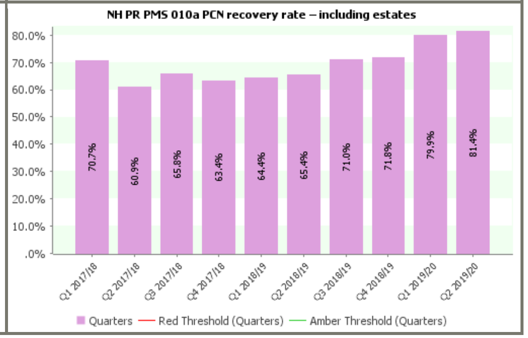
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
FCR RB REV 003	% of current year Council Tax collected (QRC basis)	95.0%	95.0%	26.8%	49.6%		94.5%			
FCR RB REV 005	Percentage of non-domestic rates collected	97.87%	95.50%	29.30%	54.10%		95.00%			
NH H IM 005	Rent Arrears as a % of rent debit	3.52 %	3.68 %	3.85 %	3.86 %	As at the end of September 2019, we had 1913 tenants on Universal Credit (UC) and an arrears value of £1,590,849. We are receiving about 100 new UC cases every month. The average debt owed by UC tenants is currently £1,180, as it takes anything up to nine weeks for claims to be processed. While most of the arrears are administrative, it is having a significant impact on the PIs. This is by no means unique to Hackney Council,	3.40 %			

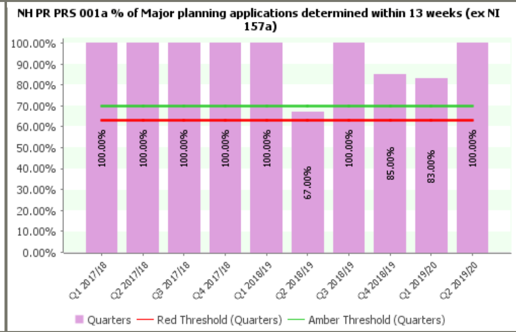
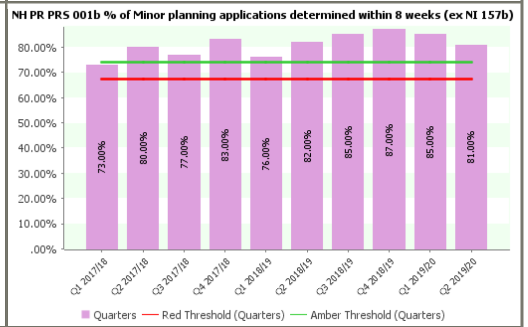
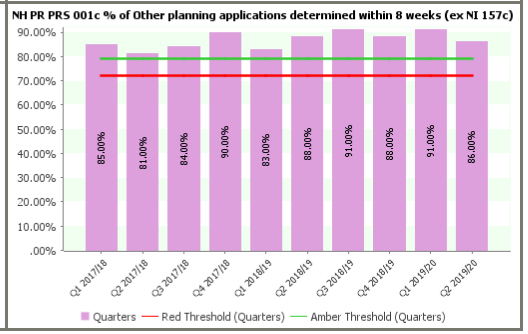
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH H IM 006	Total value of rent arrears YTD (Total)	£4,414,846	£4,617,558	£4,937,180	£4,918,885	as other local authorities and Housing Associations are experiencing an increase in the level of rent arrears as a direct result of UC. Unfortunately, this has created additional workload and pressure for the team. The Head of Income will be carrying out an analysis, to establish if the team is adequately resourced to deal with the challenges and increased workload as some local authorities have established dedicated Universal Credit teams. The Head of Income is in the process of reviewing the team structure, to ensure it is fit for purpose. Essentially, we are aiming to create smaller patches for Income officers, so they can manage arrears cases in an efficient and effective manner. We are expecting to have the new structure in place in early 2020/21. The team will commence a "Pay Your Rent This Christmas" campaign in November, reminding residents to pay their rent and not to spend the money on presents. Leaflets and posters will be placed in all the area offices, HSC and in the November edition of "Our Homes". Discussions have progressed regarding the introduction of "any day" direct debits. The Head of Income Services met with both the Head of Banking & Treasury and the Principal Financial Systems Officer in November 2019 and there was agreement that there was	£4,366,787			

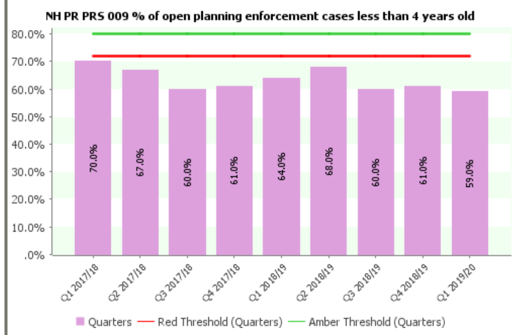
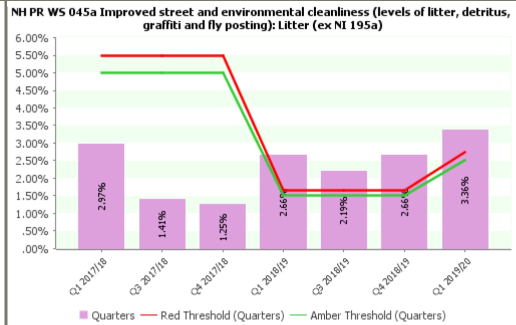
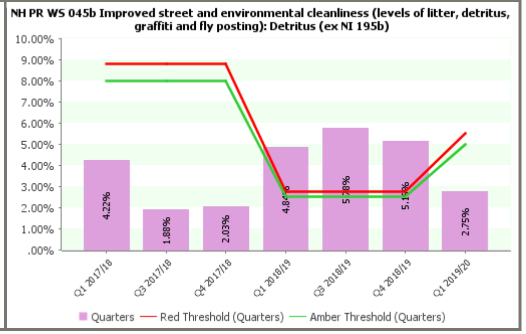
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
						no reason why this should not be introduced. They will obtain costing from CivicaPay, and if it is favourable and achieves value for money, the expectation is that we will go live with this from April 2020. This is particularly important in relation to UC, as we want residents to be able to set up direct debits so their bank account is debited on the day they receive their UC payment. We are in the process of reviewing the Income policy and procedures as well as the arrears letters, to ensure they are fit for purpose. The deadline for reviewing the policy and procedures is April 2020. Emphasis will be placed on early intervention and a firm but fair approach to dealing with cases. Closer monitoring of cases is in place, to ensure officers are working in line with our escalation process, as well as being firm but fair with residents. The DD incentive has been postponed to coincide with the go-live date for the paperless any day DD, which will be introduced from April 2020.				

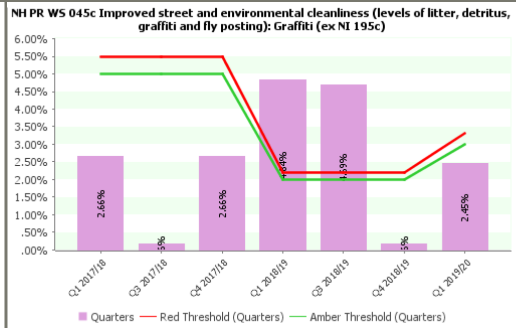
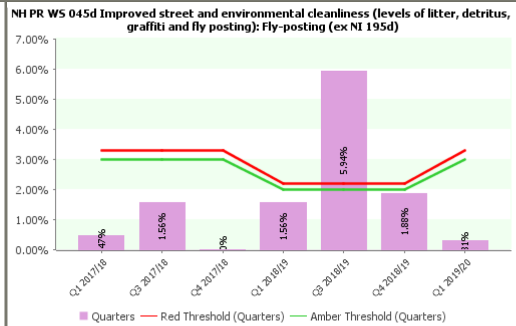
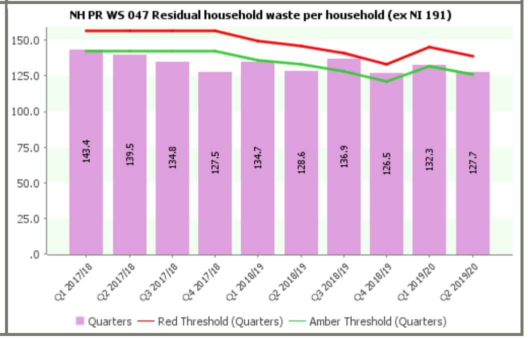
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH H RespRep 001	% of Repair Appointments Kept (DLO only)	92.82%	99.16%	100.00%	100.00%	Q2 saw 100% of appointments kept using the current methodology. Under that methodology, the appointment is met if we attend on the agreed day. In addition, there are a number of scenarios which do not count as appointments being missed when this indicator is calculated. These include No Accesses and Leave To Return jobs. Finally, jobs that are rebooked (e.g. if an operative is sick) do not count as missed appointments. We are currently undertaking a piece of work with the DLO to refine the current methodology.	98.00%			
NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors	67.08%	73.41%	75.35%	72.84%	A total of 670 individual satisfaction survey responses were received during Q2 (once 60 duplicate responses had been removed). This represented a 14.73% (86) increase in the number of responses received compared to Q1. Of this total, 488 respondents (72.84%) stated that they were satisfied that their repair had been completed on first visit. The Q2 figure of 72.84% is just over two percentage points below the 75% target figure and also represents a decline of 2.5 percentage points on Q1 performance. This reflects the fact that satisfaction levels fell below 72% during all of June, July and August. However, September saw performance rise to 74.5% on the back of 187 of the 251 survey respondents stating that they were satisfied that their repair had been completed on first visit. With managers receiving real	75%			

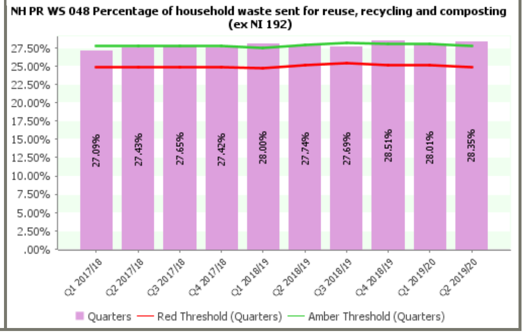
PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
						time satisfaction data to their inboxes on a daily basis we will be able to monitor progress regularly to ensure that this September improvement is maintained/continued.				
NH H RespRep 003	% of repairs completed on first visit (based on system generated data) - DLO only	63.7%	86.15%	87.21%	91.48%	The Q2 outturn was 91.48%, with 12,426 of the DLO's 13,584 reactive repair jobs completed on first visit. This is nearly five percentage points above the corresponding figure for Q1 and reflects the steady monthly increase in performance levels that has been seen since April 2019. A full breakdown of this improved performance is provided below. Breakdown: Apr 2019: 86.66% (3968/4579) May 2019: 85.62% (3788/4424) Jun 2019: 88.59% (3697/4173) Jul 2019: 88.32% (4085/4625) Aug 2019: 91.31% (3848/4214) Sep 2019: 94.69% (4493/4745) Q1 2019: 86.92% (11453/13176) Q2 2019: 91.48% (12426/13584)	85%			

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH H Voids 001	Average time taken to re-let local authority housing (all voids including major & minor voids) - days	70 days	59 days	56 days	53 days	134 properties were re-let in Q2 2019/20, with an average turnaround time of 53.1 days. This is above target and an improvement on the Q1 figure of 56 days. July and August had an average turnaround of 56 days. September's void turnaround was particularly good, at 48 days.	55 days			
NH PR PMS 007a	Number of PCNs issued - total	118363	162934	41316	34434	**PCNs:** - Street(18032)/Car Park(411): 18443 - Estate: 3764 - CCTV: 12227 **Warnings:** --CCTV Warnings Westgate St: 500	Data Only			
NH PR PMS 010a	PCN recovery rate – including estates	66.5%	69.9%	79.9%	81.4%	Number of PCN paid - 30,073 Number of PCN issued - 36,965	Data Only			

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	100.00%	90.00%	83.00%	100.00%		70.00%			
NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	78.00%	82.00%	85.00%	81.00%		75.00%			
NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	85.00%	88.00%	91.00%	86.00%		80.00%			

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH PR PRS 009	% of open planning enforcement cases less than 4 years old	61.0%	61.0%	59.0%	60.0%	60% of the open planning enforcement investigations are under 4 years old. 40% of cases are older than 4 years due to a lack of resource in the litigation team in order to progress prosecution cases, in addition to the current structure of the Enforcement Team where only one Prosecutions & Compliance officer is in post. A strategy is in place whereby the 60% figure will increase, with responsibility for prosecutions and compliance spread throughout the enforcement team, and a temporary 2year post in the litigation team being created in order to deal with 'historic' cases	80.0%			
NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	1.88%	2.50%	3.36%	N/A	Tranche 2 will be reported in Q3	2.50%	N/A	N/A	
NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	2.71%	5.26%	2.75%	N/A	Tranche 2 will be reported in Q3	5.00%	N/A	N/A	

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	.21%	3.23%	2.45%	N/A	Tranche 2 will be reported in Q3	3.00%	N/A	N/A	
NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	2.29%	3.13%	0.31%	N/A	Tranche 2 will be reported in Q3	3.00%	N/A	N/A	
NH PR WS 047	Residual household waste per household (ex NI 191)	545.1kg	521.9kg	132.3kg	127.7kg		519.0kg			

PI Code	Short Name	2017/18	2018/19	Q1 2019/20	Q2 2019/20		Annual Target 2019/20	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Value	Note				
NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	27.40%	27.90%	28.01%	28.35%		28.00%			

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 2020 (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 2019.

	Corporate	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	Pension fund (SRCR 0010)	15	⇔	15	12
6	Impact of New Legislation / Welfare reform (SRCR 0013)	12	⇔	12	12
7	Workforce (SRCR 0018)	8	↓	12	9
8	Recruitment and Retention (SRCR 0018B)	8	⇔	9	9
9	Information Assets (SRCR 0020)	16	⇔	16	9
10	Corporate Resilience (SRCR 0020B)	15	⇔	15	12
11	Cyber / Information Security	8	⇔	8	9
12	Person suffers significant harm, injury or death (SRCR 0023)	15	⇔	15	12
13	Devolution (SRCR 0024)	12	⇔	12	12
14	Contract Procurement and Management (SRCR 0025)	12	⇔	12	8
15	Impact of government reforms on education service delivery (SRCR 0027)	16	↓	20	12
16	SEND funding (SRCR 0028)	25	⇔	25	12
17	Serious safeguarding failure in school (SRCR 0029)	16	⇔	16	9
18	Fire Safety (SRCR 0031)	10	⇔	10	12
19	Inaccurate or late pay information supplied to LGPS (SRCR 0033)	20	⇔	20	12
20	Setting up Council owned companies (SRCR 0035)	12	⇔	12	9
21	Insourcing (SRCR 0036)	12	⇔	12	9
22	Risks posed by unregistered schools and settings	16	**NEW**	NEW	9
23	Universal Credit (SRCR 0037)	20	**NEW**	NEW	12

	Additional Risks	Current Risk	Direction of Travel	Previous Score	Target Risk
1	North London Waste Authority (NLWA)	12	⇔	12	9
2	Reputation Management (SRCR 009)	9	⇔	9	6
3	Insurance: Premiums exceed budget	16	⇔	16	12
4	Major Fraud not identified (SRCR 0034)	9	⇔	9	6

5	Breach of Statutory Requirements on Elections and Electoral Registration	12	⟺	12	8
6	Integrated Commissioning (SRCR 0032)	16	⟺	16	12

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 (notably Brexit, and the increased chance of elections, new legislation, interest rate changes). Two new risks have been escalated to Corporate level in the last couple of months. The first concerns Universal Credit, which has featured within some other risks but was considered enough of an area in its own right to be escalated to the Corporate register. The second new risk concerns unregistered schools, and was escalated by the Hackney Learning Trust as it was considered as a matter of increasing concern.

Brexit continues to have a major influence on risks throughout the Council. Since last reported on, there have been numerous developments and votes relating to the potential of a final deal, or failing that, there being no deal. Now, with the clear general election result in December, it appears Brexit will definitely occur by January 31st, although the terms of the departure remain as unclear as ever. Clearly, the nature of any deal (or lack of one) will impact on the future work of the Council so the risk remains very highly rated whilst we await some clarity on exactly what will be agreed.

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 2020, so the full details on all risks will be provided then.

CAPITAL EXTRACT FROM THE OVERALL FINANCIAL PERFORMANCE REPORT

CABINET: NOVEMBER 2019

4.7 Capital

This is the second OFP Capital Programme monitoring report for the financial year 2019-20. The actual year to date capital expenditure for the six months April 2019 to Sept 2019 is £58.6m and the forecast is currently £270.3m, £87.7m below the revised budget of £358m. 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 2019-20 has been completed and November Cabinet will be asked to approve a total of £86.7m transferred into future years. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Table 1 – London Borough of Hackney Capital Programme – Q2 2019-20	Revised Budget Position	Spend as at the end of Q2	Forecast	Variance (Under/Over)	To be Re-profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	28,250	2,703	13,952	(14,298)	13,771
Finance & Corporate Resources	118,919	26,448	96,423	(22,496)	23,451
Neighbourhoods & Housing (Non)	39,566	2,895	31,469	(8,096)	6,696
Total Non-Housing	**186,734**	**32,046**	**141,844**	**(44,890)**	**43,918**
AMP Capital Schemes HRA	87,936	9,536	69,608	(18,328)	17,857
Council Capital Schemes GF	797	545	2,535	1,738	(244)
Private Sector Housing	2,717	591	1,695	(1,023)	0
Estate Renewal	59,669	11,542	34,665	(25,005)	25,005
Housing Supply Programme	16,922	593	8,289	(8,634)	8,634
Other Council Regeneration	3,197	3,712	11,665	8,467	(8,467)
Total Housing	**171,239**	**26,519**	**128,455**	**(42,784)**	**42,784**
Total Capital Expenditure	**357,973**	**58,565**	**270,299**	**(87,674)**	**86,702**

<u>CHILDREN, ADULTS AND COMMUNITY HEALTH</u>

The current forecast is £13.9m, £14.3m below the revised budget of £28.3m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Adult Social Care	2,110	41	270	(1,840)
Education Asset Management Plan	6,420	961	4,477	(1,942)
Building Schools for the Future	617	(41)	161	(457)
Other Education & Children's Services	1,320	391	522	(798)
Primary School Programmes	10,029	562	6,016	(4,013)
Secondary School Programmes	7,754	789	2,505	(5,249)
TOTAL	**28,250**	**2,703**	**13,952**	**(14,298)**

Adult Social Care

The overall scheme is forecasting an underspend of £1.8m against the budget of £2.1m. The main variance relates to the budget set aside for the Median Road Refurbishment programme. The feasibility study for Median Road is concluded and we are awaiting the full business case, therefore, the remaining variance will be re-profiled to 2020-21. This capital project is the Council's proposal to transform the current configured Median Road Resource Centre into a new facility which provides interim care services, intermediate care services and residential nursing care accommodation to adults with learning disabilities.

Education Asset Management Plan

The overall scheme is forecasting an underspend of £1.9m against a budget of £6.4m. The budget has been reviewed and no further capital works have been identified for 2019-20, therefore, the variance will re-profiled to future years to support works that take place in that period. Shoreditch Park School AMP is forecasting an overspend of £0.9m against a budget of £1.1m. The proposals for improving facilities at Shoreditch Park Primary School continue to be developed and, as such, the budget for funding these has been revisited as proposals are firmed up. This has meant that required budgets have to be increased where the final specifications have increased over the initial estimate. This includes the refurbishment of an area of road into a playground which will need additional expenditure but the variance will be covered by underspends in other schemes.

Building Schools for the Future

The overall scheme is forecasting a minor underspend against budget of £0.6m. Mossbourne Victoria Park Academy is complete and on target to pay final accounts. Stormont House School SEN is complete, but the final accounts are being contested therefore the variance has been reprofiled to 2020-21.

Primary School Programmes

The overall Primary School Programme 2019/20 is forecasting an underspend of £4m against the budget of £10.1m. The main scheme relates to Phase 3A of the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. There was a delay in agreeing the scope of work for a number of the Schools. This led to the tranche of work slipping. This scope has now been prepared and issued to School Heads. The consultants are currently in the process of completing the phasing, programme and segregation requirements and have commenced developing detailed designs and producing tender documents. The programme sets contractor appointment/mobilisation period between January 2020 and March 2020, hence the variance. Approximately 20% of the budget has been profiled towards initial mobilisation costs. The variance has been reprofiled to future years to reflect programme construction start date.

Secondary School Programmes

The overall scheme is forecasting an underspend of £5.2m against the budget of £7.8m. This largely relates to Urswick School Expansion which is reporting an underspend of £3.9m. At Q1 the capital project was put on hold as the contractor went into liquidation. A new contractor will be procured but we are hopeful that as we have the majority of drawn information and surveys undertaken by the previous contractor, that the project can start with immediate effect. The project is running 6-8 months behind schedule. We expect to still deliver the scheme for the original budget that has been set aside and will use the Education Funding Agency (EFA) framework to deliver the project. As the construction is now planned for next year, the variance has been re-profiled to 2020-21 to recognise this change.

July 2019 Cabinet approved the £1.2m budget for the refurbishment of the Drama Theatre and associated ancillary spaces at Stoke Newington School. The scheme has been reviewed and the spend of the scheme is lower than anticipated for 2019-20. The variance has been reprofiled to next year to reflect the actual spend for the works identified.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £96.4m, £22.5m under the revised budget of £118.9m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance

	£000	£000	£000	£000
Property Services	13,447	600	11,274	(2,173)
ICT	7,818	1,894	5,805	(2,013)
Financial Management	929	(3)	374	(555)
Other Schemes	385	0	341	(45)
Mixed Use Development	96,339	23,957	78,629	(17,710)
TOTAL	**118,919**	**26,448**	**96,423**	**(22,496)**

Strategic Properties Services

The overall scheme is forecasting an underspend of £2.2m against the budget of £13.4m. The main variance relates to the refurbishment of the Council Office building Christopher Addison House which is forecasting an underspend of £1m. The tendering process has commenced to procure the main contractor but is taking a little longer than expected. The variance has been re-profiled to 2020-21 to reflect this change.

ICT Capital

The overall ICT scheme 2019-20 is forecasting an underspend of £2.2m against the budget of £7.8m. This variance will be used to support future capital schemes and has been re-profiled to 2020-21. The rolling programme of the End-user and Meeting Room Device Refresh is on target for the anticipated spend of £2.2m. The project was expected to be complete by the end of October but there are still a few Council staff buildings that need to change to Chrome devices. The building occupied by Council's Parking Department has on-going construction. There is also an issue with changing the Council's Legal Team devices as their legal system (IKEN) only operates on a Microsoft Windows machine and not VDI. ICT are working to transfer this software to VDI before transferring them onto chrome devices.

Mixed Use Developments

Tiger Way is forecasting to come in line with the budget of £7.3m. The sales of apartments have commenced. The facilities management contractor Pinnacle is delivering full services, ManCo is trading as the building management company and the residential project has evolved from 'building site' to occupied housing. The void charges are now being claimed by the Otto Management company and this has been reflected in the total planned expenditure. Currently we are holding circa £2m of retention and milestones against the whole job.

With the release of the residential phase the defect reporting process has grown to now also include the 89 apartments. The variance has been reprofiled to support the retention payments.

Nile Street is forecasting an underspend of £0.9m against the budget of £32.3m. New Regents College have settled into their new teaching term at the new site on Nile Street. The old site at Ickburgh Road has been vacated and passed back to the Council's Education Property Team. The external works to the eastern playground KS2/4 of the PRU were handed over as planned. The Nile Street residential block (NSB) was due to complete in June 2019 but is currently 3 months behind on contract programme. Part of the recent delay is linked to a leak that occurred in one of the apartments that affected both its neighbouring apartments and some technical issues with the Duplex apartments on level 5. Mitigation strategies have been followed by the Contractor (MCL) and a new completion programme has been approved.

The Britannia Site is forecasting an underspend of £16.7m against the budget of £56.8m. Phase 1a (the Leisure Centre Contract) is 18 weeks into the programme. The bulk excavation works is 90% completed which includes the construction of the first section of the basement slab. Phase 1b (the School contract) is 14 weeks into the programme. The sheet piling works are completed, and the bulk excavation is now 90% complete. September 2019 Cabinet gave approval to commence the procurement of the main contractor for Phase 2a site Residential Project. This represents an opportunity to complete the affordable housing element of the Britannia Master Plan as well as delivering a new Early Years Centre. This has been passed to the Council's Housing Regeneration Team to manage the construction phase. The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £31.5m, £8.1m under the revised budget of £39.6m. More detailed commentary is outlined below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
Museums and Libraries	908	63	528	(380)
Leisure Centres	750	0	750	0
Parks and Open Spaces	8,229	249	3,820	(4,409)

Infrastructure Programmes	12,920	2,250	12,329	(591)
EHPC Schemes	8,953	0	7,742	(1,211)
TFL	3,727	278	2,462	(1,266)
Parking and Market Schemes	373	55	373	0
Other Services	900	0	900	0
Regulatory Services	79	0	79	0
Safer Communities	1,363	0	1,363	0
Regeneration	1,363	0	1,123	(240)
Total	**39,566**	**2,895**	**31,469**	**(8,096)**

Parks and Open Spaces

The overall scheme is forecasting an underspend of £4.4m against the budget of £8.2m. The main variance relates to the Springfield Park Restoration which is forecasting an underspend of £1.6m. The Contractor started on site in September 2019 to construct the buildings and the landscape work. The variance has been re-profiled to next year to reflect the actual spend for the works. July 2019 Cabinet approved resource and spend for West Reservoir Improvements to improve the leisure with the site; improve the entrances to the reservoir; improve links to the wider public realm; and to open up the banks of the reservoir for the first time. The London Wildlife Trust (LWT) will be leading the Landscape Design Team and Greenwich Leisure Limited will be responsible for managing the Reservoir on behalf of the Council. The spend in 2019-20 in the main will be on fees and design and the variance will be reprofiled to 2020-21.

EHPC Schemes

The overall scheme is forecasting a £1.2m underspend against a budget of £9m. September 2019 Cabinet gave spending approval to install Hostile Vehicle Mitigation (HVM) to 8 sites across the borough that will help mitigate the chance of the use of vehicles for attack. The spend in 2019-20 in the main will be design costs. The construction to Ridley Road Market will be in 2020-21 and the variance re-profiled to the anticipated spend.

HOUSING

The overall forecast in Housing is £128.5m, £42.8m below the revised budget of £171.2m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**
AMP Housing Schemes HRA	87,936	9,536	69,608	(18,328)
Council Schemes GF	797	545	2,535	1,738
Private Sector Housing	2,717	591	1,695	(1,023)
Estate Regeneration	59,669	11,542	34,665	(25,005)
Housing Supply Programme	16,922	593	8,289	(8,634)

Woodberry Down Regeneration	3,197	3,712	11,665	8,467
Total Housing	**171,239**	**26,519**	**128,455**	**(42,784)**

Asset Management Plan (AMP) Housing Schemes HRA

The overall scheme is forecasting an underspend of £18.3m against the budget of £87.9m. The variance mainly relates to the re-profiles and slippage from the previous financial year that were not be utilised within 2019-20. Total expenditure is close to the agreed budget for this year. Within the period there have been slight increases in spend on Commercial Properties and Commercial Vehicles, which are offset somewhat by reductions in expenditure on Drainage and Lateral Mains. The variance has been re-profiled to 2020-21.

Council Schemes GF

The overall scheme is forecasting an overspend of £1.7m against the budget of £0.8m. The variance relates to increase in spend to the fit out of 55 Albion Grove and Clapton Common, along with the ongoing expenditure on Regeneration voids which are being used as Temporary Accommodation prior to demolition, resulting in increased revenue for the HRA and a saving to the General Fund.

Private Sector Housing

The overall scheme is forecasting an underspend of £1m against the budget of £2.7m. The underspend mainly relates to a reduction in Disabled Facilities Grant expenditure.

Estate Regeneration

The overall scheme is forecasting an underspend of £25m against the budget of £59.7m. The underspend is due to a number of sites being delayed due to the procurement process. The retention on a number of sites is also due in the next financial year. It is common practice for organisations such as the Council to hold back part of the overall fee (the retention) payable to a developer until all works are finished. Often developers are required to put right minor defects or omissions (often referred to as snagging) after a development is completed and the retention is only paid to them after they have done this work.The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

Housing Supply Programme

The overall scheme is forecasting an underspend of £8.6m against the budget of £16.9m. This is largely due to a number of delays with Procurement owing to increasing prices within the market. Spend will still be incurred in future years and the budget has therefore been re-profiled.

Woodberry Down Regeneration

The £8.4m overspend on Woodberry Down against budget is mainly due to the CPO acquisition of Happy Man Public House located on Woodberry Grove and an increase in the number of Leaseholder Buybacks. All of this expenditure will be reclaimed from Berkeley Homes. The budget from 2020-21 has been re-profiled back to current year to cover this overspend.

CIPFA FINANCIAL MANAGEMENT CODE

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the Group Director Finance & Corporate Resources (CFO) and colleagues on the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The code applies to all local authorities and by following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the code and can use 2020/21 to demonstrate how they are working towards compliance.

The underlying principles that inform the Code will assist in determining whether a local authority is financially sustainable. They are as follows:

- Organisational **leadership**: demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability**: based on medium term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The FM Code is aligned with the *Prudential Code for Capital Finance in Local Authorities* and has links to the *Treasury Management in the Public Sector Code of Practice* and the annual *Code of Practice on Local Authority Accounting in the UK.* In this way, the FM Code reiterates the key elements of the statutory requirements of these other codes.

Th FM Code sets out a number of financial management standards that it believes must be evidenced, and provides exemplification on each of the following:

The Responsibilities of the CFO and leadership team

A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B. The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*

Governance and financial management style

C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
D. The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).
E. The financial management style of the authority supports financial sustainability.

Medium to long term financial management

F. The authority has carried out a credible and transparent financial resilience assessment.
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
H. The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities.*
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The annual budget

J. The authority complies with its statutory obligations in respect of the budget setting process.
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

Stakeholder engagement and business cases

L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Performance monitoring

N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

External financial reporting

P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom.*
Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Whilst I believe that the underlying principles and standards set out above can be evidenced within Hackney, I intend to carry out a full compliance check against the more detailed guidance notes, when they are published in January 2020, that will accompany the FM Code. This may well lead to some changes in practice in order that we ensure that the authority meets the standards set out above fully, thus evidencing strong and robust financial management.

Group Director, Finance & Corporate Services
November 2019

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NEIGHBOURHOODS AND HOUSING RISK REGISTER REVIEW – JANUARY 2020

AUDIT COMMITTEE MEETING DATE 2019/20 **15 January 2020**	**CLASSIFICATION:** **Open**
WARD(S) AFFECTED **All Wards**	
Ajman Ali, Acting Group Director Neighbourhood and Housing	

1. INTRODUCTION AND PURPOSE

1.1 This report updates Members on the current Risk Register for the Neighbourhoods and Housing Directorate as at January 2020 (attached at Appendix 1). 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 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 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. It will be highly unlikely, if not impossible, if there were never any red 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 2019. The report is presented as a high level risk management report for the Directorate.

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 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.

5.2 Effective risk management anticipates and avoids 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 be rated high, and will require constant monitoring by senior management and escalation to Hackney Management Team (HMT) for inclusion on the Corporate Risk Register.

5.3 The Directorate Risk Register, attached at Appendix 1, comprises risks that cut across the Directorate's business and those which have potentially the 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.

5.4 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 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.

6.3 Regarding the contents of this latest Directorate register, important areas to note are:

- There is a new risk on the register for Climate Change/Climate Emergency (NH DR 010) reflecting the Council's commitment to respond to the Climate Change emergency and the Neighbourhoods and Housing Directorates role in contributing to the work on the practical steps the Council can make to address the climate emergency.

- 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. The Head of Resident Safety 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 overseeing the work within Housing Services to ensure services are delivered to the standard required by Members and staff and expected by residents. There are robust governance arrangements in place through the FireSafety Programme Board chaired by the Group Director, Neighbourhoods and Housing. The arrangement ensures 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 ongoing 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 risk relating to Workforce (NH DR 002) remains stable at amber because of the continuing impact of austerity measures on staffing levels and accompanying restructures which could impact on efficiency levels and service levels. In addition, to meet the financial challenges ahead, it will be necessary for the Directorate 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. There continues to be pressure to successfully recruit in areas such as Building Control, Project Managers in construction related services, such as Planned Asset Management in Housing Services and Regeneration, and Highway Engineers.

- 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. With these robust controls in place to manage contract related risks 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. This risk is particularly important in the light of the Council's plans for future development and will involve considerable borrowing and an exposure to external influences in the future. There are significant financial implications around this risk.

7. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND 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 Finance and Corporate Resources.

7.3 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 by the Directorate to ensure that they are controlled to an acceptable level and that future actions to manage the risks are on track.

8. COMMENTS OF THE DIRECTOR FOR LEGAL AND GOVERNANCE SERVICES

8.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of internal control which includes effective 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 Continuous review of the Risk Register and impending legislation referred to is key to ensuring that the Council remains in control of the management of risk.

APPENDICES

Appendix one - Neighbourhoods and Housing Directorate Risk Register.

BACKGROUND PAPERS

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

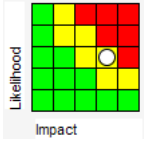
None

Report Author	Deirdre Worrell 020 8356 7350 Director, Neighbourhoods and Housing Finance Deirdre.worrell@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Deirdre Worrell 020 8356 7350 Director, Neighbourhoods and Housing Finance Deirdre.worrell@hackney.gov.uk
Comments of the Director of Legal and Governance Services	Sean Eratt 020 8356 6012 Legal Partner for Business and Growth Sean.eratt@hackney.gov.uk

Neighbourhoods and Housing Directorate Risk Register – January 2020

Report Type: Risks Report

DIRECTION OF TRAVEL (since the last report)		
Risk has increased.	Risk has decreased.	Risk has remained static

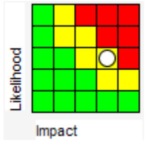
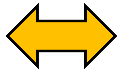
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 002 Workforce ***INTERNAL RISK*** ***CURRENT RISK***	The risk that amidst an atmosphere of financial reductions and potential redundancies the workforce becoming demotivated resulting in a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also restructures may cause a temporary loss in efficiency as knowledge could be lost with experienced staff taking voluntary redundancy. Additionally, services across the directorate may struggle to effectively and successfully recruit for certain positions leading to a negative impact on service delivery. 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.	Neighbourhoods and Housing		December 2019 – 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: - 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 Consequences of this risk occurring might include: • 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 • Potential deterioration in employee relations

Appendix 1

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				Regarding recruitment problems, this is a risk which has already materialised to an extent but has the potential to become more problematic.

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.	Ajman Ali	All Directors	Ongoing	December 2019 – 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 2019 – these controls are in place and continuing
NH DR 002c Workforce	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. Reference to these procedures may seem an obvious control, but adherence to them is crucial to provide assurance that all processes are followed correctly.	Dan Paul	All Directors	Ongoing	December 2019 – 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 2019 – these controls are in place and continuing
NH DR 002e Workforce	Services will work with HR/OD on the following - 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 2019 – these controls are in place and continuing

Appendix 1

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 and Housing		 December 2019 – The predominantly front line activities of the Directorate are delivered under such scrutiny that a small failure has a disproportionate impact on reputation of the Council. Consequences of this risk occurring might include: • Poor perception of the Directorate with the Council and residents. • Extra work in dealing with reputational fall-out • Adverse media attention.

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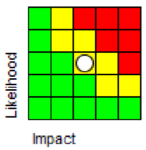
NH DR 003a Communications and Consultation Arrangements	Communications and Consultation managed in partnership with the Council's communications teams through Heads of Services and Directors. Communications and Consultation plans are discussed and considered in partnership with Lead Members on a regular basis.	Ajman Ali	All Directors	Ongoing	December 2019 – 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	Ajman Ali	All Directors	Ongoing	December 2019 – 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	Ajman Ali	All Directors	Ongoing	December 2019 – these controls are in place and continuing.
NH DR 003d Performance Management Framework	Robust Performance management framework in place to monitor service performance. Services are managed as part of the Council's performance management framework through the	Ajman Ali	All Directors	Ongoing	December 2019 – these controls are in place and continuing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	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. There are also a range of Quality Assurance systems in place to ensure service standards are monitored and maintained.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 004 Management of changes in support services ***INTERNAL RISK*** ***CURRENT RISK***	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.	Neighbourhoods and Housing		December 2019 –The Directorate is reliant on support services within the Council to deliver effectively. The next round of Voluntary redundancy to deliver the savings required for the budget strategy has the potential to impact on support services. The impact of any changes to structures or service delivery needs to be monitored closely by DLT to ensure managers are prepared for any changes. Consequences of this risk occurring include: • 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 and Safety management is compromised

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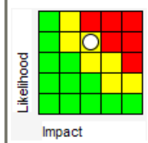
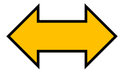
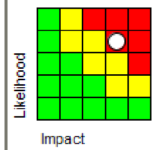
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 004a Staff Training	Senior Managers will ensure that focused training for staff on new support service processes, such as G suite and My Budget and other corporate systems, is provided to ensure managers are aware of and can manage any impact their roles and responsibilities	All Directors	Heads of Service	Ongoing	December 2019 – 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 2019 – 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	Ajman Ali	All Directors	Ongoing	December 2019 – these controls are in place and continuing.
NH DR 004d Health and Safety - Policy Framework	The Council's Health and 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 2019 – these controls are in place and continuing.
NH DR 004e Health and 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 2019 – 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 2019 – 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 and Housing		 December 2019 - ongoing. Key factors which could lead to this risk occurring include: - Lack of understanding of ICT to keep up with business needs and an over reliance on process as opposed to outcomes. - Response times

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				- Understanding of impact on services and priorities - Lack of identified officer in ICT i.e. for system responsibility and ownership This may lead to: • 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	Ajman Ali	All Directors	Ongoing	December 2019 – 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.	Ajman Ali	All Directors	Ongoing	December 2019 – 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 2019 – 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	Directors in partnership with Rob Miller, Director ICT	Heads of Service with ICT	Ongoing	December 2019 – these controls are in place and continuing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	business case development onwards. Legal services engaged during procurement process.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 006 Regeneration Programmes ***EXTERNAL RISK*** ***CURRENT and FUTURE RISK***	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: • 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. 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. 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	Neighbourhoods and Housing		December 2019 - There are significant regeneration projects ongoing within the borough including the 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.

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	Ajman Ali	Chris Trowell	Ongoing	December 2019 – A management review of schemes is taking place.

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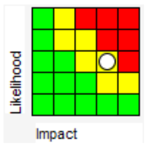
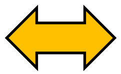
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	exceeded, and financial assessment of business cases including those that need to be revised.				
NH DR 006b Regeneration Programmes	Robust programme management and governance procedures in place for 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	Ajman Ali	Chris Trowell	Ongoing	December 2019 – 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 and 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.	Chris Trowell	Zoe Collins	Ongoing via Gateway Reviews and reporting via Housing Development Board	December 2019 –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 and FUTURE RISK***	As a result of poor contract management revenue is lost or charges applied that are not justified leading to a poor level of resident 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.	Neighbourhoods and Housing.		 December 2019 – Risk continues in light of the amount of investigation work currently ongoing. This risk is demonstrated by some of the work the Pro-active Fraud team undertake. There have been major investigations 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.

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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. Also regular liaison with contractors.	Sinead Burke	Each contract Manager	Ongoing	December 2019 – these controls are in place and continuing and KPIs regularly reviewed along with monitoring of spend pattern / profile.
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 2019 – 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 place 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 the Head of Resident Safety.	David Padfield Sinead Burke Sinead Burke Michael Sheffield Ajman Ali	Sinéad Burke Contract Managers Contract Managers Fraud Investigation Officers Donna Bryce	Ongoing	December 2019 – these controls are in place and continuing. Phase 1 of the restructure is almost complete and final phase will be completed by summer 2020.
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.	Ajman Ali/ Rotimi Ajilore	Sinead Burke	Ongoing	December 2019 – 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 2019 – these controls are in place and continuing.
NH DR0007fEstablishment of Housing Capital Monitoring Board	The Group Director Neighbourhoods and Housing has established a Housing Capital Monitoring Board to • 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. 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. 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.	Ajman Ali/Deirdre Worrell	Sinead Burke	Ongoing	December 2019 –Control established and continuing.
NH DR0007g - Asset Management Strategy	A new asset management strategy went to March Cabinet for approval, and was fully ratified at the meeting on March 25th 2019. 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.	Ajman Ali/Deirdre Worrell/	Sinead Burke/Simon Theobald	August 2020	December 2019 – Approved in March. This report sets out the long-term objectives for investing in Hackney homes to ensure that the council build on recent successes, demonstrate continuous improvement

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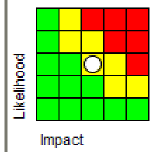
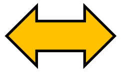
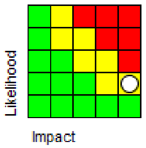
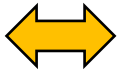
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
					and achieve the ambition of becoming the leading social housing provider.

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 and 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 polices could also have damaging consequences for the local community and many people currently living in Hackney.	Neighbourhoods and Housing.		 December 2019 - The Government is introducing a number of policies affecting housing, mainly through the Housing and Planning Act 2016 and secondary legislation . Those likely to pose the greatest risk to the Council include: - 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. However, there are pressures on new housing delivery and the investment in existing stock arising from changes to Building Control, fire safety, and the need to reduce carbon emissions. - Starter Homes: The Government is planning to relax its prescription 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 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

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				their home on at full value for a period of 15 years. Given extremely high house prices in Hackney, the Council's view is that Starter Homes should not be defined as 'affordable housing' as, if they are, there could be a high risk that these could squeeze out the provision of genuinely affordable homes such as social housing and shared ownership on new developments. - In the Queens speech commitments were given regarding housing which impact on local authorities such as: a commitment to build at least a million more homes over this Parliament, Planning white paper and a new £10bn Single Housing Infrastructure Fund to support new homes. 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 008a - New Government policies affecting housing	Detailed analysis is being carried out regarding the likely impact of policies, both internally and with other boroughs and representative organisations. 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. 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. The current HRA business 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	James Goddard	Kevin Thomson	Ongoing	December 2019 – Controls in place and continuing

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	annually as part of the budget setting process, taking into account arising cost pressures, changes in government policy and legislation, and any service changes.				

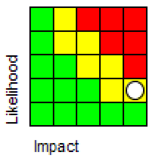
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NHDR 009 Fire Safety ***INTERNAL RISK*** ***FUTURE RISK***	As a result of inadequate fire safety measures or defective workmanship (on cladding installation for example), death and serious injury occur from fire in LBH managed properties.	Neighbourhoods and Housing		 December 2019 - 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 Council has been receptive to new recommendations and with the publication of the Hackitt Review and the Grenfell Report phase one we now need to concentrate on implementing these recommendations in anticipation of new legislation being put in place. 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NHDR 009a Fire Risk Assessments	Ongoing review of all Fire Risk Assessments (circa 1,800) for all of our stock in order to provide reassurance to residents. Ensure that these new Fire Risk Assessments (FRA) are undertaken by suitably qualified assessors and that the assessments they produce meet strict quality standards. Publish all new Fire Risk Assessments on the Council's website.	Tim Shields; Ajman Ali	Donna Bryce	Ongoing	December 2019 - The fire risk assessment schedule is still on track with a three year programme of fire risk assessments. All blocks identified as high or medium risk will be subject to a type 3 risk assessment. All the fire risk assessors are now on the fire risk assessors register as part of the Institute of Fire engineers and this will enable the Council to have assurance that they are suitably qualified and regularly being assessed. The 2018/19 Fire risk assessments have been published on the Council's internet page. We are due to launch our new resident portal in early 2020 so that all the fire risk assessments for 2019/20 can be published where residents will be able to track progress of the recommendations. The fire risk assessments will then be available to residents in live time.
NHDR 009b Fire Safety	Ensure agreed work plans from the previously convened Corporate Fire Safety Group and Fire Risk Assessments are being delivered.	Ajman Ali	Donna Bryce	Ongoing	December 2019 - The Fire Safety Programme Board is in place where all fire safety works are monitored. The Board provides senior managers and member's assurance that we are not complacent in relation to fire safety and will also monitor the implementation of actions coming out of both the Hackitt Review and Grenfell Report. The Board is overseen by an independent fire consultant so that we can ensure that we are meeting our obligations under the Fire Safety Reform Order.
NHDR 009c Fire Safety – high risk blocks	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.	Ajman Ali	Donna Bryce	Ongoing	December 2019 - The three year programme of fire risk assessments is on track and continues to be delivered at a high standard.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	Carry out additional non-FRA inspections across our high rise blocks in order to provide a visible presence across the Borough. Carry out any other ad hoc fire safety inspections that are required.				Housing Officers and Health and Safety Advisers carry out regular checks of our buildings to identify fire safety hazards. A programme of post inspection of all fire safety related works has been implemented. We now have a more proactive approach to fire safety with a number of initiatives being implemented in the last few months to include: • Installing new fire signage across the borough • Surveying and installing new premises information boxes and ensuring relevant information is contained with the box • Ensuring we have up to date plans of our blocks which highlight any fire safety equipment • Resident insight project to identify our vulnerable residents and offer them support • Installation of floor level indicators • Fire safety contingency plans
NHDR 009e Fire Safety – everyone's responsibility	Develop and implement a communications strategy that, amongst other things, (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, (b) ensure effective communication and engagement with tenant representatives, (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, (d) keep staff up to speed with developments, (e) respond quickly to press enquiries.	Ajman Ali	Donna Bryce / John Wheatley	Ongoing	December 2019 - Communications strategy in place and the Resident Safety team carry out regular outreach meetings in co-operation with the Building maintenance team. The internet has been updated to provide additional fire safety advice to residents We send out regular communication with residents to ensure they are aware of their responsibilities in relation to fire safety All sites have been accessed for accessibility and LFB are still carrying out regular inspections of blocks and providing advice.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
					Regular briefings to members and to tenant and resident associations are provided. Fire Safety training was provided to members in November 2019 Regular internal bulletins on fire safety are sent out to all Housing Services teams via the google community which gives us an opportunity to share good practice. We are working collaboratively with the Housing Officers to implement a constant approach to fire safety within the blocks including joint procedures. Training has been provided to TMO's and Housing Officers on fire safety
NHDR 009f 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; Ajman Ali	Donna Bryce	Ongoing	December 2019 - We continue to have regular meetings with the LFB and we are working closely with LFB on ensuring we have contingency plans in all our premises information boxes and also working with them on identifying our vulnerable residents who would need help in the event of an emergency. We continue to carry out joint visits wherever possible with the LFB.
NHDR 009g Fire safety policy	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: • 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	Tim Shields; Ajman Ali	Donna Bryce	August 2020	December 2019 - A policy was implemented in August 2018 and was reviewed in November 2019 to ensure it is still fit for purpose and the legislation is still correct. FRA budgets are monitored via the fire safety programme board and via the Capital monitoring board. Fire safety has been incorporated into the Asset Management Strategy to ensure that

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	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. Budget Management: Ensure that the necessary resources are in place to undertake all of the work coming out of the new FRAs. 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.				fire safety is at the heart of our capital works programme. New guidance has been issued in relation to fire risks in communal areas so we have a consistent approach within council managed blocks and TMO's An updated report was issued to Senior managers in November 2019 outlining progress made in relation to fire safety. With the release of the Hackitt and the Grenfell review reports we continue to lobby government alongside other London Boroughs with respect to resourcing the additional fire safety works and related costs from both reviews.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH DR 010 – Climate Change / Climate Emergency ***EXTERNAL RISK*** ***CURRENT and FUTURE RISK***	The Council fails to meet its commitments to take constructive steps to tackle the climate emergency. The expectation of change required (conducting extensive work on decarbonisation) may not be matched by the available capital. This could be as a result of overly ambitious targets, a lack of overall awareness or 'buy in' to the concept or a lack of resources to proactively bring about change. Without a coordinated response, the task will be more difficult. Failure to achieve positive change would have reputational impacts but most importantly would contribute negatively to the continued emergency in climate matters, both within our local community and the world at large.	Neighbourhoods and Housing leading (but applying to all Directorates)		The Mayor's climate emergency declaration occurred in February 2019, and Hackney councillors subsequently approved a motion to do 'everything within the Council's power' to deliver net zero emissions across its functions by 2040, ten years earlier than the target set by the Government, and in line with the Intergovernmental Panel on Climate Change's higher confidence threshold for limiting global warming to 1.5C above pre-industrial revolution average. The recent creation of Hackney Light and Power is another step towards fulfilling these targets by committing to providing renewable energy.

Appendix 1

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NHDR 0010a Councillors have approved motion committing to a series of actions	Council commitment: - To tell the truth about the climate emergency we face, and pursue its declaration of a climate emergency with the utmost seriousness and urgency. - Pledge to do everything within the Council's power to deliver against the stretching targets set by the IPCC'S October 2018 1.50C Report, across the local authority's full range of functions, including a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, and seeking opportunities to make a greater contribution. - Call on the UK Government to provide powers and resources to make the 2030 and 2040 targets possible. - Actively campaign to change national policy where failure to tackle the challenge of heating our homes without fossil fuels, fossil fuel subsidies, insufficient carbon taxation, road-building, and airports expansion, for example, has actively undermined decarbonisation and promoted unsustainable growth. - Support the campaign to create a just transition for workers and users and be part of the creation nationally of a million public sector climate jobs with particular reference to extending sustainable accessible and integrated public transport, retrofitting housing stock, energy democracy, heating and cooling from renewable energy and eco build, food and waste. - Involve, support and enable residents, businesses and community groups to accelerate the shift to a zero carbon world, working closely with them to establish and implement successful policies, approaches and technologies that reduce emissions across our economy while also improving the health and wellbeing of our citizens. - Produce an annual update to Full Council on the progress made against the Council's decarbonisation commitments, and conduct an annual Citizens Assembly comprised of a representative group of local residents to allow for effective public scrutiny the Council's progress and to explore solutions to the challenges posed by global warming. - Work with other local governments (both within the UK and internationally) to determine and implement best practice methods to limit Global Warming to less	Tim Shields; Ajman Ali/Anne Canning/Ian Williams	Relevant Directors	Ongoing	December 2019 - these are ongoing commitments but essential to adhere to in order to comply with ambitious targets. The Council are resolved to follow this. From a political level, these actions are being led by Cllr Burke who is tirelessly communicating the importance of our duties here.

Appendix 1

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NHDR 0010b Hackney Light and Power.	Hackney Light and Power will support the Council to meet declared target and become zero-net carbon borough by 2040. To support the achievement of the carbon emission reduction target the company will: • deliver the Green Homes Program – the first borough wide thermal efficiency housing program in London • support the installation of innovating renewable heating measure • support the rolling out of electric vehicle charging points • supply the grid with green energy • reduce fuel poverty • improve residents' health and well being • promote an inclusive economy and contribute to the nationwide green agenda • help make Hackney a sustainable, green borough • generation of renewable electricity by delivering a programme of solar panel installations across Council owned roof spaces across the borough.	Ian Williams	Relevant directors	Ongoing	December 2019 - Hackney Light and Power was officially unveiled as a publicly-owned energy services company on November 1st (2019) and be formally launched in Spring 2020. From the off, the primary objective of the company is to help deliver the ambitious decarbonisation pledges included in its climate emergency motion. On the announcement of the company, Cllr Burke commented: " We have already delivered 50% renewable electricity for the Council and many local schools' needs on 1 April, and will switch to 100% in 2020; we're establishing a publicly-owned clean energy company that will turn Hackney into a renewables power station; we are rapidly decarbonising the Council fleet of vehicles and addressing land transport sector emissions; we're decarbonising the built environment through changes to the planning system; we're investing extensively in green infrastructure to derive a wide variety of environmental benefits, from cooler streets to enhanced biodiversity; we're creating a model for drastically limiting the use of petrochemical plastics; and we're investing heavily in our waste service to reduce resource consumption and increase recycling. "
NHDR 0010c Communications Strategy	Communication is key, with the Council getting the correct message out both internally and externally	Tim Shields; Ajman Ali/Anne Canning/Ian Williams	Polly Cziok	Ongoing	December 2019 - There has already been lots of coverage in local papers and online about Hackney's progress.
NHDR 0010d Cross Council involvement at all levels	Across all Divisions / services, any service plans or overall strategic documents need to pick up on this ongoing challenge and commitment. Any new projects / directives / initiatives need to consider climate change and our approach to it, in determining how to carry out work.	Tim Shields; Ajman Ali/Anne Canning/Ian Williams	Relevant Directors	Ongoing	December 2019 - This will become embedded as part of standard processes in the future.

Appendix 1

CORPORATE RISK REGISTER REVIEW – JANUARY 2020

AUDIT COMMITTEE MEETING DATE 2019/20 **15 January 2020**	**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 2020 (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) on June 4 2019. 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 January 2019.

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.

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:

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

  The Conservative Government (having just won a clear majority in Parliament on 12/12/19) 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. Leaving the EU in January 2020 also looks inevitable, and will be likely to have numerous serious impacts (see next risk). The local government finance settlement 2020-21 proposals did unveil the biggest funding increase in almost a decade. Although this was a small bit of good news, beyond that there is still no certainty. There are examples of a more proactive approach to Commercialisation within the Council which show a new way forward in mitigating the impacts of austerity.

- <u>Risk 1b – Impact of BREXIT vote</u>
  The climate is no less volatile today than in the immediate aftermath, so the score / risks remain high. With December's election result, the departure looks definite within the next month (by the end of January 2020). 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 (Housing) regeneration risk, 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. Another risk was escalated to accompany the overall Pension risk 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. 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 featured at 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 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, serious safeguarding failure in a school and unregistered schools.
The risk relating to unregistered schools has just been escalated to the Corporate register, by the Hackney Learning Trust's Management team.

- 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 35 – Creation of new companies.
This was a new risk last time which has been escalated to Corporate level, recognising the opportunities, but also risks which these new companies present.

- Risk 36 – Insourcing – This was escalated after the approval of HMT, and refers to the Council's approach to Insourcing, and the benefits it may present. Obviously the Guidance paper is crucial in determining the best approach to Insourcing, depending on circumstances.

- Three **new risks** have been escalated to this iteration of the the Corporate register - **Risk 37** - Universal Credit, **Risk 38** - Unregistered schools & **Risk 39** - Climate Change. These have been proposed as a result of numerous Senior Officer discussions. Universal Credit is already an area which has been a cause of concern for the Council for the last few years, and is already alluded to in a few Corporate risks (New Legislation and Temporary Accommodation). It was still thought necessary to escalate as a separate risk however in light of the serious impact UC is having on the Council and its obligations to its stakeholders. The issue of Unregistered Schools and the risks they present has been bubbling under the level of a Corporate risk for a while now and the Hackney Learning Trust management team felt it was time to raise it to Corporate level. Climate Change has just been escalated in January 2020, and emphasises the importance of the Council's commitment to deliver net zero emissions across its functions by 2040, and the risks of not meeting these targets.

- Two risks have been taken off the Corporate register to return to a lower level. They are those relating to Devolution and Integrated Commissioning. Both of these are still very much risks under consideration, but it was thought they have been managed to the extent they no longer need to be on the Corporate register. They will continue to be under review.

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 FOR LEGAL AND GOVERNANCE 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

None

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Comments of the Director of Legal and Governance Services	Sean Eratt ☎ 020 8356 6012

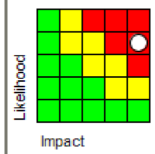
Hackney Corporate Risks January 2020

Report Type: Risks Report

Generated on: 2 December 2019

DIRECTION OF TRAVEL (since the last report)

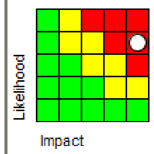
Risk has increased. | Risk has decreased. | Risk has remained static

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0001 National and International Economic Downturn ***EXTERNAL RISK CURRENT & FUTURE RISK***	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 (totalling £140 million since 2010) 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.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		December 2019. 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 23/6/16) and the subsequent plans for Brexit (cemented by triggering Article 50 on 29/3/17), has already proved 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 hinted at a slight improvement in some areas. The Conservative election victory on December 12 further suggests a continuation of austerity measures and Brexit occurring by the end of January 2020. Ongoing Central Government cuts mean that Hackney must work with £140 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 Government funding shrunk from £310m to £180m – and by 2019/20 it is £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. When the budget for 2019/20 was signed off, the Mayor clearly stated his perception that austerity seemed to be continuing, along with a risk of more cuts through the Fair Funding Review. The local government finance settlement 2020-21 proposals unveiled the biggest funding increase in almost a decade. Although this was a small bit of good news, beyond this, this is no certainty. 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. Hackney's latest budget confirmed a 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0001B National and International Economic Downturn	There is a need to ensure that the Medium Term Financial Plan accurately reflects best estimates of future funding levels. Financial planning will be constantly diligent and reflect the changing circumstances of budgets available. Also, controls from other related risks are relevant, e.g. Regeneration projects and Recruitment and Retention [increasing access routes into the Council's employ].	Tim Shields; Ian Williams; Ajman Ali; Anne Canning	Ian Williams	31-Mar-2020	November 2019 - 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; Ajman Ali; Anne Canning	Ian Williams	31-Mar-2020	November 2019 - action ongoing. At the latest budget, it was agreed that Council tax could be raised by 4.9%, helping mitigate some budgetary shortfalls.
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 2019/20 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	Tim Shields; Ian Williams; Ajman Ali; Anne Canning	Ian Williams	31-Mar-2020	November 2019 - ongoing. A voluntary redundancy campaign was launched with a deadline of September 2019. Those who are accepted will be leaving the Council by March 2020.

	building projects / changes in service delivery models etc. This is already resulting in considerable savings to help mitigate the risk of funding cuts.				
SRCR 0001E 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; Ajman Ali; Anne Canning		31-Mar-2020	November 2019 - 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. Successful examples includes those where Council owned property has been leased out to third parties.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0001A Brexit Implications ***EXTERNAL RISK CURRENT & FUTURE RISK***	Following on from the UK's vote in favour of leaving the EU in June 2016, the continuing 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 continued possibility of a 'no deal' scenario increases the level 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 on this situation. The disruption this could cause to supply chains could have a damaging effect on business continuity. As things stand, if the proposed deal is not voted for within Parliament by 31/1/20 Britain could still fall out of the Union with no deal. 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. 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	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		December 2019 - Article 50 was triggered on March 29th 2017, formally commencing the exit process, which was due for completion on the 29th of March 2019. However amidst multiple losses on key parliamentary votes for the government, this has been repeatedly extended (now up until 31 January 2020, if required). With the convincing Conservative victory in the General Election (12/12/19), it is almost definite that Brexit will occur by the end of January 2020. This risk remains extremely serious to the Council since the last review a few months ago. The possibility of (a potentially catastrophic) 'no deal' scenario is still a reality, although a potential 'deal' is in place which the Prime Minister may get through parliament before the end of January 2020. Also, problems such as the pound's instability have caused the Council some clear losses in purchasing (especially ICT equipment which is bought in dollars). In the immediate aftermath of the Brexit vote, some of the more pessimistic outlooks were not realised, with the markets remaining steady, but economists suggest the outlook remains gloomy. Also an atmosphere of political unrest is present especially in areas like Hackney which were predominantly in favour of remain. Thankfully, in Hackney, hate crime/civil unrest has not been an issue as yet (Safer Communities Team monitor this).

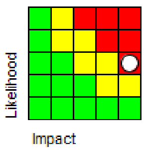
	suppliers pass on increased costs affecting their own ICT services). There may not be budgets to cover the shortfalls that a weak pound produces. When the UK leaves the EU, the existing EU data protection provisions will not apply to the UK. The exact implications of this are currently unclear, but there could be a risk that EU based data processors may notify UK data controllers that they are not able to process UK data in the event of a 'no deal' Brexit. Furthermore, recruitment and retention problems could worsen with the potential loss of employees from EU27 countries. There is a risk of high increases to food costs which could cause a disruption to food supplies, panic buying, an increase in food prices and food bank demands, and finally, reduced food bank donations. There also remains a risk to medicinal supplies, meaning vulnerable resident might not have access to their required medication. Finally, fears about an increase in possible hate crimes and civil unrest, post Brexit, have not materialised but are still something to consider as the political climate and public feeling remains unstable.			With No Deal still a possibility, the council's planning must seriously consider the ramifications. As well as the potential macroeconomic impacts of a No Deal exit, concerns have been raised over the impact on residents of potential increases in food and fuel prices - particularly on the poorest. In addition to this, anxieties remain over the supply of critical medicines to the UK, particularly those which cannot be stockpiled such as isotopes used in cancer treatments.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0001A Brexit Implications	Brexit and its potential impacts are discussed at all levels, whether at HMT, DMT, cross-London leadership discussions or within detailed briefings from Legal Services, which are regularly e-mailed out to all. Sessions have also been arranged for local EU citizens in the Borough to provide access to the latest information about their rights around Brexit, and ask questions of an independent immigration lawyer.	Tim Shields; Ian Williams; Ajman Ali; Anne Canning	All	31/3/2020	There is a separate Brexit Risk Register (which was initially produced before the main threads of these risks were subsumed into the normal Directorate / Service registers) . The separate Brexit register is up to date as of December 2019. Below are examples of further Council work on managing potential Brexit impacts. European Settled Status (EUSS) *1. Council Staff* Two partnership events for the Council staff have been carried out with the European Commission similar to that already provided for residents, informing citizens of other EU countries of their rights, offering support and guidance on other issues where possible and providing an opportunity to access free legal advice. Around 100 staff signed up. *2. Residents/Local Workforce* The first information session for EU citizens held in October

					2018. To encourage eligible residents to apply, a communications plan is being developed to push out the key EUSS messages. This will be structured according to analysis by the Policy and Partnerships team and a workshop with VCS organisations to target individuals at greater risk of not applying for EUSS. The Council is preparing to make EUSS applications for looked-after children in line with its statutory responsibility to do so. Supply Chains Supply chains have been reviewed with the procurement team to help anticipate potential price increases or supply shortfalls. Demand Increase Departments have been prompted to consider areas which could face increasing demand, and take action to mitigate the impact if possible. Data Governance We do transfer data to the EU/EEA as part of our cloud hosting arrangements, but are not aware of any cases in which the Council receive data from the EU/EEA. Data hosted in the US is currently covered by the EU-US Privacy Shield. Google hosts data globally, but this data processing is already safeguarded by standard contract clauses so will be unaffected by the UK leaving the EU. The Council's IT team are following the relevant guidance and will work with suppliers to ensure they are preparing accordingly.
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	31/3/2020	The first meeting of this group occurred on 7th November 2018. Google community groups have been set up for discussions regarding this. Updates are regularly occurring on all areas of the potential outcomes. The Task and Finish Group meets every three weeks to co-ordinate the Council's preparedness work. The findings of the group's research and actions taken as a result have been summarised in a 'live' briefing document shared with strategic staff and cabinet members. Feedback has been received on this in meetings with cabinet members. Emergency Planning A Brexit 'shadow GOLD rota' has been set up ensuring Senior council officer availability 24/7 in the weeks leading up to and after a potential exit from the EU. If enacted, this will

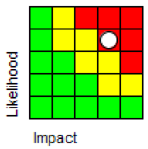
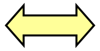
					replace the normal 7 day cover period by a single Officer and will ensure more effective resilience and capacity under 'emergency/serious incident' conditions. This rota contains a trigger system which will dictate under what circumstances our Borough Emergency Control Centre (BECC) will need to be set up to co-ordinate responses to the full range of possible emergency scenarios. The BECC also has a shadow rota in place in readiness to be stood up if needed on a 24/7 basis. The decision to both stand up the 24/7 GOLD rota and the BECC will be a HMT one, based on circumstances prevailing at the time. The borough's fuel resilience plan has been reviewed. In the event of a fuel shortage, the borough's designated fuel station will be secured, and access to fuel will be provided only to vehicles with a valid permit (issued by the Council). These would be provided to doctors, waste disposal vehicles, care workers, emergency service's vehicles and similar.
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; Ajman Ali; Anne Canning	Purchasing managers	Ongoing	Task and finish Group continues to monitor across all service areas
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

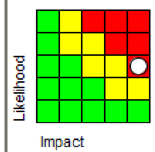
SRCR 0002 Management of Capital Programmes / Schemes ***EXTERNAL RISK*** ***FUTURE RISK***	From a financial perspective, as a result of substantial external borrowing to fund the ambitious capital programme, the Council moves from a debt free position and become more vulnerable to changes in the market (potential volatility of the housing market affecting sales volumes / value and increasing building costs as a result of weaker GBP against other currencies). This could lead to financial pressures as unexpected costs of borrowing would be incurred. Additionally, Major Capital Schemes may not be managed or targeted effectively to maximise use of resources available and ensure delivery according to expectations. This poses a risk to the successful completion of such schemes, incurring losses and dissatisfied stakeholders.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		December 2019 - 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 2019/20 is £345m (non-Housing schemes totalling £176m and Housing schemes totalling £169m). 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 suffer serious losses. 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0002A Management of Capital Programmes / Schemes	All capital schemes are subject to review via capital budget monitoring process. Slippages can be identified via this process and appropriate action taken. The quarterly monitoring that is included in the regular Overall Financial Position (OFP) Report to Cabinet will also be included in future performance review report to Audit Committee. The Capital	Tim Shields; Ian Williams; Ajman Ali; Anne Canning	Michael Honeysett	31-May-2020	December 2019 – ongoing. The latest Capital Programme has been agreed (at £345m) and no revisions announced as yet. Last year's actual capital

	Monitoring Reports will include more discrete data regarding the actual delivery of the capital programme.				expenditure to March 2019 was at £282.6m, £13.7m 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; Ajman Ali; Anne Canning	Michael Honeysett	31-May-2020	December 2019 - 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; Ajman Ali; Anne Canning	Michael Honeysett	31-May-2020	December 2019 - 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.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0003 Housing Regeneration Programmes ***EXTERNAL RISK*** ***CURRENT & FUTURE RISK***	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: • 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. 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. 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 Schemes, due to affordability issues and /or other external economic factors then corporate plan commitments may not be met.	Neighbourhoods & Housing		 November 2019 - 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.

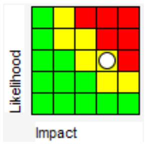
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH DR 006a Regeneration Programmes	Application of sound programme and project management methodology for delivery of complex programmes and projects including reporting where agreed tolerances have been exceeded, and finance assessment of business cases including those that need to be revised.	Ajman Ali	Chris Trowell	Ongoing	December 2019 – A management review is taking place of schemes.
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.	Ajman Ali	Chris Trowell	Ongoing	October 2019 - 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.	Ajman Ali	Zoe Collins	Ongoing via Gateway Reviews and reporting via Housing Development Board	October 2019 – 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
SRCR 0010 Pension Fund ***EXTERNAL RISK*** ***CURRENT & FUTURE RISK***	General market volatility (eg – price and pay inflation is more than anticipated), changing demographics, vulnerable asset classes and any legislative changes could pose a 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.	Finance & Corporate Resources		December 2019 - 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 steadied soon after, 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. The likelihood of this risk occurring is relatively high, given the 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. 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, but the process will not be complete for a few years. Further proposals will incur transition risks, as well as overall strategic ones so the whole process is being managed carefully, although the overall aim is to make efficiencies in investment costs. 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, so there are potential opportunities here too.. All is being monitored closely.

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-Jul-2020	Updated December 2019 - 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-Jul-2020	Updated December 2019 - 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-Jul-2020	Updated December 2019 - 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-Jul-2020	Updated December 2019 - 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	Michael Honeysett	Rachel Cowburn/ Pradeep	31-Jul-2020	Updated December 2019 - ongoing. Detailed reports get taken to Pensions Committee at

	communication with Pension Fund Investment managers/consultants.		Waddon		regular intervals providing them with the assurance that risks are being managed.
FRFSV 0042E Controls related to asset pooling	Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. Also maintain good working relationships to ensure the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements.	Michael Honeysett	Rachel Cowburn	31-Jul-2020	December 2019 – Planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0013 Impact of New Legislation ***EXTERNAL RISK*** ***FUTURE RISK***	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. 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. 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 (potentially resulting in homelessness). 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.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		October 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). 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. However, there are pressures on new housing delivery and the investment in existing stock arising from changes to Building Control, fire safety, and the need to reduce carbon emissions. 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.

Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0013 Impact of New Legislation	The Council continues to monitor and respond to consultations regarding service delivery and other innovations to ensure that it is fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation. There is a monthly Corporate Law Update outlining all the latest legal developments and their potential impact on the Council.	Tim Shields	Suki Binjal	31-Jul-2020	November 2019 - ongoing.
SRCR 0013A New Policies affecting Housing	Detailed analysis is being carried out regarding the likely impact of these policies, both internally and with other boroughs and representative organisations 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. 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. *1% reduction in rents*: 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. *Starter Homes*: 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.	Chris Trowell; Ajman Ali	Kevin Thomson	31-Jul-2020	Updated

	Homelessness Reduction Act: This was agreed by Parliament and 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.				
SRCR 0013B Care Act 2014	This Act has reformed the law relating to care and support for adults and the law relating to support for carers. Detailed work has been undertaken to ensure its effective implementation, and clear timescales and budgets which need to be adhered to. Adult Social Care managers have a robust monitoring system in place to track the impact of the Care Act which will inform service and financial planning.	Anne Canning		31-Jul-2020	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 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.

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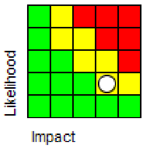
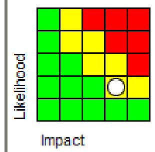
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0018 Workforce & Skills ***INTERNAL RISK*** ***FUTURE RISK***	The world of technology and work is changing fast and there is a risk that the Council might fail to maximise the potential of these changes, including 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. 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	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		November 2019 – The focus of this risk has changed over the last year. 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

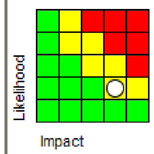
	workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also that restructures may cause temporary loss in efficiency as officers are unsure of how new reporting arrangements, responsibilities and service provisions are put into practice. Knowledge could be lost with a large 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 change and be receptive to new ways of working. Failure to do this could result in the Council lacking the dynamism to succeed in effectively utilising opportunities open to it.			to succeed in effectively utilising opportunities open to it. Risk has levelled off, with more stability post restructures. A major (Senior Management) restructure has been long completed (with final interim arrangements ending in April 2017) whilst 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. A new round of Voluntary Redundancy is due to be finalised at the start of 2020, with those supported for VR leaving at the end of February. Overall 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. The Council has now fully switched over to G-suite, which is resulting in increased efficiencies and dynamism, with 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.

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 May 2020	November 2019 - This is currently being accomplished through close work between ICT and HR. Also new technology has been installed all around the Council with Chromeboxes / books being installed for all to ensure better and more efficient usage.
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 May 2020	November 2019 – 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 May 2020	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*** Page 89	Services across the Council struggle to effectively and successfully recruit for certain positions, leading to a negative impact on service delivery. Also, with the Council needing an increasingly agile workforce (not constrained by traditional customs and practises), it may struggle to compete with other organisations to get the best candidates.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		 November 2019 - Risk was recently broadened across the Council by HMT (from having been focused on ICT). Risk has recently dropped with likelihood decreasing to 2, reflecting some positive progress made. Ongoing work is taking place to assess the recruitment strategy for technology and data roles and identify further steps that can be taken to fill vacancies that arise. The ICT team have contributed to the development of the Council's new recruitment website. 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. However, there have been recent developments on this. Particularly with the completion 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0018B Recruitment and Retention	Services are continuing to work with HR / OD to carry out the following suggested mitigations:	Tim Shields; Ian Williams; Ajman	All Service Managers	31-May-2020	December 2019: Salary supplement models are being

	- 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.	Ali; Anne Canning			reviewed ahead of the scheduled update of supplements in April 2020 to ensure they remain fit for purpose and Hackney continues to be competitive in recruitment to technology and data roles. All roles are now benchmarked against the market, in line with the new Council salary supplement scheme. A prototype for an improved approach to recruitment advertising has been tested over the last year, and this will be reviewed ahead of recruitment arising from the restructure.
CR 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; Ajman Ali; Anne Canning	All managers	31-May-2020	No further specific updates to report. Identification of training and development needs and provision of training / learning support is ongoing. 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**
SRCR 0021 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. This would have very damaging, widespread implications.	Finance & Corporate Resources		November 2019: No further specific updates to report. The Council's accreditations with external information security standards are up to date and ongoing work from the ICT service is reported to the quarterly Information Governance Group. The Council's ICT team are also introducing proactive security assessment for new cloud

				based digital services and working with the Cabinet Office, National Cyber Security Centre and Local Government Association to help shape future government security standards. The likelihood slightly decreased (4 to 3) at the previous 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 have been in line with Information Security risk management. The Council's accreditations for the NHS IG Toolkit (which is being replaced by a new assurance framework) and the PSN Code of Connection are up to date and renewing these is part of BAU activity coordinated by the ICT Services division.

Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
FR IT 0006a Ensure compliance with the PSN Code of Connection and other applicable standards (including the ICT security requirements for compliance with the NHS IGSoC).	Ensure that good security practice is reflected in the Council's technical architecture and operational practices, including annual PSN Code of Connection compliance assessment (supported by IT health check) This will be an ongoing annual activity (no fixed end date).	Rob Miller; Ian Williams	Henry Lewis	31-May-2020	November 2019: Enhanced end-user training for information security and data protection was developed as part of the preparation for the General Data Protection Regulation. On a national scale, attacks have recently been reported in the media and a reminder was issued to all staff

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					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. By the summer of 2019, the enhanced training has now been rolled out to 3271 officers and roll out to Members will take place soon. Enforcement of the mandatory training is also in place. This should help ensure full compliance (with annual refreshers thereafter). Mitigation of this risk continues to be monitored by the Council's Information Governance Group.
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-May-2020	November 2019: the enhanced training has now been rolled out to 3271 officers (at the time of writing) and roll out to Members will take place soon. Enforcement of the mandatory training is also in place.
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-May-2020	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

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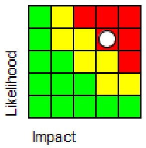
					planned refresh of out of data software and hardware. This is ongoing as part of continuous maintenance and patching. The Council's PSN accreditation was renewed in August 2018 and the ICT Security Group will continue to monitor activity to deliver continual improvement to the Council's systems security and maintenance. November 2019: No further specific updates to report. The Council's accreditations with external information security standards are up to date and ongoing work from the ICT service is reported to the quarterly Information Governance Group.
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-May-2020	November 2019: Work to plan the upgrade from Windows 7 began in June this year. Recent work undertaken to successfully upgrade the VDI desktop has provided valuable learning opportunities for the team. We are now confident that we have an approach that will allow us to progress the

					upgrade to Windows 10 in a relatively short timeframe by January 2020. No further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group. Work is in progress to upgrade the Council's Windows desktop service, although this is now expected to complete by January 2020.

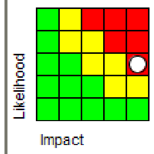
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR IT 0001 Information Assets ***INTERNAL RISK*** ***FUTURE RISK***	The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the 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		November 2019: 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. The Council's accreditation for the NHS IG Toolkit (which is being replaced by a new assurance framework) is up to date and renewing these is part of BAU activity coordinated by the ICT Services

				division. As of November 2019, there is no further significant change. The Council's PSN accreditation is currently being renewed. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management	Ensure effective information management policy and processes are in place so that the Council meets the requirements of the Data Protection Act / other legal and regulatory compliance arrangements. 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. This will be an ongoing activity (no fixed end date).	Ian Williams	Matthew Cain	01-July-2020	November 2019: 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. As of November 2019, there is no further significant change. The Council's PSN accreditation is currently being renewed. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.

FR IT 0001c EU General Data Protection Regulation: preparing for compliance from May 2018	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.	Ian Williams	Matthew Cain	01-July-2020	November 2019: 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 seamlessly by having appropriate data sharing agreements in place. 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). This is an ongoing activity (no fixed end date).	Ian Williams	Matthew Cain	01-July-2020	November 2019 : The Council's ongoing work to develop information sharing agreements in response to service needs is reported to the quarterly Information Governance Group. No further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.

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

SRCR 0020 Corporate (ICT / Business) Resilience. ***INTERNAL RISK*** ***FUTURE RISK***	(Risk that) the Council does not currently have a robust and tested corporate resilience plan in the light of a major incident affecting its business. (An example would be 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.) This could impact on service delivery throughout the organisation. 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.	Finance & Corporate Resources		November 2019 – 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. Recent incidents (eg flooding) emphasise the importance of careful management within this area. DR provision is in place for critical systems and 1200 *myoffice* desktop sessions as additional infrastructure capacity has been added. Successful DR testing has recently taken place, providing assurance of overall resilience. As of November 2019, 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.

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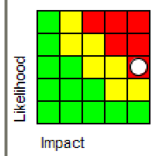
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0003a Resilience of ICT systems / Disaster Recovery	Work is currently in progress to commission resilient hosting arrangements in the Council's Stoke Newington offices. This will provide the facility 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.	Ian Williams	Henry Lewis	01-July-2020	November 2019: 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 the DR provision (from the ICT perspective) was

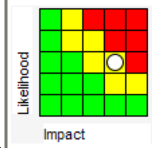
	It must be noted that this provision will not give instant seamless failover for these services - so Council services must ensure that their Business Continuity Plans include plans in the event that ICT systems are not available - other services whose systems are not included in the resilience provision must ensure that their Business Continuity Plans include plans for extended unavailability of their ICT systems.				internally audited and the report was completed at the end of 2018. The final level assurance was significant, suggesting a robust approach is in operation. The ICT service's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly.
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. 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.	Rob Miller; Ian Williams	Henry Lewis	01-July-2020	November 2019: No further specific update. The Council's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly. Also, the corporate review of Business Continuity Plans has completed.
SRCR 020A -Corporate Resilience Forum	A Corporate Resilience forum has been established and will take overall strategic lead reporting to HMT. However the specific ICT issues are still managed by ICT themselves.	Rob MIller	Cross Council	Ongoing	From paragraph 1.1-1.2 of the CRF report: 1:1 The CRF oversees the development of all systems and processes for Emergency Planning, Business Continuity Pandemic Planning and Resilience within Hackney Council. 1:2 This group will also ensure that appropriate links are

					made to other stakeholders in relation to Emergency Planning and Resilience such as NHS, LFB, MPS, EA AND VCS.

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 October 2019 – This remains a high risk, although the controls should provide strong assurance that we are well positioned to manage it.

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 June - 2020	Update October 2019 – 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.' The government's response to the Wood Review of LSCBs published in May 2016 removed the requirement for local areas to have boards with set memberships. A new

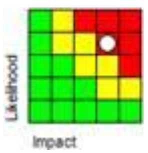
					requirement has been placed on Councils, the police and the NHS as 'key partners' to decide how boards are organised and what area they cover, while statutory functions will not change for individual agencies. Safeguarding partners are required to notify the Secretary of State for Education that they have agreed and published their new arrangements by June 2019 and have these arrangements up and running by September 2019. Discussion is currently taking place amongst key partners (Police, CCG & LBH) to ensure that new arrangements are in place by the deadline.
CYP 006D Ensure staff have the necessary skills to ensure risk and need are properly assessed	The Directorate as a whole understands areas of high risk and works together to mitigate risk in relation to individual children by joint training and development and joint monitoring of practices across the services.	Anne Canning	Sarah Wright	31 June - 2020	October 2019 - Ofsted inspectors noted in July 2016 (confirmed in February 2019) that "When children are at immediate risk of harm, referrals are dealt with swiftly and children are seen to complete effective child protection enquiries. Appropriate decisions are taken when risk is identified to safeguard children."
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 June - 2020	Update October 2019 - 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 Jun - 2020	Update October 2019 - 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. Our external commissioned providers are also expected to demonstrate that they meet health and safety standards as part of their contract including systems and processes for conducting risk assessments of premises and activities.
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 - 2020	October 2019 – 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 0025 Contract Procurement and Management (especially in Housing Services). ***INTERNAL RISK*** ***CURRENT RISK***	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		October 2019 – Risk continues in light of the amount of investigation work currently ongoing. This risk is demonstrated by some of the work the Pro-active Fraud team undertake. There have been major investigations 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.

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. Also, regular liaison meetings with contractors.	Sinead Burke	Each Contract Manager	Ongoing	October 2019 – these controls are in place and continuing and KPIs regularly reviewed along with monitoring of spend pattern / profile.
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	October 2019 – 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.	Ajman Ali Sinead Burke	Sinead Burke Contract Managers	Ongoing	December 2019 – these controls are in place and continuing. Phase 1 of the restructure is almost complete and final phase will be completed by summer 2020.

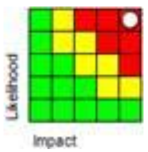
	Final accounts prepared in a timely manner. A cross-working team has been established with Leasehold Services to ensure final accounts are prepared in line with leasehold recharge requirements as well as contract procedures. Regular contract audit. A Fire Safety Programme Board has been established to ensure greater oversight of capital fire safety projects. This board is chaired by Ajman Ali with agenda items led by Donna Bryce.	Sinead Burke Michael Sheffield Donna Bryce	Contract Managers Fraud Investigation Officers		
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.	Ajman Ali; Rotimi Ajilore	Sinead Burke	Ongoing	October 2019 – 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	October 2019 – these controls are in place and continuing.
NH DR0007f Establishment of Housing Capital Monitoring Board	The Group Director Neighbourhoods and Housing has established a Housing Capital Monitoring Board to • 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. 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.	Ajman Ali/Deirdre Worrell	Sinead Burke	Ongoing	October 2019 – New Control established.

	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.				
NH DR0007g - Asset Management Strategy	A new asset management strategy went to March Cabinet for approval, and was fully ratified at the meeting on March 25th 2019. 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.	Ajman Ali/Deirdre Worrell/	Sinead Burke/Simon Theobald	August 2019	October 2019 – Approved in March. This report sets out the long-term objectives for investing in Hackney homes to ensure that the council build on recent successes, demonstrate continuous improvement and achieve the ambition of becoming the leading social housing provider.
SRCR 0025 Contract Procurement and Management (especially in Housing Services).	Major investigation is ongoing with dedicated team (Proactive Anti-Fraud Team).	Ian Williams	Michael Sheffield	02-Aug-2019	Progress is confidential at this stage.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0027 Impact of the government reforms on education service delivery. ***EXTERNAL RISK*** ***FUTURE RISK***	Government policy on the overall role of LAs, the academisation of schools, and future financial arrangements will have an impact on the role of HLT in school improvement. The HSG Board has been developed to maintain HLT's its authority and capacity to provide leadership to the system.		**October 2019:** We (HLT) recommend leaving the risk rating at Impact 4, Likelihood 4. A strategic advisory board has now been established which will give schools collectively, a greater voice in the future direction of the local schools system and approach to system and school improvement. The proposal – the Hackney Schools Group Board (HSGB) has been approved by Cabinet and the Independent Chair and Board members have now been recruited. The proposal maintains the education service as a single function as Hackney Learning Trust, which as the Council's Education Department, will continue with the SRAS function. The implications of Government action with regard to further academisation and the role of LA, as

			well as school finances remains unpredictable in the current climate.

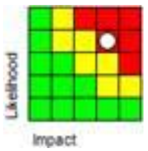
Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0027A Development of an alternative service delivery model that provides a governance and partnership structure for the local schools system.	An alternative model for the governance of the Hackney school system is developed to work within the academised school system that retains the capacity for the strategic and system wide provision of school improvement and SRAS functions to ensure continued school improvement	Anne Canning; Frank O'Donoghue	**November 2019:** Good progress has been made in establishing a strategic advisory board which will give schools collectively, a greater voice in the future direction of the local schools system and approach to system and school improvement. The proposal – the Hackney Schools Group Board (HSGB) has been approved by Cabinet on 29 April and work is underway to recruit the Independent Chair and Board members. The proposal had a favourable response from schools. The proposal maintains the education service as a single function as Hackney Learning Trust, which as the Council's Education Department, will continue with the SRAS function. The implementation stage carries some risk but at this stage progress is positive. There is unlikely to be significant education initiatives from the Government in the foreseeable future, but this remains unpredictable in the current climate.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0028 CYPS, SEND funding – Escalating SEND spend has an adverse impact on HLT and Council budgets.	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.		Judgement was handed down by the High Court in April 2019, following the judicial review hearing last autumn. The judgement rejected arguments that the Council's policies were unlawful.

			Progress continues to be limited towards achieving any cost reductions. Given the potential impact on council finances (£5M deficit and rising), alongside the possible impact on residents and the Council's reputation, the highest possible risk rating has been applied, to reflect the severity of this risk. The risk remains at this level due to the combined effect of the Council not receiving any significant 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 cost reductions is restricted due to the time taken for funding changes to be implemented and the limited control over aspects of the cost. **November 2019 –** The Risk Review Group recommends no changes to the risk rating or the controls as the severity of the risk remains high. As above, however, there is evidence that referrals have increased dramatically which will risk our ability to reach statutory requirements.

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0028 a Forecasting of financial impact of SEND budget pressures.	Rapid, significant short term reductions in SEND costs and outlays will be difficult to achieve. Ensuring that the policy changes in the action plan result in medium term cost savings that relieve the pressures on the SEND budget, whilst ensuring the operational effectiveness of HLT is not detrimentally affected by the overspend, is imperative.	Anne Canning; Andrew Lee; Yusuf Erol	**November 2019:** There continues to be very little progress. Short-term reductions in SEND costs have been difficult to achieve. A small reduction of 5% has been agreed and this was launched from April 2018, regarding SEND support paid to schools for new EHC plans. This has not resulted in significant savings.
SRCR 0028 b Ongoing work to develop plans/strategies to control/manage SEND spending.	SLT has approved a cost management plan to address the pressures placed on the SEND budget by increasing numbers of children and young people being eligible for SEN statements. The cost management plan is regularly reviewed by STAG.	Anne Canning; Yusuf Erol	**November 2019:** No change – there are limited options given the current political climate and statutory obligations.

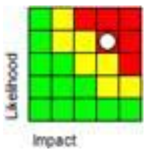
Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0028 c Risk 07 - Changing the culture of SEND in schools and HLT to implement the action plan.	If the action plan is to control expenditure and distribute resources fairly, changes in the existing culture in HLT teams and schools 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 2019:** SIPs continue to meet regularly with the SEND team to share information to ensure consistency of messages to schools. SEND are devising a SENCO training programme and has been held a legal seminar for senior leaders in the authority has been held. SENDIAGS continues to offer support services and training events and officers are invited to and attend Parent forums and HIP events. SEND aim to secure one positive SEND feature per term in local media.
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 2019:** A monthly dashboard monitoring the total number of EHC Plans and new requests is reviewed regularly. This includes a report looking at numbers of EHCP initiations as a percentage of requests and by type. The bar/legal definition for agreeing assessment sis currently being reviewed internally
LT1617Risk 09 – The costs of providing EHCPs 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 2019:** The SEND Partnership Board has developed an action plan in which this is a key action. The post 16 transition process is now being Chaired by CACH Group Director to accelerate progress. SEND team are developing advice templates to standardise information from various agencies

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.		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

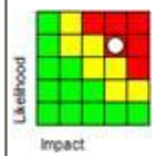
			fulfilling its safeguarding role & responsibilities with these settings. **November 2019** – HLT and LBH have limited powers to intervene in schools' safeguarding practices. The risk controls reflect the fact that HLT has responsibility, but little authority. Risk Review Group recommends maintaining current risk.

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0029A Safer Recruitment and Safeguarding training offered to schools and governing bodies– Traded	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. 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. 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.	Anne Canning; Paul Kelly	**November 2019 –** 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.

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0029B Information sharing activities in place.	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. HLT's membership of the Ofsted Preparation Group for Ofsted inspections provides the opportunity to establish and use linkages to share information. 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.	Anne Canning; Paul Kelly	HLT is represented at all relevant Safeguarding Forums and engages extensively in Partnership working. The Safeguarding in Education Team provides advice and guidance to schools on all training, legislation, Serious Case Reviews etc. New and refreshed safeguarding guidance, CHSCB information and newsletters are disseminated to schools and settings through HLT's Bulletin and Leadership Updates. 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. 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.
SRCR 0029C Ongoing dialogue between HLT,DfE and Ofsted around necessary legislation to ensure safeguarding duties can be effectively carried out	Currently, the roles and responsibilities of Las, DfE and Ofsted are not clearly defined with regards to safeguarding duties.	Anne Canning; Andrew Lee	**October 2019:** HLT has produced and circulated a flow chart to clarify HLT's role with partners as to the actions following child not in school in order to pilot attendance orders
SRCR 0029D Continuing attempts at engagement with unregistered settings are made by HLT to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue.	Anne Canning; Andrew Lee	**October 2019:** The working group that has been overseeing the response to CYP Scrutiny Commission is to be reconvened as an unregistered settings oversight group and will expand its membership to all statutory partners e.g., Met police LFB and others The Out of School Settings (OOSS) project is seeking ways to open dialogue with unregistered settings. When notified by Ofsted HLT has written to settings and families to exercise statutory duty to make enquiries about appropriate education for these pupils.

SRCR 0027 b – NEW RISK Risks posed by unregistered schools and settings ***EXTERNAL RISK*** ***FUTURE RISK***	Unregistered centres are neither known to, nor inspected by Ofsted, raising potential issues relating to the wellbeing and safeguarding of children and young people in the borough. HLT does not have any statutory powers or reporting requirements in regard to the registration of independent schools. As well as the potential risk around safeguarding and lack of knowledge and intervention in regard to those young people attending such settings, there are clear reputational risks for HLT in this area. Despite the fact that HLT holds no powers in regard to either registration or closure, there remains the perception that the Local Authority has not presented sufficient challenge to the status of such settings.		**November 2019** – HLT and LBH have limited powers to intervene in schools' safeguarding practices. The risk controls reflect the fact that HLT has responsibility, but little authority. Risk Review Group recommends maintaining current risk rating.

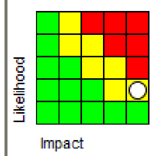
Control Title	Control Description	Service Manager	Control - Latest Note
LT 1415 Risk 18: Co-ordinating multi-agency responses, HLT escalates any issues relating to the safeguarding of children or young people attending unregistered schools or settings.	HLT are aware of unregistered schools and settings within the borough, we escalating to the appropriate authorities Children and Social Care any issues of concern reported to them. HLT co-ordinates multi-agency responses in regard to those settings that do not comply with Ofsted registration requirements.	Anne Canning; Andrew Lee	November **2019:** HLT will continue make partner agencies aware of potentially serious concerns and support the Council and CHSCB in advocating for changes in the legal framework.
LT 1617 Risk 04: Continuing attempts at engagement with unregistered settings are made by HLT to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue and through the Out of School setting project.	Anne Canning; Andrew Lee	**October 2019**: HLT is piloting a DfE-led project to develop and encourage better safeguarding practices in out of school settings (OOSS). This includes yeshivas. A programme of activity, involving visits out of school settings to action these. Encouraging safeguarding policy – providing information to parents. Engaging with Interlink to co-deliver this work.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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. This all produce financial,	Finance and Corporate Resources		December 2019 – 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

	reputational and legislative (in terms of abiding by the Homelessness Reduction Act) risks.			"unsustainable". The Governments new Homelessness Reduction Act took effect from April 2018. Overall, the Act decisively modifies and extends existing homelessness protection. The amount of temporary accommodation property needed to fulfil demand for homeless households continues to increase. During 2018/19 total increase in demand was 17% and the total demand is expected to be greater for 2019/20. The Council now houses the highest amount of households in temporary accommodation for a decade, at 3224 households (including children). The cost of temporary accommodation is managed through the type of property procured, however, the sheer volume needed is expected to mean that the cost will keep increasing. The cost of delivering the service is now exceeding £10m per annum, broadly split as 35% direct provision of TA and 65% other resources required to deliver and administer the service, most of which is staff costs which are increasing annually to meet demand. Despite delivery of 36 hostels within the borough, due to the ever increasing property prices in borough, 1286 of these households are placed outside the borough and London. Homeless households still appear on the day and are placed wherever there is accommodation available, more often than not in Essex, Kent, Bedfordshire and Hertfordshire. The Benefits and Housing Needs Service continue to look at ways to boost affordable temporary housing by pursuing hostel leases with private landlords and developers. 1 large hostel (Dalston) in borough is expected to open next Spring and another has passed planning permission stage for completion in 2021. Further thought is being given to a housing supply strategy, as all social lettings in the borough have dwindled to an expected total of 400 homes for 2019/20 and therefore the waiting times for social housing and length of stay in temporary accommodation is increasing. Current waiting times suggest 10 years for a homeless family requiring a 2 bed home and 8 years for a family requiring a 3 bed home. The strategy will consider purchase of further properties, a cash incentive scheme and the usage of modular housing on meanwhile sites. Risk score remains the same to reflect the severity of the challenge to the Council here.

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-2020	Control ongoing December 2019 The Benefits and Housing Needs Service continues to utilise all Council owned void properties as temporary accommodation wherever possible and affordable to do so.

					However, due to the recent fire risk issues resulting in decanting of various properties ie Bridport House, this resource is now not forthcoming in the short term. The Housing Delivery Board are re-examining all void properties with a refreshed budgetary level costed against the cost of temporary accommodation to see if any further properties can be released.
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-2020	Control ongoing December 2019. The benefits and Housing Needs Service continue to make use of this wherever possible and affordable for homeless residents. Private Sector rented properties available outside the borough are the only realistic short term rehousing option. Various options to boost procurement in this area are being explored.
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-2020	Control ongoing December 2019.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0031 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		Updated November 2019 – Score is stable. 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 Council has been receptive to new recommendations and with the publication of the Hackitt Review and the Grenfell Report phase one we now need to concentrate on implementing these recommendations in anticipation of new legislation being put in place. 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

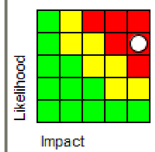
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
				burdens on LAs in relation to privately owned blocks.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0031a Fire Risk Assessments	Ongoing review of all Fire Risk Assessments (circa 1,800) for all of our stock in order to provide reassurance to residents. Ensure that these new Fire Risk Assessments (FRA) are undertaken by suitably qualified assessors and that the assessments they produce meet strict quality standards. Publish all new Fire Risk Assessments on the Council's website.	Tim Shields; Ajman Ali	Donna Bryce	Ongoing	Updated November 2019 – The fire risk assessment schedule is still on track with a three year programme of fire risk assessments. All blocks identified as high or medium risk will be subject to a type 3 risk assessment. All the fire risk assessors are now on the fire risk assessors register as part of the Institute of Fire engineers and this will enable the Council to have assurance that they are suitably qualified and regularly being assessed. The 2018/19 Fire risk assessments have been published on the council's internet page. We are due to launch our new resident portal in early 2020 so that all the fire risk assessments for 2019/20 can be published where residents will be able to track progress of the recommendations. The fire risk assessments will then be available to residents in live time.
SRCR 0031b Fire Safety	Each Directorate has responsibility for ensuring agreed work plans from the previously convened Corporate Fire Safety Group are being delivered.	Ajman Ali; Anne Canning; Ian Williams	Donna Bryce	1/01/20	Updated November 2019 - The Fire Safety Programme Board is in place where all fire safety works are monitored. The Board provides senior managers and member's assurance that we are not complacent in relation to fire safety and will also monitor the implementation of actions coming out of both the Hackitt Review and Grenfell Report. The Board is overseen by an independent fire consultant so that we can ensure that we are meeting our obligations under the Fire Safety Reform Order.
SRCR 0031c Fire Safety – high risk blocks	Ongoing implementation of the key findings and recommendations from the new FRAs that have been/will be	Ajman Ali	Donna Bryce	01/07/19	Updated November 2019 - The three year programme of fire risk

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 113	undertaken across all of our high rise blocks. Blocks to be assessed in priority based on a risk-based Forward Plan (scissor blocks first). Carry out additional non-FRA inspections across our high rise blocks in order to provide a visible presence across the Borough. Carry out any other ad hoc fire safety inspections that are required.				assessments is on track and continues to be delivered at a high standard. Housing Officers and Health and Safety Advisers carry out regular checks of our buildings to identify fire safety hazards. A programme of post inspection of all fire safety related works has been implemented in co-operation with PAM. We now have a more proactive approach to fire safety with a number of initiatives being implemented in the last few months to include: • Installing new fire signage across the borough • Surveying and installing new premises information boxes and ensuring relevant information is contained with the box • Ensuring we have up to date plans of our blocks which highlight any fire safety equipment • Resident insight project to identify our vulnerable residents and offer them support • Installation of floor level indicators • Fire safety contingency plans
SRCR 0031e Fire Safety – everyone's responsibility	Develop and implement a communications strategy that, amongst other things, (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, (b) ensure effective communication and engagement with tenant representatives, (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, (d) keep staff up to speed with developments, (e) respond quickly to press enquiries.	Ajman Ali	Donna Bryce / John Wheatley	Ongoing	Updated November 2019 - Communications strategy in place and the Resident Safety team carry out regular outreach meetings in co-operation with the Building maintenance team. The internet has been updated to provide additional fire safety advice to residents

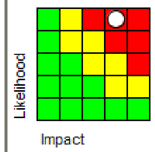
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 114					We send out regular communication with residents to ensure they are aware of their responsibilities in relation to fire safety All sites have been accessed for accessibility and LFB are still carrying out regular inspections of blocks and providing advice. Regular briefings to members and to tenant and resident associations are provided. Fire Safety training was provided to members in November 2019 Regular internal bulletins on fire safety are sent out to all Housing Services teams via the google community which gives us an opportunity to share good practice. We are working collaboratively with the Housing Officers to implement a constant approach to fire safety within the blocks including joint procedures. Training has been provided to TMO's and Housing Officers on fire safety.
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; Ajman Ali	Donna Bryce	15 Oct 2019	Updated November 2019 - We continue to have regular meetings with the LFB and we are working closely with LFB on ensuring we have contingency plans in all our premises information boxes and also working with them on identifying our vulnerable residents who would need help in the event of an emergency. We continue to carry out joint visits wherever possible with the LFB.
SRCR 0031g Fire safety policy	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	Tim Shields; Ajman Ali	Donna Bryce	01/08/19	Updated November 2019 - A policy was implemented in August 2018 and was reviewed in November 2019 to

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	that the Council undertakes fire safety management across the Borough. This will include: • 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. Budget Management: Ensure that the necessary resources are in place to undertake all of the work coming out of the new FRAs. 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.				ensure it is still fit for purpose and the legislation is still correct. FRA budgets are monitored via the fire safety programme board and via the Capital monitoring board. Fire safety has been incorporated into the Asset Management Strategy to ensure that fire safety is at the heart of our capital works programme. New guidance has been issued in relation to fire risks in communal areas so we have a consistent approach within council managed blocks and TMO's An updated report was issued to Senior managers in November 2019 outlining progress made in relation to fire safety. With the release of the Hackitt and the Grenfell review reports we continue to lobby government alongside other London Boroughs with respect to resourcing the additional fire safety works and related costs from both reviews.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0036 – Universal Credit ***EXTERNAL RISK*** ***FUTURE & FUTURE RISK***	Universal Credit is administered by the DWP/JCP (Job Centre Plus) and has been live within the borough since March 2016 for job seeking singles only. Universal Credit full service rolled out for all new claimants in October 2018. The main corporate risks which have been identified are that: **Financial**: Universal Credit places the onus on the claimant to manage their claim and budget; this may lead to rent arrears for Council tenants and make it more difficult for the Council to recover other debts.	Finance & Corporate Resources		December 2019 - We are one year into the full rollout and many of the risks are being borne out so ongoing risk management is required to mitigate and keep under control.

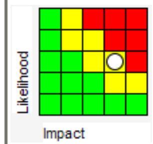
	Strategic: if more residents become more vulnerable because they struggle with budgeting or payments are stopped, this puts pressure on other services. Benefits have also been frozen which moves more people into poverty. **Reputational**: there will be an expectation that the Council helps those who are face barriers to make a claim or struggling to manage their budgets.			

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR RV 1718 Impact of Universal Credit	A partnership group involving DWP and external partners keeps a partnership plan which identifies and addresses key risks under review. Main actions are: Communication strategy for Hackney tenants Resident sustainment team for Hackney tenants Partnership working to ensure that claimants can access the DWP funded Help to Claim service delivered by the CAB Funding the advice sector and working closely with them to meet demand Close partnership working with DWP	Ian Williams	Sonia Khan; Kay Brown	30-May-2020	December 2019 - The Partnership holds meetings every 8-10 weeks. Key risks and mitigating actions are kept under review and updated in meetings. Now we are one year in, the risks and plans are being refreshed. Through partnership working we are able to support DWP to keep payment processing on target. However arrears are high. Of our 1950 UC claimants, 1300 are in arrears. There are particular groups who are more vulnerable because of the way UC is designed to work directly with claimants and to process claimants for one household. We have focused on these particular issues.

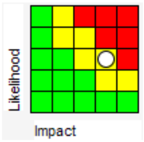
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0043 Pensions – Poor Membership Data Inaccurate or Late Pay Information Supplied to Hackney Pension Fund (LGPS)/Local Pensions Partnership (LGPS)/Teachers Pensions ***INTERNAL RISK*** ***CURRENT RISK***	Inaccurate payroll data supplied to the Hackney Pension Fund results in poor membership data. This poor administration could result in inaccurate data giving rise to financial and reputational risks. Without the correct figures and information, actuaries may be unable to set contribution rates, which could result in higher contribution rates and overall member dissatisfaction. Inaccurate benefit statements might be produced, which could result in the overpayment of benefits. Enforcement action against the Council by the Pensions Regulator	Finance & Corporate Resources		Reviewed November 2019 – 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.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0043 A Monitoring of membership data	Annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn; Lorraine Robinson	30-May-2020	Reviewed December 2019
FRTP 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	30-May-2020	Reviewed December 2019 - Good communication with payroll, as accurate data is very important.
FRTP 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance.	Michael Honeysett	Rachel Cowburn	30-May-2020	Reviewed December 2019
FRTP 0043 D Support & Payroll development	Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information.	Michael Honeysett; Dan Paul	Rachel Cowburn; Julie Stacey	30-May-2020	December 2019 - the employer portal is in the process of being rolled out to all employees.

	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.				Team is also liaising with Hackney payroll team to roll out a new contribution monitoring report. Also ensuring that equiniti roll out the employer strategy in line with the contract.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0035 – Setting up Council owned companies ***INTERNAL RISK*** ***FUTURE RISK***	The Council is in the process of setting up a number of companies for a variety of reasons - ranging from a need to explore commercial opportunities, to being a vehicle which can help to deliver the Mayor's housing objectives, or saving money and improving convenience for the residents of the borough. If the resources, expertise and capacity needed to establish these functions is not satisfactorily in place, and/or the necessary legal due diligence is not done, these companies will not be fit for purpose and the Council may run the risk of severe financial and reputational impacts.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		**December 2019** The most notable work is here with separate Energy, Waste and Housing companies. The formation of these 'internal companies' is ongoing with some aspects of the development more advanced than others. The energy company, Hackney Light and Power, was properly launched at the beginning of November, promising some great future benefits for the Borough. There have been instances (nationally) of some Council energy firms (being set up to reduce fuel poverty) struggling and then failing, leaving taxpayers to pick up the bill. 11 have already gone out of business since January 2018, so this underlines how important it is for these companies to be properly set up.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0035a- Setting up Council Owned Companies	All companies are being developed in accordance with prescribed procedures which will ensure that the resources, expertise and capacity needed to establish these functions is in place, and the necessary legal due diligence is done, with appropriate support provided by relevant Senior Officers, and where necessary, external parties.	Tim Shields; Ian Williams; Ajman Ali; Anne Canning		31 July - 2020	May 2019 – Hackney Light and Power is up and running, and so far has been a successful launch.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0036 Insourcing ***INTERNAL RISK*** ***FUTURE RISK***	The Council makes a decision to insource more services that it can properly handle and this has a negative impact on service delivery. It also proves a false economy as initial savings become overtaken by increased costs when potentially unseen demands of bringing a service back in-house unfold. Yet, there is also an opportunity to this risk. If the decisions on insourcing are taken judiciously with regards to in-house capabilities, strategic objectives and potential savings, there is the chance for the Council to benefit from a decision to bring work back 'in-house'.	Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing		November 2019 - Contracts have been brought back in house in the past and in recent years in areas like Housing Benefit, Waste, Internal Audit and Payroll.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
SRCR 0036a Insourcing – approach.	The Council is working on a Guidance Paper that will ensure that before it makes a decision, questions will be asked under five key criteria. These include local policy and business strategies, the performance of the service, quality improvement and value for money, workforce issues and overall risks. Through a careful application of these criteria and asking pertinent questions, any risks or opportunities concerning insourcing should be satisfactorily managed.	Tim Shields; Ian Williams; Ajman Ali; Anne Canning	Rotimi Ajilore	31 May - 2020	November 2019 - this was newly escalated to the Corporate register early this year. The guidance paper is currently being reviewed.

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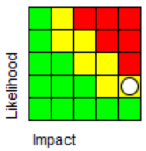
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0039 Climate Change / Climate Emergency ***EXTERNAL RISK*** ***CURRENT &*** ***FUTURE RISK***	The Council fails to meet its commitments to take constructive steps to tackle the climate emergency. The expectation of change required (conducting extensive work on decarbonisation) may not be matched by the available capital. This could be as a result of overly ambitious targets, a lack of overall awareness or 'buy in' to the concept or a lack of resources to proactively bring about change. Without a coordinated response, the task will be more difficult. Failure to achieve positive change would have reputational impacts but most importantly would contribute negatively to the continued emergency in climate matters, both within our local community and the world at large.	Neighbourhoods & Housing leading (but applying to all Directorates)		The Mayor's climate emergency declaration occurred in February 2019, and Hackney councillors subsequently approved a motion to do 'everything within the Council's power' to deliver net zero emissions across its functions by 2040, ten years earlier than the target set by the Government, and in line with the Intergovernmental Panel on Climate Change's higher confidence threshold for limiting global warming to 1.5C above pre-industrial revolution average. The recent creation of Hackney Light and Power is another step towards fulfilling these targets by committing to providing renewable energy.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note

Councillors have approved motion committing to a series of actions Page 120	Council commitment: - To tell the truth about the climate emergency we face, and pursue its declaration of a climate emergency with the utmost seriousness and urgency. - Pledge to do everything within the Council's power to deliver against the stretching targets set by the IPCC'S October 2018 1.50C Report, across the local authority's full range of functions, including a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, and seeking opportunities to make a greater contribution. - Call on the UK Government to provide powers and resources to make the 2030 and 2040 targets possible. - Actively campaign to change national policy where failure to tackle the challenge of heating our homes without fossil fuels, fossil fuel subsidies, insufficient carbon taxation, road-building, and airports expansion, for example, has actively undermined decarbonisation and promoted unsustainable growth. - Support the campaign to create a just transition for workers and users and be part of the creation nationally of a million public sector climate jobs with particular reference to extending sustainable accessible and integrated public transport, retrofitting housing stock, energy democracy, heating and cooling from renewable energy and eco build, food and waste. - Involve, support and enable residents, businesses and community groups to accelerate the shift to a zero carbon world, working closely with them to establish and implement successful policies, approaches and technologies that reduce emissions across our economy while also improving the health and wellbeing of our citizens. - Produce an annual update to Full Council on the progress made against the Council's decarbonisation commitments, and conduct an annual Citizens Assembly comprised of a representative group of local residents to allow for effective public scrutiny the Council's progress and to explore solutions to the challenges posed by global warming. - Work with other local governments (both within the UK and internationally) to determine and implement best practice methods to limit Global Warming to less	Corporate Directors		Ongoing	Jan 2020 - these are ongoing commitments but essential to adhere to in order to comply with ambitious targets. The Council are resolved to follow this. From a political level, these actions are being strongly supported by Members
Hackney Light and Power.	Hackney Light and Power will support the Council to meet declared target and become zero-net carbon borough by 2040. To maximise carbon emission reduction the company will: deliver the Green Homes Program – the first borough wide thermal efficiency housing program in	Corporate Directors		Ongoing	Hackney Light and Power was officially unveiled as a publicly-owned energy services company on November 1st (2019). From the off, the primary objective of the company is to help deliver the ambitious decarbonisation pledges included in its climate emergency motion. At the launch of this, Cllr Burke commented: " We have already delivered 50% renewable electricity

	London support the installation of innovating renewable heating measure support the rolling out of electric vehicle charging points supply the grid with green energy reduce fuel poverty improve residents' health and well being promote an inclusive economy and contribute to the nationwide green agenda help make Hackney a sustainable, green borough				for the Council and many local schools' needs on 1 April, and will switch to 100% in 2020; we're establishing a publicly-owned clean energy company that will turn Hackney into a renewables power station; we are rapidly decarbonising the Council fleet of vehicles and addressing land transport sector emissions; we're decarbonising the built environment through changes to the planning system; we're investing extensively in green infrastructure to derive a wide variety of environmental benefits, from cooler streets to enhanced biodiversity; we're creating a model for drastically limiting the use of petrochemical plastics; and we're investing heavily in our waste service to reduce resource consumption and increase recycling. "
Communication	Communication is key, with the Council getting the correct message out both internally and externally	Comms			There has already been lots of coverage in local papers and online about Hackney's progress.
Cross Council involvement at all levels	Across all Divisions / services, any service plans or overall strategic documents need to pick up on this ongoing challenge and commitment. Any new projects / directives / initiatives need to consider climate change and our approach to it, in determining how to carry out work.	Needs to be cascaded down from HMT to become normal practice.		Ongoing	This will become embedded as part of standard processes in the future.

TREASURY MANAGEMENT STRATEGY 2020/21 15th January 2020 AUDIT COMMITTEE	Classification: Public
Ward(s) affected None	
Corporate Director Ian Williams, Group Director of Finance and Corporate Resources	

1. INTRODUCTION

1.1 This report introduces the draft Treasury Management Strategy for 2020/21 for the Audit Committee, setting out the expected treasury operations for the 2020/21 financial year, ahead of it being sent to Cabinet and Council as part of the annual budget setting process, for formal adoption.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

- **Approve the draft Treasury Management Strategy 2020/21 to 2022/23 for submission to Council, subject to Capital programme that is being finalised ahead of budget setting, 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 2020/21. 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 The impacts of the financial crisis 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 controls 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 its capital programme and therefore may need to borrow 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 2020/21 TO 2022/23

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 approve:

- Treasury Management Strategy for 2020/21
- Annual Investment Strategy for 2020/21

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 2020/21.

3.2 UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.2% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 72.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

3.3 The Bank of England maintained Bank Rate to 0.72% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

3.4 In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.20-1.72% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

4 INTEREST RATE FORECAST

4.1 The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

4.2 Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

4.3 A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

5 CURRENT POSITION AND BALANCE SHEET SUMMARY

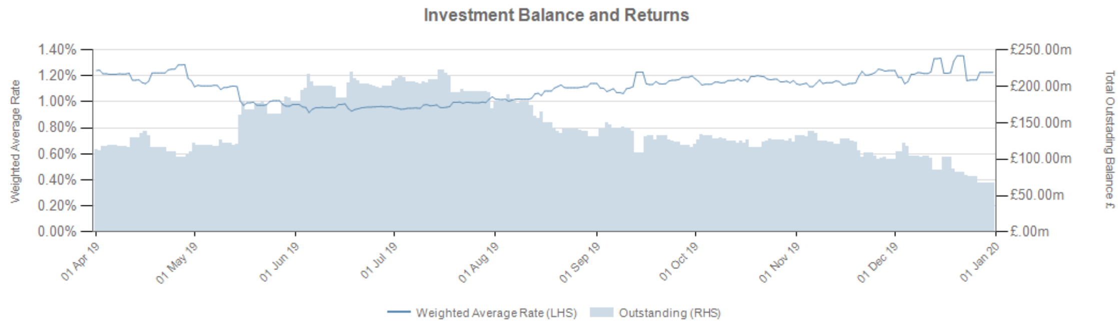
5.1 The Council currently (as at 31.12.19) has outstanding external borrowing of £131.1m. Total investments as of the date were £76m.

Table 1: Existing Investment & Debt Portfolio Position as at 31/12/19

	Portfolio outstanding as at 31/12/2019 £'000
External Borrowing:	
Market – Fixed Rate	131.100
Total External Borrowing	**131.100**
Other Long Term Liabilities: PFI	13.000
Finance Leases	0.500
Total Gross External Debt	**144.600**
Investments: Short-term monies - Deposits/ monies on call/MMFs	62,624
Long-term investments	13,500
Total Investments	**76,124**

5.2 The Council's investment balances have fluctuated over the 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 and the delivery of the capital programme. 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 ***

	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m
General Fund CFR	413	407	393	393
HRA CFR	176	288	366	366
Total CFR	**589**	**695**	**760**	**760**
Less: Other long-term liabilities *	18	17	16	16
Less: External borrowing **	55	163	230	239
Cumulative Maximum External Borrowing Requirement	**516**	**515**	**514**	**514**
Less: Usable reserves***	100	100	100	100
Cumulative Net Borrowing Requirement /(Investments)	**416**	**415**	**414**	**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 change as capital programme is finalised ahead of budget setting.**

5.4 The Authority currently has £131.1m in external borrowing. This is made up of a single £2.4m London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration, along with £65m short term to cover liquid cash flow requirements and £63.7m long term used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration.

5.5 Furthermore, the Council has an increasing CFR due to the delivery of its capital programme with many regeneration schemes requiring borrowing upfront ahead of the realisation of capital receipts. It is therefore likely that the Council will need to borrow over the forecast period, depending on the actual level of reserves and other cash balances available.

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 2020/21.

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 ***

	31.3.20 Estimate £m	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m
Operational Boundary for External Debt	**657**	**731**	**795**	**795**
Authorised Limit for External Debt	**687**	**761**	**825**	**825**

*****Table 2 is subject to change as capital programme is finalised ahead of budget setting.**

6 BORROWING STRATEGY

6.1 The balance sheet forecast in Table 2 shows that the Authority expects to borrow up to £163 million in 2020/21. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £761 million in 2020/21.

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 2020/21 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.

6.2 Alternatively, the Authority may arrange forward starting loans during 2020/21, 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.

6.6 In addition, the Authority may borrow short-term loans (normally for up to three to six month) to cover liquid cash flow shortages.

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.
- Private Placements and Loan.

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 currently raised its long-term borrowing from the Public Works Loan Board, but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pension funds and local authorities, and if appropriate will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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 The CIPFA Code requires 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. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

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 taxpayer funded bailouts, 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 bailout 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 able to refinance 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 2019/20 financial year the Council had an average investment balance of £76m as of 31.12.19, down from £116m for the same period last year. It is expected that investment levels will continue to decrease in forthcoming years as balances are used to finance the capital programme.

8.3 Given the increasing investment risk as detailed in *section 7*, the Authority aims to further diversify into more secure asset classes during 2020/21. During 2019/20 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.

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 will help in further diversification of investments for the council.

8.4 The Council's 2019/20 Lending Policy reflects this approach by setting separate limits for secured and unsecured investments. *Appendix B* details the Council's lending policy and limits.

8.5 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.

8.6 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	£42m
Total investments in foreign countries rated below [AA+]	£42m

8.7 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 Appendix B, section 1 of the proposed Lending Policy.

8.8 No investments will be made with an organisation if there are 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.

8.9 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.

8.10 The proposed 2020/21 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.

8.11 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:

	2020/21
Upper limit on one-year revenue impact of a 1% rise in interest rates	£4m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.2m

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

1% fall in interest rate exposure is calculated based on the current investment portfolio of the council. In the event of a fall in interest rate investment strategy will be revisited to identify measures to be put in place to nullify the impact on fall in interest rate.

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 2 years	100%	0%
2 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:

	2020/21	2021/22	2022/23
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 £761 million in 2020/21. 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 CIPFA Code does 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 November 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.

- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.

- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependent on General Election outcomes and the evolution of the global economy.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.57**
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.85**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**0.88**
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local 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 Bank Account (Lloyds Bank)	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	n/a	£ Unlimited 20 years	n/a	n/a
AAA	£20 m 2 years	£22m 2 years	£20 m 2 years	£20 m 20 years	£10 m 20 years	£10 m 20 years
AA+	£20 m 2 years	£22m 2 years	£20 m 4 years	£12 m 22 years	£10 m 10 years	£10 m 10 years
AA	£20 m 4 years	£22m 2 years	£20 m 3 years	£12 m 12 years	£10 m 2 years	£10 m 10 years
AA-	£20 m 3 years	£22m 2 years	£20 m 2 years	£10m 10 years	£7.2 m 4 years	£2 m 10 years
A+	£20 m 2 years	£22m 2 years	£12 m 13 months	£10m 2 years	£7.2 m 3 years	£2 m 2 years
A	£12 m 13 months	£20m 2 years	£20 m 2 years	£2 m 2 years	£7.2 m 2 years	£2 m 2 years
A-	£10 m 6 months	£12m 2 years	£10m 13 months	£2m 2 years	£7.2 m 13 months	£2 m 2 years
None	£2 m 6 months	n/a	n/a	n/a	£1m 2 years	£2 m 2 years
Pooled funds	£ 12m per fund but not to exceed 0.2% 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 *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 £22 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 *Table 2* below:

Table 2: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£22m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£22m 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	£22m per country
Registered Providers	£22m 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 20 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 2 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 15th January 2020 AUDIT COMMITTEE	Classification: Public
Ward(s) affected None	
Group Director Ian Williams, Group Director of Finance & Corporate Resources	

1. INTRODUCTION

1.1 This report covers both the half year treasury activity report for 2019/20 - 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 2019 to December 2019 (Appendix 2).

2. RECOMMENDATION(S)

2.1 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 2019) 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 2019.

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 2019/20. 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 2019 and reflects the most recent treasury activity.

6.3 The impacts of the financial crisisare still being felt in terms of 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 2019/20, whilst the quarterly update provides details of treasury management activity covering the final 3 months of 2019 (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 capital expenditure, other capital resources, 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 remained the same at the end of December 2019 at 1.2%, compared to 1.2% in December 2018. 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 £107 million at the beginning of April 2019 to £76 million at the end of December 2019.

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 2019 and for the period October to December 2019.

Appendix 1 – Treasury Management Half Year Activity Report 2019/20

Appendix 2 – Q3 Treasury Management Activity Update Report 2019/20

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Appendix 1

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2019/20 (6 MONTHS TO 30TH SEPTEMBER 2019)

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 2019/20, 1st April 2019 to 30th September 2019.

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 2019/20 was approved by full Council on 27th February 2019 and can be accessed on by the following link: http://mginternet.hackney.gov.uk/documents/s63777/Treasury%20Management%20Strategy%20201819%20FINAL.pdf

1.6 The Authority has invested substantial sums of money 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 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, is likely to remain a significant influence on the Authority's treasury management strategy for the remainder of 2019/20 and through 2020/21. UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased by 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

2.2 Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

2.3 Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ring fenced banks embedded in the market.

3. Debt Management

3.1 In the beginning of the year the Council had one external debt of £2.8m 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 £80m of short term borrowing at the beginning of the year. This short term borrowing was taken during 2018-19 financial year for managing cash flow commitments.

3.3 The Authority undertook £65m of long term borrowing from PWLB during the first six months of 2019-20. The PWLB long term borrowing is being used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates that were then available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

Table 1: Debt Portfolio positions as at 01/04/2019 and 30/09/2019

	Balance on 01/04/2019 £'000	Balance on 30/09/2019 £'000	Avg Rate %
Short Term Borrowing*	80,400	77,400	1.10%
Long Term Borrowing	2,400	67,200	2.00%

TOTAL BORROWING	**82,800**	**144,600**	
Other Long Term Liabilities	14,112	13,500	
TOTAL EXTERNAL DEBT	**96,912**	**158,100**	
Increase in borrowing		61,188	

* *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 was not sustainable over the medium term and therefore, the Council borrowed externally from PWLB to finance part of its housing capital regeneration programmes.

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:** With increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pensions funds and local authorities, private lenders. It might investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

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 2019/20 the Authority's investment balances would range between £50m and £100 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 01/04/2019 and 30/09/2019

	Balance as at 01/04/2019 £'000	**Average Rate of Interest %**	**Balance as at 30/09/2019 £'000**	**Average Rate of Interest %**
Short term Investments*	32,296	-	57,376	-
Long term Investments	6,700	-	3,500	-

AAA-rated Stable Net Asset Value Money Market Funds	27,923	-	11,570	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	3,000	-	13,000	-
Covered Bonds	0	-	0	-
Corporate Bonds	2,356	-	0	-
Housing Associations	35,000	-	30,000	-
	107,275	**1.3**	**115,446**	**1.2**

* *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 2019/20. 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

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 very low returns from short-term unsecured bank investments, the Authority will look to diversify into more secure and/or higher yielding asset classes during 2020/21, providing security of capital can be maintained. A proportion of the Authority's cash remains invested in short-term unsecured bank deposits, and money market funds.

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.

<u>Table 3: Credit Score Analysis</u>

Date	Value Weighted Average – Credit Risk	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating Score

	Score	Score		
30/06/2019	A+	4.9	A+	5.4
31/07/2019	A+	5.1	A+	5.5
31/08/2019	A+	5.2	A	5.7
30/09/2019	A+	5.4	A	5.8

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 S&P revised the outlook for Landesbank Hessen-Thuringen Girozentrale (Helaba) to Stable from Positive. The short and long-term ratings were affirmed at A and A-1 respectively. Arlingclose advised against any investment with The Co-operative Bank including covered bonds. Arlingclose continued to advise clients against making deposits with Clydesdale Bank plc and Virgin Money plc. Arlingclose remained comfortable with clients using Clydesdale Bank plc for operational banking purposes, providing balances are kept to a minimum.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2019/20, which were set in March 2019 as part of the Council's Treasury Management Strategy Statement.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2019/20 to 2022/23 are shown in the table below:

	31/03/20 Estimated £'000	**31/03/21 Estimated £'000**	**31/03/22 Estimated £'000**	**31/03/23 Estimated £'000**
Gross CFR	488	496	550	663
Less: Other Long Term Liabilities	13	13	12	11
Borrowing CFR	**475**	**483**	**538**	**652**
Less: Existing Profile of Borrowing	65	65	115	215
Gross Borrowing Requirement/Internal Borrowing	**410**	**418**	**423**	**437**
Usable Reserves	340	330	320	310
Net Borrowing Requirement/(Investment Capacity)	**70**	**88**	**103**	**127**

- **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.

	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m	31/03/2023 Estimate £m
CFR	488	496	550	663
Gross Debt	65	65	115	215
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 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 2019/20 to 2021/23 are as follows:

	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m	31/03/2023 Estimate £m
Usable Reserves	340	330	320	310

- **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	31/03/2020 Estimate £'000	31/03/2021 Estimate £'000	31/03/2022 Estimate £'000	31/03/2023 Estimate £'000

Non-HRA	118	161	54	72
HRA	126	144	145	178
Total	**244**	**305**	**199**	**250**

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/2020 Estimate £m	31/03/2021 Estimate £m	31/03/2022 Estimate £m	31/03/2023 Estimate £m
Prudential Borrowing	88	134	84	134
S106	6	6	-	-
Capital receipts	44	9	9	9
Grants	35	54	31	40
Reserves/Discretionary	26	50	23	14
RCCO	45	52	52	53
Total Financing	**244**	**305**	**199**	**250**

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	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m
Total CFR	**488**	**496**	**550**	**663**

- **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 **£687m for 2019/20**.

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 2019/20 was set at £657m.**

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 borrowing stands at £144.6m.

	Authorised Limit (Approved) as at 31/03/2020 £m	Operational Boundary (Approved) as at 31/03/2020 £m	Actual External Debt as at 30/09/2019 £m
Borrowing	669	639	144,600
Other Long-term Liabilities	18	18	13,500
Total	**687**	**657**	**158,100**

- **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 2019/20 £'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 30/09/19	% Fixed Rate Borrowing as at 30/09/19	Compliance with Set Limits?
under 12 months	0	100	77,400	1.1%	Yes
12 months and within 24 months	0	100	400	1.90%	Yes
24 months and within 5 years	0	100	1,800	1.90%	Yes
5 years and within 10 years	0	100	0	0	Yes
10 years and within 20 years	0	100	0	0	Yes
20 years and within 30 years	0	100	65,000	2.04%	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 2019/20 was set at £90m.

During the reporting period, the Council had a total of £13.5m 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 2019/20 TMSS.

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 2019/20. 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 2019/20 (OCTOBER 2019 to DECEMBER 2020)

1. **Economic Highlights in Q3 2019/20**

- **Growth**: The third estimate of Q3 GDP showed the UK economy increased by 0.4% over the quarter and 1.1% year-on-year.

- **Inflation:** The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month rate was also 1.5% in November 2019, unchanged from October. The Consumer Prices Index (CPI) 12-month inflation rate was also 1.5% in October 2019, also remains unchanged. Core inflation remained at 1.7%.

- **Monetary Policy:** At its meeting ending on 18 December 2019, the MPC voted by a majority of 7-2 to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

2. **Borrowing & Debt Activity**

2.1 The Authority currently has £2.4m 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, the council has £65m short term borrowing to meet the working capital requirements.

2.2 In addition, the Authority had £63.7m long term borrowing from PWLB during the first six months of 2019-20. The PWLB long term borrowing is being used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates currently available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

3. **Investment Policy and Activity**

3.1 The Council held average cash balances of £99 million during the three month period, compared to £148 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/19 to 31/12/19

	Balance as at 01/10/2019 £'000	Average Rate of Interest %	Balance as at 31/12/2019 £'000	Average Rate of Interest %
Short term Investments*	57,376	-	35,424	-
Long term Investments	3,500	-	3,500	-
AAA-rated Stable Net Asset Value Money Market Funds	11,570	-	9,200	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	30,000	-	15,000	-
	115,446	**1.2**	**76,124**	**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
31/10/2019	5.3	A+	5.9	A
30/11/2019	5.2	A+	5.9	A

31/12/2019	5.1	A+	5.9	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

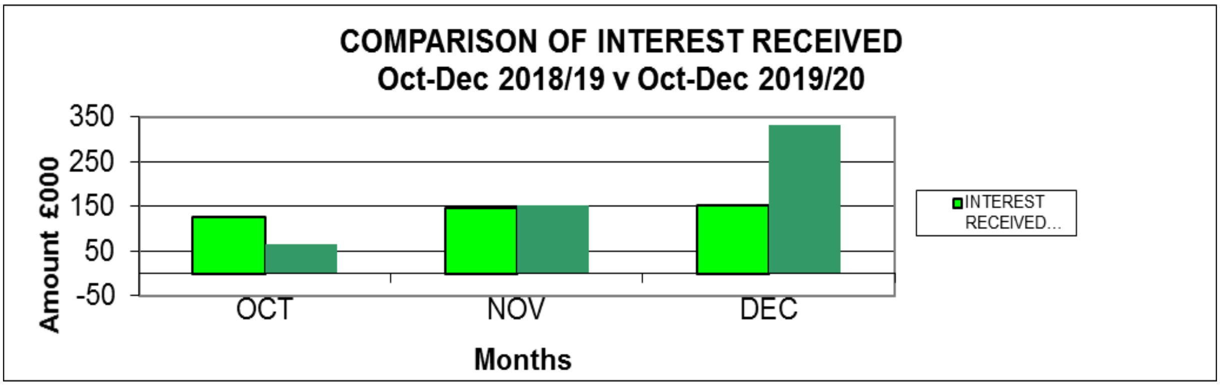
3.5 The Council continues to utilise AAAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances, together with high credit rated call accounts. This type of investment vehicle has continued to provide very good security and liquidity, although yield has suffered in 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 are placed in highly rated UK Government institutions, thus ensuring creditworthiness whilst increasing yield's through the duration of the deposits.

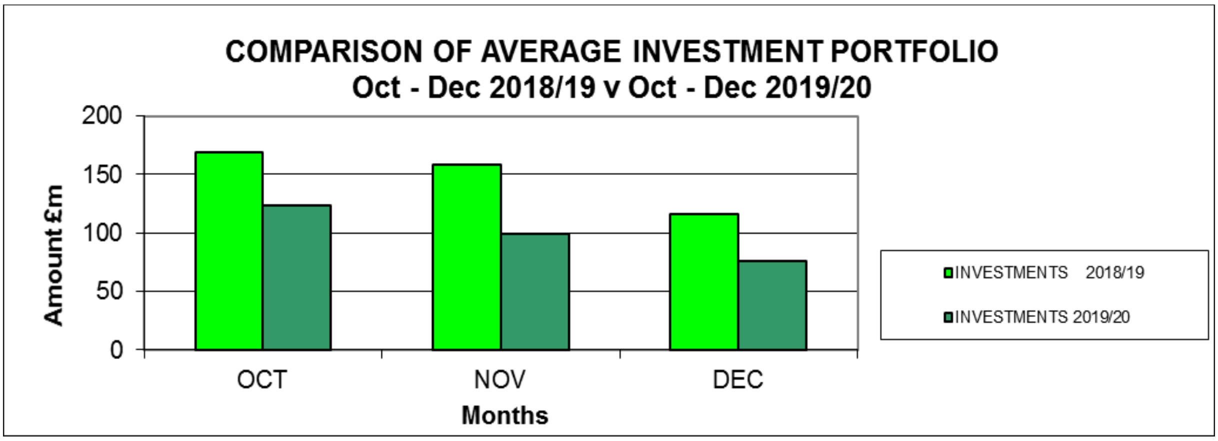
4.2 The graph below provides a comparison of interest earnings for 2019/20 against the same period for 2018/19. The graph highlights that the Council's longer term investment approach is paying dividends with high levels of interest received when taking into account the investment market environment.

Average interest received for the period October to December 2019 was £183k compared to £142k for the same period last financial year.



5. Movement in Investment Portfolio

5.1 Average investment levels for the period October to December 2019 were £99 million in comparison to the same period last year of £148 million.



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 2019/20. As indicated in this report, a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

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Hackney

AUDIT AND ANTI-FRAUD PROGRESS REPORTJANUARY 2020

AUDIT COMMITTEE MEETING DATE **15 January 2020**	**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 31 December 2019 (Appendices 1 to 4).

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 2019/20 on 10 April 2019 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 December 2019
- Implementation of high and medium audit recommendations
- School audits

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

4.2 A statistical summary of the work undertaken by the Audit Investigation Service for the period October to December 2019 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	1,248,000 (minimum)
No Recourse to Public Funds	544,840
Blue Badge/Parking	2,975
Total	**1,795,815**

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 to December 2019
Appendix 2 - Progress with planned audits
Appendix 3 - Definitions of audit assurance levels
Appendix 4 - Audit Investigation Service statistics to December 2019

BACKGROUND PAPERS

Publication of background papers used in the preparation of reports is required.

Description of document

None

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Hackney

Audit & Anti-Fraud Progress Report

1 April – 31 December 2019

1. INTRODUCTION

1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April – December 2019. It covers 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 the departure of the Head of Internal Audit & Risk Management in November 2018 and the resignation of one internal auditor at the end of October 2019.

2.2 The 2019/20 Audit Plan consists of 92 audits (of which 41 are schools/children's centres), 16 audits have been postponed or cancelled and 2 schools have been added since the plan was agreed. These changes are reflected in the Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

3.1 Internal Audit's performance for 2019/20 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 *To ensure the service provides Value for Money*	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) 51% complete or in progress at 31 December 2019 2) 10 days
Quality *To ensure recommendations made by the service are agreed and implemented*	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) 82% - fully implemented** 18% - partially implemented

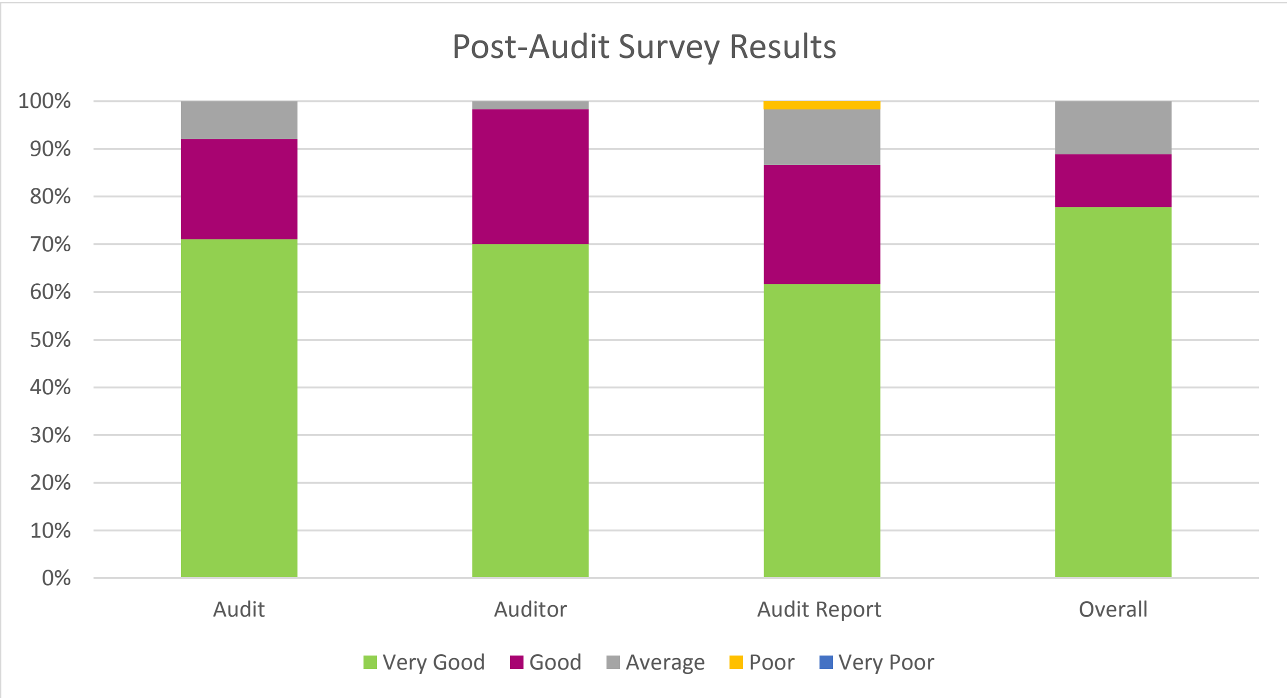
Objective	KPIs	Targets	Actual
Client Satisfaction *To ensure that clients are satisfied with the service and consider it to be good quality*	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) No. of Complaints / Compliments	1) Responses meeting or exceeding expectations 2) Satisfactory 3) Actual numbers reported	1) 99% (92% exceeded expectations and excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

3.2 As at 31 December 2019 a total of 47 internal audit reviews have been started from the 2019/20 Plan, 16 have been finalised and a further 2 are at draft report stage. In addition, during the reporting period the last outstanding review from the 2018/19 Audit Plan was completed.

3.3 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2019/20 planned audits is detailed in Appendix 2. Progress with the 2019/20 Audit Plan is summarised in Table 2 below.

2019/20 Audit Plan Stage of Audit Activity	**Number of assignments**	**Percentage of the original plan**
Scoping/TOR agreed	20	22%
Fieldwork in progress	9	10%
Draft report issued	2	2%
Completed	16	17%
Total work completed and in progress	**47**	**51%**
Original Plan	106	
Cancelled and Postponed	16	
Additional requests	2	
Total Revised Plan	**92**	

Table 2

4.2 The table shows 51% of planned assignments have been completed or are in progress at the time of reporting.

4.3 Please see details of cancelled/postponed audits in Table 3 below.

Review	**Reason for Cancellation/Deferral**
Pension Fund	Deferred - management request
Commercialisation	Deferred - management request
Grants	Deferred - management request
NNDR/Business Rates	Deferred
Use of UASC-Controlling Migration Fund	Cancelled - management request
Consultants	Deferred - management request
Wick TMO Follow Up	On hold pending management action
Capital Schemes- monitoring/PM	Deferred - management request
Direct Payments follow-up	On hold
FM in Schools follow-up	Deferred - management request
Brook Children's Centre	Cancelled
Gainsborough Primary School & Children's Centre	Deferred - management request
Lubavitch Children’s Centre	Cancelled - moved to Academy
Colvestone Primary School	Deferred - management request
St John the Baptiste CE Primary School	Deferred – new federation
St Matthias CE Primary School	Deferred – new federation

Table 3

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 in Table 4.

Assurance Level	2019/20	2018/19
No	0	0
Limited	1	2
Reasonable	8	7
Significant	9	2
Not Applicable	0	0
Total	**18**	**11**

Table 4

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 2019 are shown in Table 5 below.

Categorisation of Risk	Definition	Number 2019/20 Plan	Number 2018/19 Plan
High	Major issues that we consider need to be brought to the attention of senior management.	7	8
Medium	Important issues which should be addressed by management in their areas of responsibility.	51	33
	Total	**58**	**41**

Table 5

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 2019, six school audits had been completed and terms of reference/fieldwork has started at 16 schools. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.

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 onward that were due to be implemented by 31 December 2019 are presented in Table 6.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented/No response	Not Yet Due	Total*
Children's, Adults and Community Health	15	0	0	4	15
Neighbourhoods and Housing	36	10	0	2	46
Finance & Corporate Resources	5	2	0	0	7
Chief Executive's	4	1	0	0	5
Corporate	3	1	0	1	4
Total number	**63**	**14**	**0**	**7**	**77**
Percentage (%)*	**82%**	**18%**	**0%**	**n/a**	**100%**

* Does not include "Not Yet Due"

Table 6

6.2 The Council's target for 2019/20 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 77 'High' priority recommendations, the implementation rate currently stands at 82% fully implemented, with a further 18% partially implemented.

6.3 Of the 307 'Medium' priority recommendations followed up 86% were assessed as implemented and 9% partially implemented. Details are shown in Table 7 below.

Directorate	Implemented (including no longer relevant)	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults & Community Health	63	5	2	4	70
Neighbourhoods and Housing	94	7	7	16	108
Finance & Corporate Resources	68	15	2	5	85
Chief Executive's	23	1	1	0	25
Corporate	15	1	3	1	19
Total number	**263**	**29**	**15**	**26**	**307**
Percentage (%)	**86%**	**9%**	**5%**	**n/a**	**100%**

* Does not include "Not Yet Due"

Table 7

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	45	4	1	0	50
Medium	243	4	7	7	254
Total Number	**288**	**8**	**8**	**7**	**304**
Percentage (%)	**94%**	**3%**	**3%**	**n/a**	**100%**

* Does not include "Not Yet Due"

Table 8

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

7.1 The Head of Internal Audit & Risk Management remains vacant, covered by an interim. The service, like many services in the Council, is subject to changes resulting from the current voluntary redundancy scheme. The outcome of applications for consideration is expected in January 2020. This is likely to lead to the need to review the management and resources of the internal audit team. Two auditors were employed on a temporary basis from the end of December to assist in completing the audit plan.

7.2 A new ICT audit provider has been contracted for three years. Assurance has been obtained that the necessary resources will be available to complete the planned audits for 2019/20.

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). Following the outcomes of the Council's Voluntary Redundancy Scheme there may be a need to review the structures and resources allocated to these teams.

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 ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
2018/19 Audits not previously reported					
1819LBH03	Subject Access Requests (SARs)	0	2	**Reasonable**	Final
1819CE01	Disclosure & Barring Service (DBS) Checks	0	3	**Reasonable**	Draft
1819CACH06	SEN 2017/18 Follow up	2	4	**Reasonable**	Final
1819FCR01	Health & Safety	0	4	**Reasonable**	Draft
1819FCR04	Commercial Property – Debt Management	0	2	**Reasonable**	Final
1819FCR05	VAT (HLT)	0	4	**Reasonable**	Final
1819FCR07	Accounts Payable	0	5	**Reasonable**	Final
1819FCR12	Cash Receipting/banking				Deferred to 2020/21
1819ICT02	iTrent application post implementation review	2	3	**Limited**	Draft
1819ICT05	End user devices - security (incl. mobile devices, remote access)	0	1	**Significant**	Draft
1819NH05	Housing Asset Management				Deferred
1819NH06	Housing Service Control Framework				Deferred to 2020/21
1819NH08	Libraries	0	1	**Significant**	Draft
1819NH13	Waste Collection	0	0	**Significant**	Draft
1819SCH12	Yesodey Hatorah SGS	4	4	**Limited**	Final

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
2019/20 Audit Plan					
Corporate / Cross Cutting					
1920LBH01	AGS Co-ordination 2018/19 & 2019/20	N/A	N/A	N/A	Completed for 2018/19
1920LBH02	Pension Fund				Deferred to 2020/21
1920LBH03	Payroll	1	3	**Reasonable**	Final
1920LBH04	Equal Pay				ToR
1920LBH05	Recruitment & Retention Payments				ToR
1920LBH06	Savings Tracking				
1920LBH07	Contract Management - Performance				ToR
1920LBH08	Commercialisation				Deferred
1920LBH09	IR35				WIP
Chief Executive's					
1920CE01	Electoral Services				
1920CE02	Environmental Sustainability				
1920CE03	Grants				Deferred
Children, Adults & Community Health					
Adult Services/Public Health					
1920CACH01	ALD				ToR
1920CACH02	Residential Care				
1920CACH04	Health & Social Care/Integrated Commissioning				ToR
1920CACH05	Agencies Supplying Care				WIP
1920CACH06	Housing with Care				
1920CACH07	Payments Team for Adults Homecare				
1920CACH08	Panel Processes	0	4	**Reasonable**	Draft

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
1920CACH09	Brokerage	4	2	**Limited**	Final
Children & Families					
1920CACH10	Safeguarding – New Arrangements				WIP
1920CACH11	Use of UASC - Controlling Migration Fund				Cancelled at Management request
1920CACH12	LAC Incidentals				
1920CACH13	Children Leaving Care				ToR
1920CACH14	Children's Disability Payments				ToR
Education					
1920CACH15	Schools Overview Report 2018/19				
1920CACH16	Special Educational Needs (SEN) Transport				ToR
1920CACH17	Themed audit Early Years Setting -15 hrs free entitlement for 2 yr olds				
Public Health					
1920CACH03	Mortuary Statutory Review				
Follow Up					
1920CACH18	Direct Payments				On Hold
FINANCE & CORPORATE RESOURCES (EXCL ICT)					
Strategic Property					
1920FCR01	Consultants				Deferred to 2020/21
1920FCR02	Management Companies				ToR
Financial Management					
1920FCR03	Budget Monitoring				
1920FCR04	NNDR/Business Rates				Deferred

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
1920FCR05	Creditors/Accounts Payable				WIP
1920FCR06	Treasury and Investments				
1920FCR07	General Ledger	0	2	**Significant**	Final
1920FCR08	C/Tax & Hackney Housing - Cautionary Contact				
1920FCR09	Financial Resilience				WIP
Follow Up					
1920FCR14	Accounts Receivable – ASC Debt	1	1	**Significant**	Final
1920FCR15	FM in Schools				Deferred at management request
Customer Services					
1920FCR10	Council Tax				
1920FCR11	Housing Benefits				WIP
1920FCR12	Cash Receipting/Banking	0	2	**Significant**	Final
Procurement					
1920FCR13	Single Tender Action (STA) Process	0	2	**Significant**	Final
ICT					
1920ICT01	Back Office Side (e.g. Licensing & Parking)				
1920ICT02	Cyber Resilience				
1920ICT03	Programme & Project Governance, Delivery & QA				
1920ICT04	GDPR - Information/Data Security				
Neighbourhoods & Housing					
Housing					
1920NH01	Arden TMO	1	9	**Reasonable**	Final
1920NH02	Lordship South TMO	1	8	**Reasonable**	Final

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
1920NH03	Wick TMO				On Hold
1920NH04	Housing Rents	0	3	**Significant**	Final
1920NH05	DLO				WIP
1920NH06	Right To Buy				WIP
1920NH07	Major Works				ToR
1920NH08	Resident Safety Compliance & Testing Team				
1920NH09	Housing Capital Budget	0	2	**Reasonable**	Final
Public Realm					
1920NH10	Capital Schemes - Monitoring/Project Management				Deferred to 2020/21
1920NH12	Parking Income				WIP
1920NH13	Markets Management				WIP
Regeneration					
1920NH11	Build Quality on New Builds				
1920NH14	Disability Facilities Grant - Private Sector Housing				WIP
Schools					
Children's Centres					
1920SCH01	Ann Tayler Children's Centre				ToR
1920SCH02	Brook Children's Centre (With School)				Cancelled to do with school
1920SCH03	Clapton Park Children's Centre				ToR
1920SCH04	Comberton Children's Centre				WIP
1920SCH05	Comet Children's Centre				ToR
1920SCH06	Daubeney Children's Centre	-	-	-	See info for Duabney Primary

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
1920SCH07	Fernbank Children's Centre (linked to Jubilee)	-	-	-	See info for Jubilee Primary
1920SCH08	Gainsborough Children's Centre	-	-	-	See info for Gainsborough Primary
1920SCH09	Hillside Children's Centre				
1920SCH10	Linden Children's Centre				
1920SCH11	Lubavitch Children's Centre (New to LBH)				Cancelled - moved to Academy
1920SCH12	Mapledene Children's Centre				
1920SCH13	Morningside Children's Centre	-	-	-	See info for Morningside Primary
1920SCH14	Sebright Children's Centre	-	-	-	See info for Sebright Primary
1920SCH15	Tyssen Children's Centre	-	-	-	See info for Tyssen Primary
Primary Schools					
1920SCH16	Betty Layward Primary School	0	4	**Reasonable**	Final
1920SCH17	Colvestone Primary School				Deferred to 2020/21
1920SCH06	Daubeney Primary School				
1920SCH08	Gainsborough Community School				Deferred
1920SCH19	Gayhurst Community School				ToR
1920SCH20	Holy Trinity CE Primary School	0	0	**Significant**	Final
1920SCH07	Jubilee School (incl Fernbank CC)	0	2	**Significant**	Final
1920SCH22	Kingsmead Primary School				ToR
1920SCH23	Lauriston Primary School				
1920SCH24	Mandeville Primary School				ToR

Internal Audit Annual Plan ***Progress to 31 December 2019 (including 2017/18 & 2018/19 audits not previously reported)***					
Code	**Description**	**High Priority Recs**	**Medium Priority Recs**	**Audit Assurance**	**Status**
1920SCH13	Morningside Primary School	0	2	**Significant**	Final
1920SCH26	Our Lady and St Joseph's RC Primary School				ToR
1920SCH27	Princess May Primary School				ToR
1920SCH28	Queensbridge Primary School				
1920SCH29	Randal Cremer Primary School				ToR
1920SCH14	Sebright School				
1920SCH31	Simon Marks Jewish Primary School				Draft
1920SCH32	Sir Thomas Abney School				WIP
1920SCH33	St. John the Baptist CE Primary School				Deferred to 2020/21
1920SCH34	St. Matthias CE Primary School				Deferred to 2020/21
1920SCH35	St. Monica's Roman Catholic Primary School				ToR
1920SCH15	Tyssen Community Primary School	0	3	**Reasonable**	Final
1920SCH19	Gayhurst Community School				
1920SCH37	Shoreditch Park Primary School				ToR
1920SCH41	St Scholastica Catholic Primary School				
Secondary Schools					
1920SCH38	Cardinal Pole Catholic School	0	2	**Significant**	Final
1920SCH39	Our Lady’s Convent High School				ToR
1920SCH40	The Urswick School				ToR

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 2019

1. Investigations Referred

The Anti-Fraud Service received 580 referrals during 2018/19 and based on the current level of referrals looks set to receive a similar number during the current year. 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 2019/20 to date	Referrals 2018/19
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	1	0	6	9	9
	Hackney Homes	4	2	5	7	5
	Tenancy Fraud	80	89	260	211	263
	Parking	72	58	79	162	198
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	1	2	10	8	6
	No Recourse to Public Funds Team (NRPF)	37	58	29	66	75
	Hackney Learning Trust	0	1	3	2	5
Finance & Corporate Resources (F&CR)	Finance & Resources	5	3	10	11	9
Chief Executive Directorate	Chief Executive Directorate	0	1	4	1	10
	Total	**200**	**214**	**406**	**477**	**580**

Table 1

Note 1: Fraud reporting is 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 NRPF).

Note 2: Cases closed/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 General Data Protection Regulations crime prevention and detection gateways.

Source	Number of Enquiries in period	Number of Enquiries Closed in period	Enquiries Currently Under Investigation	2019/20 to date	2018/19
Internal	50	51	0	161	145
Other Local Authorities	32	30	2	50	56
HMRC	6	5	1	14	0
Police	15	14	1	25	68
Immigration	1	1	0	2	11
DWP	214	214	0	560	866
Other	3	3	0	31	77
Total	**321**	**318**	**4**	**843**	**1,223**

Table 2

3. National Fraud Initiative (NFI) Matches

The NFI is a biennial data matching exercise, the majority of datasets were most recently received in January 2019. Matches are investigated by various LBH teams over the 2 year cycle, AAF investigate some matches and coordinate the Council's overall response. The total number of matches includes a number of recommended cases 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	Cases Under Investigation	Number Matches Cleared NFI2018	Number Matches Cleared NFI2016
Payroll	145	6	77	63
Housing Benefit	3,376	4	69	51
Housing Tenants	1,438	15	17	68
Right to Buy	55	0	10	1
Housing Waiting List	2,614	1	36	88
Concessionary travel / parking	203	119	57	169
Creditors	6,428	0	0	638
Pensions	217	8	207	171
Council Tax	22,608	7,302	2,617	3,163
Council Tax Reduction Scheme	2,453	4	27	22
Other	72	2	40	29
Total	**39,609**	**7,461**	**3,157**	**4,463**

Table 3

Council Tax discounts totalling £29,448 have been cancelled following review of the most recent NFI data matches.

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

DWP advised Hackney that limited financial support would be provided to the Council to support Housing Benefit investigations in 2019/20. Hackney has continued to fund a part time resource to address specific investigation enquiries, but this is insufficient to allow for review of the thousands of benefit concerns identified by the NFI. The officers that previously undertook this work transferred to DWP in 2014.

Hackney will be taking part in a national trial with the DWP where they will be granted direct access to Hackney's Housing Benefit records. If this trail is successful it is expected that this will reduce the financial burden in providing support to Housing Benefit investigations undertaken by the 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**	**2019/20 to date**	**2018/19**
Disciplinary action	0	2	8
Resigned as a result of the investigation	4	9	9
Referred to Police or other external body	0	1	12
Prosecution	0	0	1
Referred to Legal Services	3	3	0
Investigation Report/ Management Letter issued	3	10	19
Council service or discount cancelled	27	71	71
Blue Badges recovered	8	17	35
Other fraudulent parking permit recovered	0	0	6
Parking misuse warnings issued	5	16	19
Penalty Charge Notice (PCN) issued	15	36	29
Vehicle removed for parking fraud	6	6	2
Recovery of tenancy	25	64	63
Housing application cancelled or downgraded	7	35	47
Legal action to recover tenancy in progress	78	78	n/a
Right to Buy application withdrawn or cancelled	7	12	13

Table 4

<u>Resigned as a result of the investigation</u>
As a result of the investigations conducted by the Audit Investigation Team (AIT) four members of staff left their employment while enquiries were still in progress to investigate the following allegations: -

- 3 cases of undeclared second employment;
- 1 case of not following 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 2019 a total of 25 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 £450,000. This assessment was made in 2013 so the actual cost to the public purse is likely to be even higher today.

In the same period 7 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 had 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 £28,000 and £126,000.

During this period seven Right to Buy (RTB) applications were cancelled following investigation. Each RTB represents a discount of £110,000 on the sale of a Council asset. The value of the discount for the RTBs that were declined represents a total of £770,000.

5.2 No Recourse to Public Funds Team (NRPF)

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). In the period October to December 2019, 27 support packages were cancelled or refused following AAF investigations as part of collaborative working with CACH. This equates to a saving in the region of £10,449 per week, if these had been paid for the full financial year it would have cost Hackney approximately £544,840.

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 eight Blue Badges, this equates to £800, and enforcement charges of £2,175 also arose.

The cost for these types of fraud is far greater in terms of the denial of dedicated parking areas to genuine blue badge holders and residents, 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.

A blue badge prosecution policy has been prepared and cases are being referred to legal services for prosecution.

5.4 Proactive Fraud Team

AAF has investigated 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. Some of these works were re-performed at the contractors' expense following our investigation. Related enquiries have resulted in downward revisions to the valuation of other work undertaken. There are ongoing enquiries involving criminal matters therefore it is not possible to expand on this work at this time.

6. Matters Referred from the Whistleblowing Hotline

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

7. Regulation of Investigatory Powers Act (RIPA) Authorisations

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

Because surveillance has the potential to be a particularly intrusive means of evidence gathering, the approval process requires authorisation by a nominated senior Hackney officer (Corporate Head of Audit, Anti-Fraud & Risk Management / Group 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. The Council's investigation processes are supported by POCA 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	2019/20 to date	2018/19 total
Production	7	7	6
Restraint	0	0	0
Compensation	0	0	1
Confiscation	0	0	1
Total	**7**	**7**	**8**

Table 5

Hackney

Certification of Grants and Returns 2017/18

AUDIT COMMITTEE 2018/19 **15 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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Comments of the Corporate Director of Legal, HR and Regulatory Services	Dawn Carter-McDonald 0208 356 4817 Dawn.Carter-McDonald@Hackney.gov.uk

KPMG

Annual Report on grants and returns 2017/18

London Borough of Hackney

—

January 2019

Contents

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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.psaa.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.

Headlines

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

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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.

Headlines

<u>Pooling of Housing Capital Receipts</u>

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.

<u>Skills Funding Agency</u>

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 then 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

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

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

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Ref	Summary observations
1	**Housing Benefit Subsidy** — 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	**Teachers' Pension Return** — 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	**Skill Funding Agency** — 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 Authrity 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.

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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.

kpmg.com/uk

Hackney

External Audit Plan 2019/20

AUDIT COMMITTEE MEETING DATE 2019/20 **15 January 2020**	**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 2019/20 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 details 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 2019/20 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 2019/20

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 recognition, the valuation of property, plant and equipment and the pensions defined benefit liability valuation. Details of these risks and the audit approach to these are set out on pages 10 and 11 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 NNDR appeals and the related provision required as set out on page 12 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 just one significant risk to the VfM conclusion, set out on page 13 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 1 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, representing no change from the previous year. However, Mazars will be discussing the level of fees to be charged in respect of the introduction of group accounts. The fees quoted are 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, again the same as in the previous year.

5.3 Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are expected to be £33,050.

5.4 The costs outlined 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

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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 2020

MAZARS

CONTENTS

Mazars LLP
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E1W 1DD

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

15 January 2020

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney for the year ending 31 March 2020.

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 2020. This is our second year of appointment. 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.psaa.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.

Value for Money

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

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.

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 Council 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
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- 07387 242052

- Stuart Frith, Engagement Manager
- Stuart.Frith@mazars.co.uk
- 07909 982774

- Dylon Johannes, Engagement Team leader
- Dylon.Johannes@mazars.co.uk
- 07823 521315

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.

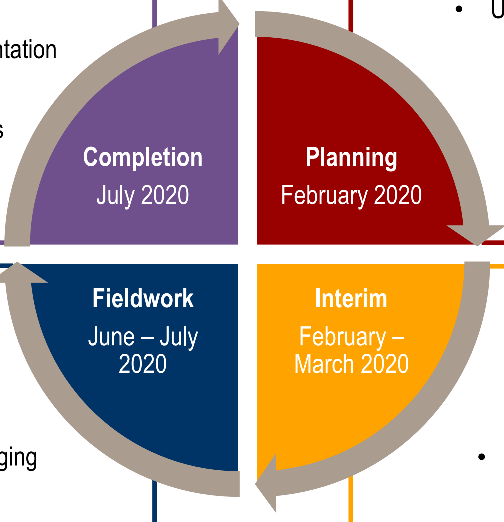
Audit approach

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.



- Final review and disclosure checklist of financial statements
- Final file review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Initial opinion and value for money risk assessments
- Updating our understanding of the Council
- Considering proposed accounting treatments and accounting policies
- Development of our audit strategy
- Agreement of timetables
- Preliminary analytical procedures

- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions
- Work to support the Value for Money conclusion

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.

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 liability	Hymans Robertson	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values included within the financial statements.
Property, plant and equipment valuation	Internal valuer	We will review the analysis of property valuation movements provided centrally by PSAA and consider the outcome of the Council's valuations in comparison with these, challenging conclusions as appropriate. We will further challenge the appropriateness of the inputs and assumptions of the Council's valuations in the current year.
NNDR Appeal provision	Analyse Local	We will review the analysis of the NNDR appeals 2017 list. We will challenge the appropriateness of the assumptions of the NNDR appeal calculation.

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.

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Group audit approach

The London Borough of Hackney wholly own the following subsidiary companies:

- Hackney Housing Company Limited
- Hackney LLR Housing Company Limited
- Hackney PRS Housing Company Limited

The Council has deemed that these companies to represent significant components (i.e. are financially material to the Council and, as such, will be preparing group accounts, consolidating the results of the Council and the above companies. The council has also identified two further companies which are considered to be non significant components and will not be consolidated:

- Makers Management Company Limited
- Otto Management Company Limited

We have reviewed the Council's assessment of the above companies and concur with the assessment for the inclusion or exclusion from the consolidation.

In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiaries.

Our approach will reflect the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council's Group financial statements. Our plan, based on our initial understanding, is that to support our audit work on the group accounts, we seek to place reliance on the work of the other audit firms who are the auditors to these subsidiary companies. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and satisfies professional requirements.

We will report the following matters in our report to those charged with governance:

- Deficiencies in the system of internal control or instances of fraud which the subsidiary auditors identify;
- Limitations on the group audit, for example, where the our access to information may have been restricted; and
- Instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

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:

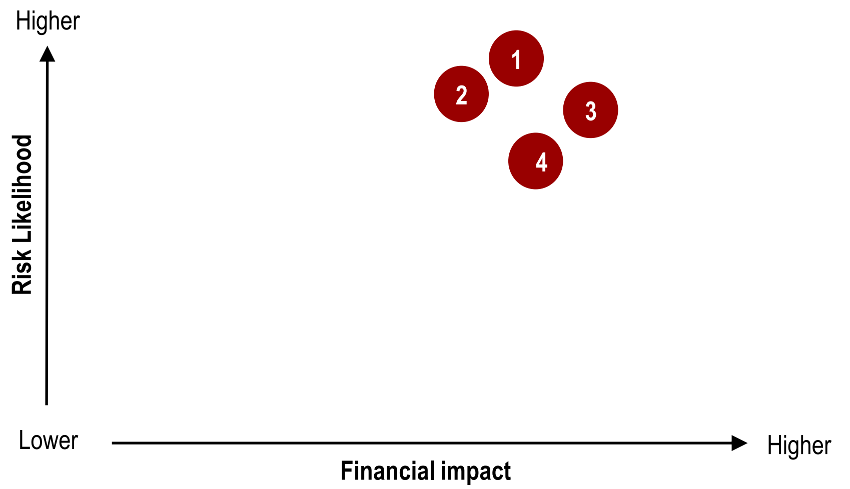
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to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

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.



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	**Management override of controls** 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 presumed risk of material misstatement due to fraud on all audits.	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • 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	**Revenue recognition** Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. 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 Council'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. 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.	We plan to address this risk by obtaining a detailed understanding of the Council's processes which assure it that revenue and expenditure materially recognised in the correct accounting year. We will carry out • detailed testing of transactions within the 2019/20 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 2019/20 accounts.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

	Description of risk	Planned response
3	**Property, plant and equipment valuation** 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. 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 MHCLG. Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.	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. 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. In addition, for those assets which have been revalued during the year we will: • 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	**Defined benefit liability valuation** The latest triennial valuation London Borough of Hackney pension fund will be completed at 31 March 2020. As an admitted body within the fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2020. 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. Due to the high degree of estimation uncertainty associated with these valuations, we have determined there is a significant risk in this area.	We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators (London Borough of Hackney Pension Fund). We will also: • 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 and enhanced risks

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. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement / enhanced risk	Planned response
1	**NNDR Appeals** The business rates retention scheme came into operation at 01/04/2013 and it requires the Council to calculate a provision bases on the appeals on the 2005/10 appeals list, 2017 appeals list, future periods relating to the 2017 appeals list, NHS Trust, cases where a reduction in the rateable value is determined, i.e. Iceland case, etc. These calculations have judgement elements and pose to be complex in nature.	We will review the appeals listings from the Valuation Office Agency (VOA) and access the reasonableness of the judgemental elements within the calculations. We will further access the reasonableness of the Analyse Local with regards to the threats of subsequent periods to the 2017 appeals list.

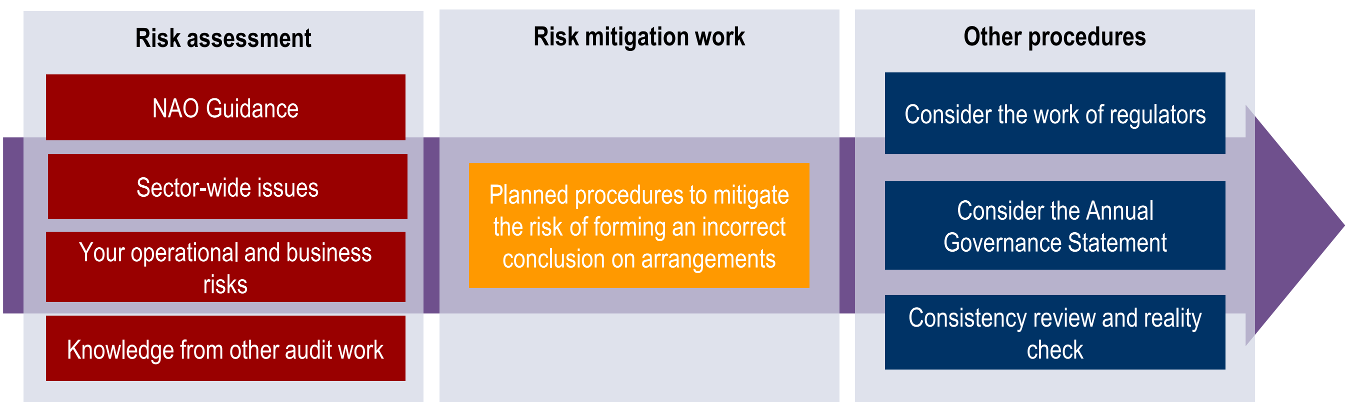
5. VALUE FOR MONEY

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 2019/20 financial year, we have identified the following significant risk(s) to our VFM work:

Description of significant risk	Planned response
The current financial forecast shows that the Council is forecasting budget gap of £30m over the period 2019-20 to 2022-23, primarily a result of unavoidable costs. The Council has identified the need to make further savings of to be able to remain within forecast funding levels and have therefore introduced savings themes which include scrutiny panels, co-ordinated cross council approach to the deployment of resources and directorate initiatives.	We will review the controls put in place by the Council 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. We will specifically review management actions and mitigations to deliver the budgeted position.

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	2018/19 fee (actual)	2019/20 fee (expected)
Code audit work	£174,266	£174,266*

* Further audit fees to be confirmed for group audit work.

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	2018/19 fee (actual)	2019/20 fee (expected)
Other services - Housing Benefits Subsidy Assurance	£22,000	£22,000
Other services - Teachers' Pensions	£3,750	£3,750
Other services – Pooling of Housing Capital Receipts	£4,550	£4,550
Other services – GLA Social Housing Grant	£3,000	TBC
Other services – Strategic School Improvement Fund Grant Claim	£2,750	£2,750

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 Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

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 (£'000s)
Overall materiality	£20.9m
Performance materiality	£12.5m
Trivial threshold for errors to be reported to the Audit Committee	£620,000

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.

We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We expect to set a materiality threshold at 1.5% of Gross Revenue Expenditure. This is a change to the benchmark used in 2018/19 which was 1.0% of gross revenue expenditure, reflecting our first year of appointment.

Based on the prior year audited accounts we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £20.9m (£13.5m 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.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 60% of overall materiality as performance materiality.

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

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 £620,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Lucy Nutley.

Reporting to the Audit 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

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Council Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Council Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.

New Code of Audit Practice and Value for Money Arrangements

The National Audit Office (NAO) plan to finalise a new Code of Audit Practice in January 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

Currently, the auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people." Under the new Code, auditors are likely to need to report their findings having regard to the following specific reporting criteria:

- financial sustainability;
- governance; and
- Improving economy, efficiency and effectiveness.

We will further update the Audit Committee once the NAO have published the new Code and the audit requirements are finalised.

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Audit Strategy Memorandum

London Borough of Hackney Pension Fund

Year ending 31 March 2020

MAZARS

CONTENTS

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

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

15 January 2020

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for London Borough of Hackney Pension Fund for the year ending 31 March 2020

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

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 2020. This is our second year of appointment. 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.psaa.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
- 07387 242052

- **Stuart Frith, Engagement Manager**
- Stuart.Frith@mazars.co.uk
- 07909 982774

- **Dylon Johannes, Engagement Team leader**
- Dylon.Johannes@mazars.co.uk
- 07823 521315

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.

- Final review and disclosure checklist of financial statements
- Final Director and EQCR review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
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- Updating our understanding of the Fund
- Initial opinion and value for money risk assessments
- Development of our audit strategy
- Agreement of timetables
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- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

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	Mgmt expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of contractual retirement benefits.	Hymans Robertson	We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries and consider the findings for potential impact on the values 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	Obtain direct confirmations from the fund managers and substantively test transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income along with all related disclosures	Custodians	Obtain direct confirmations from the custodians and substantively test transactions occurring in the year and the 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.

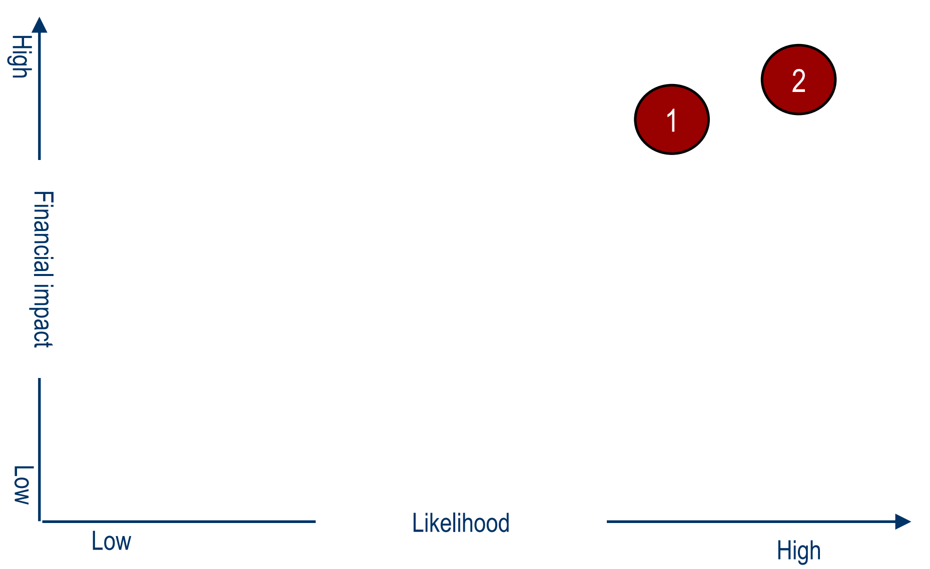
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- 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.



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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	**Management override of controls** 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 presumed risk of material misstatement due to fraud on all audits.	We will address the risk through performing audit procedures, covering a range of areas including (but not limited to): • 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	**Valuation of unquoted investments** As at 31 March 2019, the Pension Fund held investments which were not quoted on an active market with a fair value of £8.6 million, accounting for 0.5 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. 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. 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.	We plan to address this risk by completing the following additional procedures: • 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.

Service	2018/19 fee (actual)	2019/20 fee (proposed)
Code audit work	£16,170	£16,170

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 Hackney 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
Performance materiality	£15.5m
Specific materiality – Fund Account	£7.5m
Trivial threshold for errors to be reported to the Audit Committee	£663,000

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.

7. MATERIALITY AND MISSTATEMENTS (CONTINUED)

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. This is a change to the benchmark used in 2018/19 which was 1.0% of Net Assets, reflecting our first year of appointment.

Based on Net Assets we anticipate the overall materiality for the year ending 31 March 2020 to be in the region of £22.1m (£14.8m 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.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 70% of overall materiality as performance materiality.

Specific materiality

If, in specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular transactions, account balances or disclosures.

- Contributions receivable
- Benefits payable

Specific materiality has been assessed as the higher of 10% of contributions receivable or benefits payable. Based on the 2018/19 financial statements we anticipate a specific materiality of £7.5m. We will continue to monitor materiality through the audit to ensure it is set at an appropriate level.

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 £474,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Lucy Nutley.

Reporting to the Audit 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		✓

AUDIT COMMITTEE WORK PROGRAMME 2019/20

	June 2019	**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 2018/19	For information and comment	Ian Williams (Michael Sheffield)
5	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Sheffield)
6	FRAUD AND IRREGULARITY ANNUAL REPORT 2018/19	For information and comment	Ian Williams (Michael Honeysett)
7	AUDIT COMMITTEE WORK PROGRAMME 2019/20	To approve	All

	July 2019 – SPECIAL MEETING	**Decision**	**Group Director & Lead Officer**
1	FINANCIAL STATEMENTS AUDIT 2018/19 – ANNUAL GOVERNANCE REPORT (COUNCIL & PENSION FUND)	For information and comment	Ian Williams (Michael Honeysett)
b2	STATEMENT OF ACCOUNTS 2018/19	To approve	Ian Williams (Michael Honeysett)

	October 2019	**Decision**	**Group Director & Lead Officer**
1	DIRECTORATE RISK REGISTER REVIEW – CHIEF EXECUTIVE	For information and comment	Ian Williams (Michael Honeysett)
2	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
4	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
5	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield)
6	CORPORATE RIPA POLICY REVIEW	For information and comment	Ian Williams (Michael Sheffield)
7	AUDIT COMMITTEE WORK PROGRAMME 2019/20	To approve	All

	January 2020	Decision	Group Director & Lead Officer
1	DIRECTORATE RISK REGISTER REVIEW – NEIGHBOURHOODS & HOUSING	For information and comment	Kim Wright (TBC)
2	CORPORATE RISK REGISTER	For information and comment	Tim Shields (Matt Powell)
3	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Ian Williams (Michael Honeysett)
4	REVIEW OF TREASURY MANAGEMENT STRATEGY 2018/19	To approve	Ian Williams (Michael Honeysett)
7	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Ian Williams (Michael Sheffield)
5	PERFORMANCE OVERVIEW	For information and comment	Ian Williams (Michael Honeysett)
6	CERTIFICATION OF GRANTS & RETURNS 2017/18	For information and comment	Ian Williams (Michael Honeysett)
7	EXTERNAL AUDIT PLAN PROGRAMME 2019/20	For information and approval	Ian Williams (Michael Honeysett)
9	AUDIT COMMITTEE WORK PROGRAMME 2019/20	To approve	All

	April 2020	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 - FINANANCE AND RESOURCES	For information and comment	Ian Williams
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 – ANNUAL REPORT	For information and comment	Cllr Nick Sharman (Chair)/ Michael Sheffield
8	AUDIT COMMITTEE WORK PROGRAMME 2019/20	To approve	All

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