



AUDIT COMMITTEE

Wednesday, 14th October, 2020

at 6.30 pm

Until further notice, all council meetings will be held remotely at: <https://youtu.be/0e1KsJ3f0Ao>

Committee Membership

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

Tim Shields
Chief Executive

Contact:
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Governance Services Officer
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The press and public are welcome to attend this meeting

AGENDA

Wednesday, 14th October, 2020

ORDER OF BUSINESS

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Access and Information

Location

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

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

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

Facilities

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

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

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

Copies of the Agenda

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

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

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

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

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further Information

Advice can be obtained from Dawn Carter-McDonald, Interim Director of Legal on 020 8356 6234 or email dawn.carter-mcdonald@hackney.gov.uk



FS 566728



AUDIT COMMITTEE

MONDAY, 14TH SEPTEMBER, 2020

Meeting held remotely

Present:

Councillors:

**Cllr Nick Sharman in the Chair,
Cllr Brian Bell, Cllr Patrick Spence and
Cllr Harvey Odze, Cllr Anna Lynch, Cllr Clare
Potter**

**Officers: Ian Williams, Michael Honeysett, Rob
Miller, Dawn Carter McDonald, James Newman**

Lucy Nutley, Mazars

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillor Gregory.

2 Declarations of interest

2.1 There were no declarations of interest.

3 Minutes of the Previous Meeting

RESOLVED:

To agree the minutes of the previous meeting as a correct record.

4 Financial Statements Audit 2019/20 - Annual Governance Report (Council and Pension Fund) (Appendix to Follow)

4.1 Lucy Nutley thanked the Council's finance staff for their work during the audit that was carried out remotely with a number of technical issues arising. She referred the Committee first to the Local Authority Fund, with a lengthy list of outstanding items. The deadline had been extended to the 30th November. The key message was that the proposed opinion on the accounts was unqualified but included an emphasis of matter in that it was not a modification of opinion and centred on land and buildings. Value for money was also proposed to be unqualified. On Government accounts instruction had not yet been issued by the NAO but when they were the work

would be carried out relatively quickly. There had been no objections to the 2019 accounts.

The significant risks were:

- The presumed risk of management over ride of controls. No issues had been identified to date
- Fraud and error in revenue recognition. No issues had been identified to date
- Land and building valuations – emphasis of matter / incorrect index rate used for a number of depreciated replacement costs valuation
- Defined benefit liability valuation – assurance awaited
- Management judgement NNDR appeals provision

4.2 Lucy Nutley referred to the internal control recommendations raised including the index rates used for valuations that needed a big adjustment. There was also a recommendation on the use of suspense accounts. In relation to value for money work there was now a new code of audit practice.

4.3 Lucy Nutley told the Committee that Covid-19 only had an impact on the Council's operation, governance and finance in the last two weeks of the 2020 financial year and did not feature heavily in the conclusions.

4.4 Next steps included completing outstanding matters and the updated accounts needed to go through a second stage review. The Audit Completion report would be reissued prior to sign off.

4.5 The Chair referred to the importance of the internal controls strengthening measures in place and value for money at the present time ensuring that the Council was a going concern. He referred to work with Councillor Rennison and Scrutiny to look at ways to adjust and develop the MTFS and that this was reassuring.

4.6 Lucy Nutley reported on the Pensions Fund Audit Completion Report. An unqualified opinion was envisaged and a consistency report would be issued on the Pension Fund which had an end of November deadline. She referred to a number of outstanding items as listed. The risks included:

- The presumed risk of management over ride of controls. No issues had been identified to date
- Difficulty in valuation of level 3 investments due to Covid-19

4.7 The Chair asked if the Pensions Committee consider before sign off. Michel Honeysett told the Committee that the report would be considered by Pensions Committee on 28 September.

4.8 The Committee thanked the Finance Team and Mazars for their work in completing the audit on time.

4.9 The Chair stressed the importance of a strategic overview of the Council's governance processes and the need of Audit Committee oversight of the operation of commercial companies with a suitable reporting framework. Michael Honeysett confirmed that once the company's accounts had been audited a report would be made to the Audit Committee on this. Ian Williams agreed to report back to the Committee on a risk reporting framework for commercial companies with draft accounts on occasion for the newly established companies.

Action: Ian Williams

RESOLVED:

To note the content of the report.

5 Statement of Accounts 2019/20

5.1 Michael Honeysett introduced the report on the accounts for 2019/20 for approval by the Audit Committee prior to the issue of the audit opinion by the external auditor. The main financial statements showed the Council continued to manage its finances in line with the resources available. The final report on the accounts would be circulated to members of the Committee prior to sign off.

5.2 Michael Honeysett highlighted the following matters:

- The regulations required completion of draft accounts by 31 May but because of Covid-19 the deadline was moved back to 1 August 2020 for 2020
- Accounts had been produced by mid-june and published
- The deadline for approval by audit opinion was now 30 November with a certificate soon after
- An unqualified audit opinion was expected
- A balance of £15m maintained on the general fund
- HRA general balance reduced to £11.2m from 15m in the previous year
- Further reserves of just over £5m
- Locally managed schools balance reduced by £1.76m to just over £13m
- Earmarked reserves of £11.6 to the general fund
- Overspend on the general fund in 2019/20 of 9.3m covered by collection funds and grants received

- Implemented the savings necessary for 2019/20 financial year to help balance the accounts
- Net assets of over £3 ½ billion with the biggest element being buildings land and property
- Provisions for known liabilities and details of contingent assets and liabilities
- The collection fund account: Council tax surplus for 2019/20 of £2.7m/A deficit on the business rates collection fund of £692,000

5.2 Michael Honeysett referred to the Council's subsidiary companies in the areas of housing and regeneration and for mixed use development. Two of those companies had been grouped.

5.3 Michael Honeysett referred the Committee to the Annual Governance Statement that required to be approved by the Committee in its own right. Among other matters the Statement updated on the four significant issues that were identified in 2018/2019 and how they were addressed in 2019/20. These significant issues were:

- Covid-19
- Cost pressures in Adult and Children's services
- Issues relating to the Ofsted inspection
- Housing Contract Management

5.4 Councillor Clare Potter asked about the areas not deemed to be at a required standard by the FRC in 2018/19 such as valuations of pension fund assets, capital grants and completeness of expenditure. She said that Mazars had confirmed that this did not have any significant impact and had been addressed in 2019/20. Councillor Potter asked how these matters had been satisfactorily addressed. Lucy Nutley told the Committee that in relation to building, plant and equipment the FRC had set out a schedule detailing where it considered that insufficient work had been carried out. All those comments were included in the audit programme. FRC comments on capital grants and completeness of expenditure were incorporated into work carried out in the current year. In relation to the valuation of Pensions Fund assets it was recognised that the work carried out for the Pensions Fund was not sufficient for the Local Authority. The Chair reiterated concern that the issues that the FRC had identified were taken up in the way described. He stated that he was now reassured in this regard. Ian Williams stated that the Council had assets of £5m but that it could not leverage any debt against this. However, the Auditors must provide evidence and effectively undertake visits to check on the presence of schools. FRC had considered that this had not been carried out satisfactorily.

5.6 Tracy Barnett told the Committee that the work that been carried out by the Audit Committee on deep dives had been added to the Annual Governance statement.

RESOLVED:

1. To approve the Council's 2019/20 Statement of Accounts prior to the audit opinion being issued, subject to the circulation of the final report prior to sign off.
2. To approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.

6 Finance Update

6.1 The Chair stated that there were now concerns around long term government support for local government which had developed over the previous month. The Committee would need to review the corporate risks faced in light of any changes. The Chair had also asked for a report on IT following the recent outage and because it was one of the corporate risks that the Council faced.

6.2 Ian Williams presented on the overall financial position, highlighting the following:

- The Chancellor may move budget to January with the current threat of a second wave of COVID-19
- The spending review would be three years for revenue and four years for capital – Hackney would submit its own submissions by 24 September
- A review of business rates and business rates revaluation
- Third tranche of funding had been received of £3.5m
- Total support received approximately £21m
- Details on the scheme for compensation for loss of income had been recently circulated
- Guidance circulated on collection fund deficits
- Overspend on the General Fund of £64m with £61m relating to COVID-19
- Compensation for loss of income was £9.575m
- Pay award proposals slightly above what was budgeted for
- Pressure on the HRA in the current financial year with proposals to balance the budget for 2021/22
- The position on schools continued to be challenging behind the headline increases. The Council would continue to manage the local schools formula but beyond that there were proposals for the government to manage this centrally

- High needs funding continued to be a challenge. Hackney will benefit from additional £730m in high needs funding in 2021/22
- A number of schools recording significant schools deficits
- Further review to challenge agency spend
- Deep dives into emerging cost pressures including on PPE spend/ Rough sleeping/ council tax/ business rates rent/ capital etc.
- 2021/22 Forecast budget position: range of forecasts in the face of uncertainty
- Structural impact of COVID-19 pressures on MTFP currently under review
- Forecast on revised 2023/24 gap - £51.161m
- In relation to the Pension Fund, funding levels had dropped significantly between late february and late march, from 95% to 75.8 %. The fund was now recovering to levels nearing 90%
- Next steps:
 - Continuing review of the use of agency staff
 - Review of the capital programme
 - Continuing review of the underlying assumptions in Covid-19 related forecasts
 - Challenge of budget and essential spend
 - Budget setting timetable
 - Staff engagement
 - Future of the Finance Scrutiny and Audit Group

6.3 Councillor Rennison reported to the Committee on next steps. She told the Committee that the Council's position was largely stable but that there may be increasingly worrying headlines over the coming weeks. Work would be ongoing with other Local Authorities to call for additional government funding. In relation to compensation for income shortfall, the government was asking for costs to be shared. Councillor Rennison confirmed that one of the greatest risk was any government decision on local government funding. Going forward, everything was evidenced based at Hackney with tightly managed financial forecasts. Making forecasts presently was difficult and the work with the audit and scrutiny chairs group would continue, identifying with the Mayor any areas that would require deep dive work. There would be a need to set a balanced budget and the Government had improved some of the rules for next year. Work was ongoing on figures for the Budget next year.

6.4 The Chair said that by the end of the year the Council will need to have come to a view about a balanced budget and that there were varied forecasts with serious impacts on future savings.

6.5 Councillor Lynch asked if the potential of a further lockdown and its impact had been built in to current financial planning and asked whether options in relation to future action had been considered. She asked if the financial update was submitted to Cabinet regularly. Ian Williams confirmed

that on forecasts, particularly on income, a range of modelling scenarios had been carried out. Whilst a second lockdown similar to the first was not anticipated a view had been taken on the sustainability and resilience in relation to the fall off in the Council's tax income and the recovery of business rates. As more data came it was becoming possible to firm up the estimates. He confirmed that Cabinet received the reports on the overall financial position each month. Ian Williams confirmed that throughout the process different tools were available should positions materially change, including re-phasing the Capital Programme and there were levers around agency spend and investment into new commitments. These measures had not been necessary, in any significant way. Councillor Rennison stated that the working group was working to the normal budget schedule and would openly share developments with members, working together. The Chair said that he endorsed the openness with which the process had been approached and it was important to understand the risks.

6.6 Ian Williams presented on the corporate risk update:

- A summary of the Corporate risk and RAG score with the addition of COVID-19, economic downturn and Brexit
- Headline corporate risks
- Other high scoring risks included: SEND funding, temporary accommodation and universal credit
- Internal Controls Assurance/ the Council's response
- Governance, Accounts and Risk Management

6.7 Councillor Clare Potter asked for further detail on the risks involved in Brexit and the Council's thinking on this and whether settlement schemes were ongoing. Ian Williams stated a lot of work had been carried out in preparation for Brexit including in relation to staff. At present it was not clear what the government expected Local Authorities to do but that more information was expected over the coming months from central government in relation to preparations. The Management team was keeping abreast of external developments and locally, preparations were updated and refreshed. He confirmed that Registrars were operating and would inform the Committee on whether the settlement schemes were up and running.

Action: Ian Williams

6.8 Ian Williams reported on the Redmond report, proposing that it was dealt with in more detail at the next meeting. The findings related to concerns about the resilience of the external audit market under current arrangements which arose from the imbalance between price and the required quality of the audit, recommending that a new regulatory body be set up to coordinate external audit procurement, contract management, regulation and oversight. It recommended that consideration should be given to including an independent member on the Audit Committee to help

ensure that the necessary expertise and knowledge to consider reports is available. It recommended that the annual external audit report is submitted to Council by the external auditors and that the financial accounts reporting deadline should be moved to 30 September to allow sufficient time for external audit review. It recommended a new simplified Statement of Service Information and Costs should be prepared. The Chair added that the recommendations would impact on how the Council runs its internal audit function. A more detailed report would be made to the next Audit Committee.

Action: Ian Williams

RESOLVED:

To note the update on the Council's finance

7 Capital Budget Deep Dive - Update

7.1 Ian Williams introduced the report on the intention to carry out a deep dive into Capital budget monitoring.

7.2 Councillor Potter asked for an update on the previous deep dive on insourcing. Ian Williams reported that the Council had taken on Board all the matters raised in the report and a number of options would come forward in the coming months to CPC to potentially insource a number of Council services when necessary work has been carried out and it was considered that it was the appropriate course of action. Councillor Rennison confirmed that these matters were being taken forward. The Chair stressed the need for Audit Committee oversight of these developments. The control over core services had been reinforced by COVID-19 and by how the IT function has worked and has been resilient.

RESOLVED:

To note the update on the progress in respect of the 'deep-dive' to be carried out by the Audit Committee, focusing on the development of the capital budget, its monitoring and the profiling across financial years.

8 Any other business that the Chair considered urgent - Update on the work of ICT for the Covid-19 response and the August IT outage

8.1 Rob Miller reported on the COVID- 19 response, highlighting the following:

- Supporting services, including, support for rapid shift to home working from home and the vulnerability and potential impacts of COVID-19
- Virtual Council meetings

- Supporting Residents, including to access a wide range of council services
- Tools to support vulnerable residents
- Developing partnership working
- Responsive and resilient service
- Working with public health on a local contact and tracing system/ developing virtual meetings/ support to home based workers

8.2 The Chair considered that the response by IT to COVID had been impressive and those in other areas of the Council, commending partnership working. He referred to the value of having strategic capability in-house. Councillor Lynch commended the holistic approach taken by IT to the pandemic and asked that congratulations be passed on to teams.

8.3 Councillor Spence asked for an update on when residents would be seen, face to face at the Service Centre and any planning arrangements in place. Rob Miller reported that face to face contact had recommenced in the Service Centre. Registrars was the first to open. The main atrium had been colour coded and a one way system was in place with temperature checks and face covering provided. Work was ongoing to have the Service Centre as a place to provide a face to face service for other Council services. In response to a question from the Chair, Rob Miller told the Committee that attendance in the Service Centre varied and when he visited recently he had seen 10-20 residents. A lot of people came in when dealing with the backlog of birth registrations. The Committee congratulated staff on good work in this area.

8.4 Councillor Odze said that it was a long route to go to the Google Suite and the migration had been very difficult. He thanked IT for its support.

8.5 Rob Miller reported on the IT outage in August, highlighting the following:

- Unplanned and un-notified work by the network provider caused failure of the Council's new data storage infrastructure
- Internally hosted systems: Major impact
- Most key systems recovered within the first two weeks
- Work was ongoing to ensure that all systems are recovered and performing normally
- Next Steps:

- Complete recovery work
- Complete lessons learning review
- Work with BCP team to support review of business continuity plans
- Develop work plans for implementation of lessons learned

8.6 The Committee thanked staff for good work and stressed the need to have systems in place to protect the Council and also to react appropriately to any IT difficulties and that the lessons were learned. The Committee asked for a report back on these lessons learned in overseeing IT systems.

Action: Rob Miller

RESOLVED:

To note the update on the work of ICT for the Covid-19 response and the august IT outage.

9 Michael Honeysett

9.1 Ian Williams referred the fact that this would be Michael Honeysett's last Audit Committee meeting and thanked him for his support over the past ten years, during challenging times and wished him all the very best in the future. The Committee thanked Michael Honeysett for his work and a distinguished contribution to the Council.

Duration of the meeting: 6:30 – 8:30

Chair at the meeting on
Monday, 14 September 2020



FINANCE AND CORPORATE RESOURCES DIRECTORATE RISK REGISTER
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AUDIT COMMITTEE MEETING DATE 2020/21	CLASSIFICATION:
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14 October 2020

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

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

Audit Committee is recommended:

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

3. REASONS FOR DECISION

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

4. BACKGROUND

- 4.1 This current Directorate risk profile was last reviewed by the Directorate Management Team in April 2020 in advance of it progressing to April's Audit Committee. The register has been subsequently updated by all relevant Heads of Service and Directors. In discussions and meetings with various senior managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to FDMT (Finance and Corporate Resources Directorate

Management team meeting). Numerous risks have changed or now exist in different circumstances compared to the last review, especially in light of the outbreak of COVID-19.

4.2 Policy Context

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

4.3 Equality Impact Assessment

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

4.4 Sustainability

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

4.5 Consultations

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

4.6 Risk Assessment

The relevant Risk Register is attached at Appendix one.

5. DIRECTORATE RISK REVIEW

5.1 The Directorate Risk Register is comprised of risks that cut across the numerous divisions of Finance and Corporate Resources. The risks recognised at Directorate level would usually be of notable content, and often scored highly whilst impacting on overall Council strategic objectives.

5.2 The contents of the attached register tend to focus on the more negative, potentially threatening sides of risk to the Council – looking at the consequences that might happen if a particular event occurs. However, with risk management there is often an

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

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

- In March 2020, the international outbreak of the COVID-19 virus (which had reached the UK in January) escalated to a critical level which necessitated dramatic state action impacting on every aspect of life in the UK. Clearly, this is still an ongoing issue which is currently undergoing a second wave and the financial impacts are already proving seismic. It is clear that beyond the obvious threats of COVID-19 to people’s health and the country’s resources, there will be a whole range of associated (Finance and Corporate Resources) risks that may unfold (relating to budget setting, cyber security, supply chains, pensions risks connected to funding as a result of market volatility, a potential increase in fraud and a whole range of housing problems, whether relating to rental income to homelessness.) There is a detailed COVID-19 risk on the Corporate Risk register.
- A number of new risks relating to Accountancy were escalated in the last iteration of this register. This was after a complete refresh of the risk register by the Chief Accountant, who has once again reviewed all risks. The new deadlines for the completion of accounts were previously a high / red risk, but due to the work undertaken and progress achieved, assurance has now been provided that this has been well managed and should be comfortably achieved. Therefore the score for this risk has reduced. Also post COVID-19, deadlines are being moved back, although this extension was not ultimately required. There is considerable uncertainty lingering as a result of the Fair Funding review being postponed and the lack of knowledge at how much funding may be lost in the future. This, along with the continuing uncertainty about what deals may be reached regarding Brexit (by the end of 2020), is reflected in the budget setting risk. Clearly, COVID-19 will have a substantial impact on this, and the extent to which it will impact on budgets will only be known later this year. The new Financial Management Code, which CIPFA issued towards the end of 2019, should support good practice in financial management and assist local authorities in demonstrating their financial sustainability. This was shared with Audit Committee at the meeting in January 2020.
- There remain some high level, cross cutting risks, the first of which (FR DR 0005) reflects potential problems with workforce (encompassing recruitment and potential impacts of restructures) and also problems with contractors and suppliers. Three pension related risks have been amended from their previous form to reflect the latest

challenges facing the team (including the volatility of the markets as a result of COVID-19). A final cross cutting risk relates to Major Capital Programmes, and the financial exposures that the Council is subject to.

- In undertaking a complete review of all their risks, ICT's main Directorate risks are still broadly similar to the last time reviewed. A number of ICT risks have proved to be cross cutting and have been merged with other risks to produce high level, strategic risks (eg – recruitment issues, acutely felt in IT but also a recurring problem for select services across the Council.) In terms of the major risks relating to Assets, Resilience and Cyber / Information Security, these persist in a similar form and continue to be shaped by developments in law (GDPR) or new technologies (G-suite for example). Cyber risks brought about by COVID-19 are being managed by ICT, with extra diligence being paid to home working situations.
- Welfare Reforms are continuing to impact in numerous ways, both administratively and financially within the Council and also on residents within the Borough, particularly with the introduction of Universal Credit. A Universal Credit risk (and one relating to poverty in the Borough) featured on the last iteration of this register but have now been removed as corporate responsibility for these risks have shifted to the Policy team with the Chief Executives This is clearly an external risk and difficult to directly mitigate but the Council is trying to take proactive steps to address this problem, and especially the risk of it escalating further. There is also a risk relating to the Council's provision of Temporary Accommodation (which also features on the Corporate register) and this has been exacerbated by the Homelessness Reduction Act from 2018. Following on from the outbreak of COVID-19, and the increased threat of hardship and potential homelessness, the Council has guaranteed that none of its tenants will be evicted as a result of the coronavirus pandemic. Residents are being clearly reminded of the support available through hardship funds and the Council Tax Reduction Scheme as well as wider support from central government such as housing benefit.

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

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

7. COMMENTS OF THE DIRECTOR, LEGAL

- 7.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk. This Report is part of those arrangements and is designed to ensure that the appropriate controls are effective.
- 7.2 Continuous review of the Risk register and impending legislation referred to is key to ensuring that the Council remain in control of the management of risk.

APPENDICES

Appendix 1 - Finance and Resources Directorate Register

BACKGROUND PAPERS

None

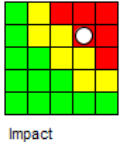

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Finance and Corporate Resources Directorate Risk Register

September 2020



Generated on: 14 September 2020

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 17</p> <p>FR AC 001 Budget Setting - Budgetary stability in relation to both budget setting and budgetary control and medium term financial planning INTERNAL & EXTERNAL RISK FUTURE RISK</p>	<p>Due to ineffective planning, (or external events) the Council spends more money than it can finance through planned income streams and the annual financial settlement from central government. This then results in a budget deficit or an unacceptable call on reserves. In the aftermath of the Coronavirus pandemic, this risk has seriously intensified with incomes reducing and costs dramatically increasing.</p>	<p>Finance & Corporate Resources</p>		<div style="text-align: center;">  </div> <p>Updated and amended September 2020.</p> <p>Since the last update, the Coronavirus pandemic has had a seismic impact on economies internationally. The Council has clearly been seriously affected by this. Additional pressures arising from COVID-19 (already in this financial year of 2020/21) are estimated at £67 million, through a combination of reduced income (totalling around £43 million from loss of business rates, parking, leisure facilities etc) and increased expenditure (around £24 million) and HRA pressures. The pandemic looks set to create impacts not just in short term budget setting, but over years to come. The damaged income streams, and potentially reduced settlements, will lead to challenges in the deliverance of services. Central Government has so far provided £18m of support with a further £12.3m set to arrive - leaving a shortfall of around £37m.</p> <p>The Fair Funding Review was, at the last review of this risk, another problematic element. However in light of the current COVID-19 affected environment, it has now been postponed until 2021/22. This review will ultimately affect how funding is allocated and redistributed between local authorities in the future. The main risk for the Council is that this results in a greater loss to funding than anticipated which could have a severe impact on overall service delivery and strategic objectives. In February 2020, the</p>

				<p>Communities Secretary said that it was “scaremongering” to say that the (now postponed) fair funding formula will see cash diverted from metropolitan councils to shire councils, but until allocations are known there is still uncertainty.</p> <p>Other consequences of the risk being discharged may include: • Adverse impact on future Council Tax levels in direct contradiction to Council policy. • Reductions in allocations to front-line services with consequent negative impact on service delivery. • Local community dissatisfaction with the overall financial management arrangements of the Council. Also continuing examples of the Council issuing Business rates relief, will further impact on finances.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>Page 18</p> <p>FR AC 001A Accuracy of corporate financial planning</p>	<p>Long-term financial plans for capital and revenue are maintained by Central Accountancy function, which takes account of all known and material financial sources and changes for both income and expenditure (cost drivers), across all aspects of the Council (General Fund, HRA, HLT).</p> <p>. Medium-term financial plan is maintained by Central Accountancy function, and is reported to members regularly through appropriate forums (annual budget report)</p> <p>. Up to date Treasury Management Strategy is maintained and reported to members regularly through appropriate forums</p> <p>. Senior financial managers ensure they are well informed on changes to key financial issues, e.g. business rates retention pilot</p>	<p>Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)</p>	<p>James Newman</p>	<p>31-Oct-2020</p>	<p>In the aftermath of the first wave of COVID-19 in the UK, additional Central Government funding was announced for Councils around the UK. The initial support was £18m, with a further £12.3m set to arrive. These help mitigate short terms losses, but still mean there is a shortfall this year of over £37m.</p>
<p>FR AC 001B Corporate savings delivery</p>	<p>Accountancy function provides accurate information to budget holders to inform appropriate decision making around corporate savings requirement.</p>	<p>Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)</p>	<p>James Newman</p>	<p>31-Oct-2020</p>	<p>Control updated Sept 2020</p>
<p>FR AC 001C Delivery of annual budget setting process</p>	<p>Corporate Accountancy manages and coordinates mechanics of budget setting process for the council, in conjunction with directorate finance teams, ensuring services are</p>	<p>Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)</p>	<p>James Newman</p>	<p>31-Oct-2020</p>	<p>Control updated Sept 2020</p>

	allocated budgets as agreed through full Council.				
FR AC 001D Elected members are well informed on council's financial position both current and future	Members regularly informed and updated on financial position and landscape through both formal meetings and more informal channels (training sessions)	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	James Newman	31 Oct 2020	Control updated Sept 2020. This ensures proper scrutiny is applied to all elements of the Council's finances.
FR AC 001E Changes to Prudential Code , and new Financial Management Code and also MRP guidance	Senior finance management keep themselves informed of changes to CIPFA Prudential Code, Also the new FMC was issued towards the end of 2019, and provides important guidance of the way forward with budget setting. CLG MRP guidance and ensure council's finances and processes take into account those changes which are formalised.	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	James Newman	31 Oct 2020	Control updated Sept 2020. All senior officers are particularly aware of the new Financial Management Codes. The first full year of compliance will be 2021/22.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 19 FR AC 003 Accounts Closure INTERNAL RISK FUTURE RISK	Accounts are produced late, and the subsequent management of the audit then results in late production of the Council's accounts. The new deadlines introduced for 2017/18 closure of accounts have intensified this risk. Although this was a couple of years ago, it remains something to watch out for. If accounts are not closed on time, it would have legislative and reputational consequences and inhibit effective service delivery. Risk also applies to the (external) auditors not meeting their own challenging deadline at the end of July, with additional regulatory scrutiny adding to the pressure.	Finance & Corporate Resources		<div style="text-align: center;"> </div> <p>Reviewed September 2020 - control ongoing.</p> <p>In the light of the sudden escalation of COVID-19, deadlines were relaxed for this financial year. However, this extension was unnecessary as the team had already carried out the majority of the work required to be on time.</p> <p>The score was red last year but has now lowered to amber due to a successful performance at the last closing. With the work undertaken this year and progress made, there is now clear assurance that the new deadlines are achievable.</p> <p>Accounts now need to be completed by the end of May, which will be a challenging deadline before passing onto the Auditors.</p>

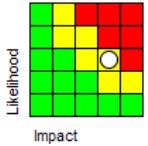

					Previously the auditors had until the end of September to complete their audit of accounts but the DCLG guidelines mean this now needs to be done by the end of July (the first year this was done was 2018/19). This could be extremely problematic as usually auditors are concentrating on NHS audits till mid-June so this will leave very little time in which to complete audits according to the deadlines. For the (external) auditors, regulatory scrutiny is making the process even more challenging.
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 20 FR AC 003A Annual statement of accounts process meets new, shorter statutory deadlines (31 May for publication of draft accounts and 31 July for publication of audited accounts).	<ul style="list-style-type: none"> . Appropriate staff expertise and resource are in place to meet needs of process . Detailed plan which meets new statutory timetable is in place which covers all parts of process and all stakeholders . Audit timetable is agreed with key stakeholders and monitored through process, with appropriate escalation processes where necessary . External Auditors are involved throughout, and well before the beginning of, the process . Interim audit is planned and agreed with external audit . Audit timetable for closing is agreed with external auditors which reflects need and appropriate scheduling of task relative to complexity (i.e. complex items the sooner the better). Lessons learned exercise from previous year takes place and informs timetable and processes for the following year. 	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	James Newman	31 Oct 2020	Controls updated September 2020
FR AC 003C Annual statement of Accounts meet latest CIPFA accounting code guidance	Central Accountancy function keeps up to date with CIPFA codes through subscription to latest version, liaison with external audit and peers.	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	James Newman	31 Oct 2020	Controls updated September 2020
FR AC 003D Production of wholly owned subsidiary accounts and group accounts	Relevant officers given appropriate training Professional advice sought as necessary Appropriate accounting and audit processes, across LBH and subsidiaries are arranged well in advance of closing period, with any issues resolved in time.	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	James Newman	31 Oct 2020	Controls updated September 2020

	Relevant processes and interactions built into closing timetable.				
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 1</p> <p>RCR 0002</p> <p>Management of Capital Programmes / Schemes</p> <p>EXTERNAL RISK</p> <p>FUTURE RISK</p>	<p>From a financial perspective, as a result of substantial external borrowing to fund the ambitious capital programme, the Council moves from a debt free position and become more vulnerable to changes in the market (potential volatility of the housing market affecting sales volumes / value and increasing building costs as a result of weaker GBP against other currencies). This could lead to financial pressures as unexpected costs of borrowing would be incurred.</p> <p>Additionally, Major Capital Schemes may not be managed or targeted effectively to maximise use of resources available and ensure delivery according to expectations. This poses a risk to the successful completion of such schemes, incurring losses and dissatisfied stakeholders.</p>	<p>Chief Executive's; Children, Adults & Community Health; Finance & Corporate Resources; Neighbourhoods & Housing</p>		<p style="text-align: center;"></p> <p>September 2020 - This risk is ongoing and intensifying particularly in light of the Coronavirus pandemic and the financial impact that may have on the 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 2020/21 is £245m (non-Housing schemes totalling £119m and Housing schemes totalling £126m). 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.</p> <p>Because of the (recent) increased quantities of forward funding / borrowing here (and the detrimental effect COVID-19 has had on finances), the impact had to rise to a 5, however the likelihood decreased to a 3 as the controls (and previous experience)</p>

					provided assurance that the Council was well positioned to manage this risk.
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 Monitoring Reports will include more discrete data regarding the actual delivery of the capital programme.	Ian Williams	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	31-Oct-2020	September 2020 – ongoing. The latest Capital Programme has been agreed (at £245m) and no revisions announced as yet. Last year’s actual capital 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.	Ian Williams	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	31-Oct-2020	September 2020 - 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.	Ian Williams	Michael Honeysett (being replaced by Jackie Moylan from 1/10/20)	31-Oct-2020	September 2020 - ongoing. A refresh of the capital programme has been completed as part of the budget process for 20/21 - and a review of the overall corporate strategy.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>FD CS C EXTERNAL RISK CURRENT RISK C</p> <p>FR DR 0002 Failure and Poor Performance of Suppliers and Contractors / Partnerships</p>	<p>The Council's mixed-sourcing model includes provision of essential services by third party providers, and these are used within Finance and Corporate Resources, especially ICT. Non-delivery by these suppliers would impact negatively the services LBH can deliver.</p> <p>Also more generally, many bodies are closely associated with the Council but are subject to separate governance and management structures (eg CCGs / building contractors, IT suppliers). They play an important role directly or in support of the corporate objectives of the Council.</p> <p>If these contracting and / or partnering arrangements fail, it could have serious impacts re cost, service delivery, and reputation.</p> <p>The risk has intensified in the Coronavirus pandemic, as supply chains have been threatened by some organisations having to temporarily cease work or furlough staff. This could lead to an impact on service delivery for areas that are reliant on external contractors.</p>	<p>Finance & Corporate Resources</p>		<p style="text-align: center;"></p> <p>September 2020 - At the last review, the Direction of Travel went down as a result of work already undertaken and systems in place. The risk is now stable, but liable to change now due to the sudden emergence of the Coronavirus.</p> <p>For ICT, the service contracts register and commissioning plan is helping to ensure that commissioned services are managed proactively. The strategic move to greater use of cloud and open source technology, with greater use of SMEs is mitigating the risk of supplier failure.</p> <p>Internal reintegrations (e.g. Hackney Homes coming back 'in-house' to become Hackney Housing in April 2016) have gone well and been managed successfully providing good assurance as to how these relationships / arrangements are managed.</p> <p>The Council is also generally looking to Insource & bring more services back in-house, as a Manifesto commitment put forward by the Mayor in 2019.</p> <p>Brexit is also adding to the uncertainty and risks in this area, and is covered in detail in the Corporate Brexit risk (especially with still no clarity about the term of a deal).</p> <p>In terms of the potential for financial risks –this could be serious since the Council is supported by many of these bodies, or is implicitly responsible for their financial soundness. Consequences of this risk being realised may include: • Financial loss – additional resources spent on rectification of areas of non-compliance • High costs associated with re-letting contract if re-tender required • Service delivery/reputation compromised • Legal challenge from contractors dissatisfied with Council processes and decisions.</p> <p>Looking more specifically at ICT - following the ICT restructure the new Senior ICT Contracts Officer work is in progress to review contract management and commissioning arrangements across the ICT service to embed good practice and develop the service's strategic commissioning plan. The ICT contracts register has been updated. Contract management standards and training / development support for contract managers is in progress. Use of the UK Government Digital Marketplace and Technology Code of Practice continues to open up the Council's supplier base.</p> <p>After the sudden escalation of the Coronavirus in March 2020, Contract managers should review and have a clear understanding of contractual terms and conditions, in particular the force majeure provisions their contracts, to ensure that they can adequately deal</p>
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					with potential disruption to service should suppliers choose to trigger this clause. Key suppliers will need to be contacted.
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0002 Procurement to include definition of performance indicators and viability checks.	Ensure that all procurements include definition of required performance indicators for the contract and financial viability checks before contracts are entered into. This will be an ongoing activity (no fixed end date).	Rotimi Ajilore; Rob Miller	Stephen Addison	Ongoing	September 2020- : no further update or significant change - this is part of BAU. Analysis is taking place of exposure to risk due to Capita's recent profit warning. Adoption of Technology Code of Practice provides a clear basis for assessment of future technology providers.
FR IT 0002b Carry out regular reviews of identified key suppliers, including reviewing their financial viability.	Ensure that supplier service reviews include supplier performance and independent validation of suppliers' financial viability (eg through credit checking). This should be used to identify any concerns re: the risk of supplier failure and poor performance so that appropriate mitigation plans can be made.	Rotimi Ajilore; Rob Miller	Stephen Addison	30 Oct 2020	September 2020- : No further significant change. The ICT contracts register and commissioning plan is being used to support contract managers in proactive management of their contracts.
FR IT 0002c Identify opportunities for joined up supplier management with other Council services and external partners.	Work with other Council services who share common suppliers and also with external partners to maximise the impact of supplier relationship management activity. This will be an ongoing activity (no fixed end date).	Rotimi Ajilore; Rob Miller	Stephen Addison	Ongoing	Ongoing – continues as business as usual. September 2020. No further significant change. The contracts register is being used as the basis for action to mitigate this risk.
FRDR 0015 A Contracting / partnering	Council's financial management procedures extended to partners where possible (e.g. financial regulations)	Ian Williams	Michael Honeysett	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR 0015 B Contracting / partnering	Monitoring of financial position by Section151 Officer and Director (Fin Man)	Ian Williams	Michael Honeysett	30 Oct 2020	Reviewed September 2020- ongoing.

FRDR 0015 C Contracting / partnering	Post-implementation reviews carried out. Also new Insourcing Guidance paper drafted.	Rotimi Ajilore	Procurement Manager	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR 0015 D Contracting / partnering	Compliance with Contract Standing Orders.	Rotimi Ajilore	Procurement Manager	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR 0015 E Contracting / partnering	Substantial Legal Services input into contract formulation and on-going advice.	Tim Shields	Rotimi Ajilore; Suki Binjal	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR 0015 H Contracting / partnering	Improve and open information flows between the Council and its partners.	Tim Shields	Rotimi Ajilore	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR 0015 I Contracting / partnering	Additional training on contract negotiation skills, contract management.	Rotimi Ajilore	Procurement	30 Oct 2020	Reviewed September 2020- ongoing.
FRDR0015J - Immediate Coronavirus response	Contract managers should review and have a clear understanding of contractual terms and conditions, in particular the force majeure provisions their contracts, to ensure that they can adequately deal with potential disruption to service should suppliers choose to trigger this clause	Rotimi Ajilore	All Contract Managers	30 Oct 2020	Reviewed September 2020- ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR DR / AAF 015 Major fraud not identified INTERNAL RISK FUTURE RISK	<p>The Council's response to a serious fraud is inadequate because either -</p> <p>(1) Management do not have adequate arrangements in place to identify irregularity in their service area;</p> <p>(2) Concerns are identified but they are not reported to AAF in accordance with the Anti-Fraud & Corruption Strategy; or</p> <p>(3) There is a failure in the investigation process.</p> <p>Any of the above could result in financial loss, severe reputational damage and an avoidable drain on resources through taking action to fix the problem.</p> <p>A failure to investigate a case in compliance with the prescribed legislation and Anti-Fraud & Corruption Policy</p>	Finance & Corporate Resources and Cross Council		<p>September 2020</p> <p style="text-align: center;"></p> <p>The Covid pandemic has impacted on investigation work in two main areas. Firstly, there has been rapid change as new services have been delivered at short notice and existing services have been delivered in new ways. In particular, Hackney has administered high value business grants, investigators have been working closely with business rates officers to assist with enquiries where discrepancies arise and the outcomes of this work are monitored and reported back to central government. We have also made extensive use of data matching to verify claims to identify concerns.</p>

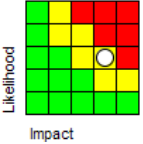

	<p>could lead to damaging accusations against the Anti-Fraud Service and the possible prosecution of innocent parties or failure to prosecute fraudsters, which would negatively impact on the Council's reputation.</p> <p>There is also a risk in the wake of the Coronavirus, that criminals may capitalise on the disruption to public sector operations and plan fraudulent activities, leading to further loss of money for the Council.</p>			<p>Secondly, some aspects of the investigation process have been suspended as a result of the pandemic. Some of these activities are being cautiously reintroduced following extensive risk assessments of the service and individuals.</p> <p>It is widely acknowledged that fraud is likely to increase at times of rapid change, as a result the likelihood score has been increased from a 3 to a 4, albeit that evidence of specific new fraud cases is currently still low.</p> <p>AAF are providing advice to services about sensible precautions and adjustments to procedures to ensure continued effective service delivery in difficult circumstances, while still protecting the Council's resources.</p> <p>No single management or audit control is likely to completely mitigate against a serious fraud, instead the overarching control environment must function effectively. Hackney has invested in its Audit and Anti-Fraud resources which has led to some notable recent achievements to prevent and minimise the impact of fraud.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AAF 015A – Cross organisation working & proactive approach of managers.	Fraud doesn't recognise geographical boundaries and the Council's approach to fraud equally relies upon robust working arrangements between other organisations, including the police, OLAs, Cabinet Office (NFI), Borders Agency, HMRC etc) SLAs are in place with RSLs. Also all managers need to be aware of their duties regarding suspicious activity, and how to comply with the Council's overall approach.	Cross Council / Partnerships	All relevant managers	1 Dec 2020	September 2020 – ongoing.
FR AAF 015B – Robust Policy framework	The Council has in place a number of key policy documents setting out the Council's approach, standards and expectations when dealing with suspected fraudulent activity. These include: <ul style="list-style-type: none"> Anti-Fraud and Corruption Strategy 	Ian Williams	Michael Sheffield	1 Dec 2020	September 2020 - Recommendations arising from fraud reports are tracked in the same way

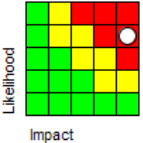

	<ul style="list-style-type: none"> • Whistleblowing Policy • Codes of Conduct (staff and members) • Anti-Money-Laundering Policy • ICT policies & procedures • Financial Procedure Rules <p>These are reviewed on a regular basis.</p> <p>In addition, Audit and Investigations teams have policy and procedure documents which map the specific methodologies with which they carry out their work.</p>				as those arising from audit reviews, so that progress toward rectifying any areas of concern that are identified can be monitored.
FR AAF 015C – Communication and awareness Page 27	<p>Communication, both internally between teams and externally with other partners is crucial in developing a clear overall picture. This occurs through meetings and joint visits.</p> <p>If procedural issues are identified through AAF reviews, they are reported as widely as necessary within Hackney. Staff induction stresses requirement to comply with Code of Conduct.</p> <p>Particularly close links are maintained between investigators and service areas that are targets for fraudsters, for example, housing, NRPF, contracts, etc. Specific high risk areas have received bespoke training. Notable investigation successes are reported to Committee and are advertised through the Comms team.</p>	Ian Williams	Michael Sheffield	1 Dec 2020	<p>September 2020</p> <p>In light of COVID-19, AAF are providing advice to services about sensible precautions and adjustments to procedures to ensure continued effective service delivery in difficult circumstances, while still protecting the Council's resources.</p>
FR AAF 015D – Approach and training.	<p>Teams maintain a rigorous approach to their investigations, operating a clear system of diligently reviewing evidence and feeding back through the reporting framework.</p> <p>Performance in key areas is regularly reported to a senior level within the Council, including the Audit Committee. Investigators are all qualified. Team procedures are in place and casework is regularly reviewed and monitored by senior members of the team. Additional training is provided if a need is identified.</p>	Ian Williams	Michael Sheffield	1 Dec 2020	September 2020 – ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR DR 0001 Building Availability INTERNAL RISK FUTURE RISK	The Council is unable to conduct its business due to problems with the some buildings from which it operates. This could be caused by having to catch up on the historical lack of maintenance of buildings. This could result in incident with severe financial or reputational impacts.	Finance & Corporate Resources			
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 28 FRDR 001 A: Building Availability	Rolling programme of building surveys initiated to identify condition and risks.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 Oct 2020	August 2020 - ongoing. Also, testing and inspection works to civic buildings under the Directorate's financial control are ongoing, as well as 95% of voluntary sector properties.
FRDR 001 B: Building Availability	Funding for reactive maintenance included in the Capital Programme.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 Oct 2020	August 2020 - ongoing. This is managed by Corporate Property & Asset Management, (CPAM), for buildings under the Directorates financial control, along with the management of buildings for some other directorates.
FRDR 001 C Building Availability	Planned maintenance arrangements for new campus covering whole building lifecycle has been introduced.	Ian Williams	Chris Pritchard; Karon West-Clarke	30 Oct 2020	Ongoing August 2020 - Planned maintenance contract now procured and on site. CPAM able to cater for all statutory inspections subject to funding availability.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR DR 004 Commercial Rental Income INTERNAL RISK FUTURE RISK	As a result of a worsening economy and challenging economic conditions (particularly from the Coronavirus pandemic), rent from commercial properties is not received, leaving an income dependent service with a budgetary overspend. This creates a considerable risk of a higher incidence of tenant default, void properties, and lower rents being achieved for new lettings, rent reviews and lease renewals. This could have very damaging financial implications for the Council.	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>September 2020 - Risk reviewed by the Head of Commercial Estate.</p> <p>Covid-19 is having a very significant impact on rental income from the commercial property portfolio and the Council now has an agreed approach to what we are able to offer to tenants, which was agreed by the Mayor and Group Director of F&R. With the majority of tenants we are able to defer rent payments and agree repayment over an extended period. However, in many cases we are able to offer additional support in the form of rent free periods. We have revised our income forecasts which now assume that rental income will be very significantly affected by Covid-19. The rent forecasts are being updated on a regular basis and this information is being taken into account in assessing the Council's overall financial position".</p> <p>Although we have some estimates of what the impact on rental income is likely to be it is best not to provide the figures in the note at this stage because they are constantly changing. However, the latest financial figures clearly illustrate the constrained circumstances the Council is operating in.</p> <p>Already, there had(pre Covid) been a considerable toughening in the commercial property market over the last 24 months, which was adding to this risk and increasing the likelihood.</p> <p>The team are keeping this under review and will ensure that the impact is taken into account in rental income forecasts. Also Universal Credit roll out is impacting on domestic rentals, and this is being carefully tracked.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 004 A Rental Income (Commercial)	Cleansing historic debt as an ongoing process to address rental income	Chris Pritchard	Jonathan Angell	30-Nov-2020	30 Oct 2020 - ongoing
FRDR 004 B Rental Income (Commercial)	Debt collection function located within property service to chase debt and escalate where necessary. Also current rent free periods being offered in light of Coronavirus.	Chris Pritchard	Jonathan Angell	30-Nov-2020	30 Oct 2020 - ongoing

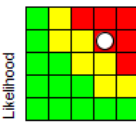

FRDR 004 C Rental Income (Commercial)	Regular reporting as part of the OFP on income levels and historic debt.	Chris Pritchard	Jonathan Angell	30-Nov-2020	30 Oct 2020 - ongoing
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR DR 0009 Utilities cost INTERNAL RISK FUTURE RISK	Increase in utility costs or usage causes budgetary overspends. Also Services are unable to cope with the demands of Climate Change, which could lead to severe financial losses, a damage to Hackney's reputation and a negative impact on the quality of services offered to stakeholders. If the Council fails to take steps to clearly reduce its carbon output, it may fail in its long term objectives.	Finance & Corporate Resources		 September 2020 - Risk ongoing and remaining stable. The Mayor's climate emergency declaration occurred in February 2019, and Councillors have subsequently approved a motion to do 'everything within the Council's power' to deliver net zero emissions across its functions by 2040. This will continue to inform Utility Cost decisions. Hackney Light and Power was launched in Autumn 2019. Costs now need to be balanced with carbon footprint.	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 0009 A Utilities Cost	EMU team reduce unit costs by monitoring the market and procuring utilities contracts when costs are lowest.	Ian Williams	Rotimi Ajilore	31-Oct-2020	September 2020 - ongoing.
FRDR 0009 B Utilities Cost	Reducing energy demand – a series of initiatives are underway across services. Hackney Light and Power has been launched, with its commitment to provide renewable energy, and emphasis on achieving positive change within the community.	Ian Williams	Rotimi Ajilore	31-Oct-2020	September 2020 - ongoing.- An example of this is in Fleet where greener options are being procured.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR FSV 0040 Pensions - Assets Risk EXTERNAL RISK FUTURE & CURRENT RISK	Asset risks include: . Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. . Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. . Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities). . Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate long-term returns. . Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates. Asset risks are covered in more detail in the Fund’s Investment Strategy Statement.	Finance & Corporate Resources		 Reviewed August 2020 - ongoing. Asset risk includes a number of significant threats to the financial health of the fund. Likelihood remains high, as conditions for investment markets over the long term are likely to be challenging, especially in light of the international emergence of Coronavirus and the impact it is having. Impact is also high, given the potential threat to the Fund’s ability to pay benefits as they fall due.	
Page 31					
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0040 A Investment in a range of asset classes	. The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes . Rebalancing arrangements in place to ensure the Fund’s “actual allocation” does not deviate substantially from its target - The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk.	Michael Honeysett	Rachel Cowburn	07-Dec-2020	Reviewed August 2020 - ongoing.
FR FSV 0040 B Regular cash flow monitoring	. Investment across a range of assets, including liquid quoted equities and bonds, as well as property . Majority of the Fund’s assets realisable at short notice . Medium term future cash flow position assessed at least triennially to indicate likely future income requirements.	Michael Honeysett	Rachel Cowburn	07-Dec-2020	Reviewed August 2020 - ongoing. Also, cash flow monitoring is being aligned to business objectives.

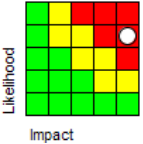

	- Actual cash flows monitored on a regular (quarterly) basis to provide early warning of any insufficient funds				
FR FSV 0040 C Currency hedging	. Investment in a range of overseas markets, providing a diversified approach to currency markets. - Maintenance of a 50% hedge to USD, EUR and JPY exposures within active global equity mandates.	Michael Honeysett	Rachel Cowburn	07-Dec-2020	Reviewed August 2020 - ongoing.
FR FSV 0040 D ESG Policy	The Fund has an ESG policy in place in its Investment Strategy Statement. More detail on the management of carbon specific ESG risks is provided in the 'Climate Change' risk section.	Michael Honeysett	Rachel Cowburn	07-Dec-2020	Reviewed August 2020 - ongoing.
FR FSV 0040 E Multiple Managers & Performance assessment	. Appointment of more than one manager . Having a proportion of the Scheme's assets managed on a passive basis. . Regular assessment of performance - Replacement of managers if underperformance persists.	Michael Honeysett	Rachel Cowburn	07-Dec-2020	Reviewed August 2020 - ongoing.

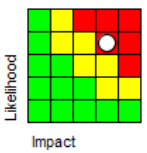
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 0043 Pensions – Poor Membership Data Inaccurate or Late Pay Information Supplied to Hackney Pension Fund (LGPS)/Local Pensions Partnership (LGPS)/Teachers Pensions 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	 Likelihood Impact	 Reviewed August 2020 – the likelihood of this risk remains high, however the likelihood has slightly reduced. 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, there remain problems to work through. There are still issues on providing some data, but efforts at

				improving and obtaining better data for reports etc have started to be more successful.	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0043 A Monitoring of membership data	Annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn; Lorraine Robinson	30-Nov-2020	Reviewed August 2020
F RTP 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied.	Michael Honeysett; Dan Paul	Rachel Cowburn; Lorraine Robinson	30-Nov-2020	Reviewed August 2020 - Good communication with payroll, as accurate data is very important.
F RTP 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for substandard performance.	Michael Honeysett	Rachel Cowburn	30-Nov-2020	Reviewed August 2020
F RTP 0043 D Support & Payroll development	Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information. Ongoing work with the Council's payroll team to assist in developing Business As Usual processes for iTrent (payroll system) which are then owned and run by the payroll team. The Council's payroll supplies data for the vast majority of the Fund – the Fund's involvement with the implementation helps ensure the importance of good quality pension reporting is recognised.	Michael Honeysett; Dan Paul	Rachel Cowburn; Julie Stacey	30-Nov-2020	August 2020 - the employer portal is in the process of being rolled out to all employees. 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
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<p>FR FSV 0053 Pension Funding Risk EXTERNAL RISK FUTURE RISK</p>	<p>Funding risks include:</p> <ul style="list-style-type: none"> . Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities. . Inflation risk. The risk that price and pay inflation is significantly more than anticipated, increasing the value of pension benefits accrued by active and deferred members of the Fund as well as increasing the value of pensions in payment. . Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. . Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. <p>The sudden emergence of COVID-19 (hitting the UK in March 2020), has had an immediate and seismic impact on finances worldwide, with stock markets immediately falling substantially and continuing to drop. Long term, the risk here is that the economy fails to recover and the fund suffers considerable losses.</p> <p>Further detail on the treatment of funding risks can be found within the Funding Strategy Statement</p>	<p>Finance & Corporate Resources</p>		<p style="text-align: center;"></p> <p>Reviewed August 2020– likelihood of risk materialising remains high, given the likelihood of challenging conditions in investment markets (exacerbated by Coronavirus) and the ongoing impact of changing demographics. This is particularly true in the aftermath of the Coronavirus outbreak and the worldwide impact it is creating. Long term, this will pose a significant risk to the fund (and all funds worldwide), as illustrated by the initial dramatic falls.</p>	
<p>Page 39</p>					
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>FRFSV 0053B Pension - Valuation Monitoring</p>	<p>Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify:</p> <ul style="list-style-type: none"> . financial mismatch . falling risk free returns on government bonds . higher than anticipated inflation. . Increasing fund maturity . Insufficient deficit reduction payments <p>Consistent monitoring of asset allocation and investment returns.</p>	<p>Michael Honeysett</p>	<p>Rachel Cowburn</p>	<p>30-Nov-2020</p>	<p>Reviewed August 2020 – ongoing. Currently reassessing liabilities and requirements for matching assets at the triennial valuation.</p>
<p>FRFSV 0053C Diversified Portfolio</p>	<p>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. Some assessment in bonds assists in liability matching. Also, stabilisation modelling at whole fund level allows for the probability that risk free returns on government bonds will fail.</p>	<p>Michael Honeysett</p>	<p>Rachel Cowburn</p>	<p>30-Nov-2020</p>	<p>Reviewed August 2020 – ongoing.</p>

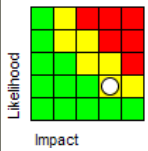

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR IT 0001 Information Assets INTERNAL RISK FUTURE RISK	The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection 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		<p style="text-align: center;">↔</p> <p>September 2020: 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. 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.</p> <p>As of Sept 2020, there is no further significant change. The Council's PSN accreditation has been renewed through to Jan 2021. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0001a Information management	<p>Ensure effective information management policy and processes are in place so that the Council meets the requirements of the Data Protection Act / other legal and regulatory compliance arrangements.</p> <p>Ensure that the Council's information assets are managed robustly and used effectively to provide insight and to integrate Council and partner services, and deliver the maximum benefit to residents and businesses.</p> <p>This will be an ongoing activity (no fixed end date).</p>	Ian Williams	Matthew Cain	01-Dec-2020	<p>September 2020: 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.</p> <p>As of Sept 2020, there is no further significant change. The Council's PSN accreditation has been renewed through to Jan 2021. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.</p>
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	Ian Williams	Matthew Cain	01-Dec-2020	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

	provisions and practise across all Council teams who handle people's personal information.				Council's preparations for GDPR gave an assessment of Reasonable Assurance. As of September 2020, there is no further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.
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-Jul-2020	September 2020 No further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group (which meets quarterly).

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR IT 0003 Resilience of ICT systems / Disaster Recovery INTERNAL RISK FUTURE RISK	<p>The risk that the Council does not currently have (a reviewed, tested and fit for purpose) disaster recovery provision in place for recovery of critical ICT systems in the event of a major failure affecting the Council's hosting facility provider (Advanced 365). The clear risk here would be the loss/unavailability of the external data centre (single point of failure).</p> <p>There is also a risk that Business Continuity Plans across the Council's services do not accurately reflect the disaster recovery provision that is available. This could result in services not being able to invoke their continuity plans effectively due to incorrect assumptions.</p>	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>Sept 2020 - After the sudden need for all office based workers to move to working from home in March 2020, following the outbreak of COVID-19, the consensus is that Business Continuity was maintained and services were able to continue operating effectively. The IT framework was able to support this massive surge in home working, although longer term, more support will be required.</p> <p>A subsequent incident affecting the data connection to the Council's new datacentre facility on 30 July 2020 caused a significant outage, which impacted on all of the Council's internally hosted systems. The effects of this were:</p> <ul style="list-style-type: none"> • Cloud hosted services (including G Suite and the Council's website and intranet) continued to function without impact • Internally hosted systems were unavailable for several

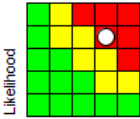

				<p>days, and longer for lower priority systems</p> <ul style="list-style-type: none"> Recovered systems continued to experience a range of performance and stability issues for several weeks <p>A retrospective has taken place to review the recovery from this incident and a report with conclusions and lessons learned will be produced by the end of September 2020.</p> <p>DR provision is in place for critical systems and 1200 <i>myoffice</i> desktop sessions as additional infrastructure capacity has been added.</p> <p>Successful DR testing has recently taken place, providing assurance of overall resilience.</p> <p>It is essential for the Council to provide some assurance that we are suitably prepared to respond and adapt to incremental change and sudden disruptions. Clearly this could impact massively on our ability to effectively deliver services, so resilience is a critical part of future planning. Recent incidents emphasise the importance of careful management within this area.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR IT 0003a Resilience of ICT systems / Disaster Recovery	<p>Work is currently in progress to commission resilient hosting arrangements in the Council's Stoke Newington offices. This will provide the facility to restore critical systems (based on a previously agreed list of corporate priority applications) so that priority Council services will have access to their systems within 4 hours of a major outage with loss of data limited to 15 minutes (Recovery Point Objective). A test on 1 key application has already proved successful.</p> <p>It must be noted that this provision will not give instant seamless failover for these services - so Council services must ensure that their Business Continuity Plans include plans in the event that ICT</p>	Ian Williams	Henry Lewis	01-Dec-2020	<p>Sept 2020: the Council's ICT resilience arrangements will be reviewed following the major outage on 30 July 2020.</p> <p>March 2020: 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 internally audited and the report was completed at</p>

	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.				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.
Page 08 SR IT 0003b Review of Business Continuity Plans across the Council's services.	The 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 has been taking place and all plans are up to date, with a new review cycle underway.	Rob Miller; Ian Williams	Henry Lewis	01-Dec-2020	Sept 2020: The Council's Business Continuity / Corporate Resilience Management Group has asked for a review of service BCPs following the major ICT outage of 30 July 2020 to identify good practice and areas for further improvement.

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. The sudden spread of the Coronavirus has increased risks here with the increased reliance on home working.	Finance & Corporate Resources		 September 2020 - No further significant change. The Council's PSN accreditation has been renewed through to Jan 2021. Mitigation of this risk continues to be monitored by the Council's Information Governance Group. The Council's accreditations with external information security standards are therefore up to date. The Council's ICT team are also introducing proactive security assessment for new cloud based digital services and working with

					<p>the Cabinet Office, National Cyber Security Centre and Local Government Association to help shape future government security standards.</p> <p>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.</p>
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>Page 20</p> <p>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).</p>	<p>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).</p> <p>In the wake of Coronavirus emerging and the new need for most Council staff to home work, all the protocols have been reiterated to staff, to ensure that in the environment of home working, standards are upheld and any security risks continue to be minimised. Regular support is on hand to deal with any uncertainties.</p> <p>This will be an ongoing annual activity (no fixed end date).</p>	<p>Rob Miller; Ian Williams</p>	<p>Henry Lewis</p>	<p>31-Dec-2020</p>	<p>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 about the need to take care when clicking on links in emails. Systems have also been checked to ensure that the specific patch which closes this vulnerability has been applied.</p> <p>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).</p> <p>As of September 2020, there is no further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.</p>
<p>FR IT 0006b Ensure that all users of the Council's systems and data take appropriate measures to protect these.</p>	<p>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).</p>	<p>Rob Miller; Ian Williams</p>	<p>Henry Lewis</p>	<p>31-Dec-2020</p>	<p>Sept 2020: No further significant change. Mitigation of this risk continues to be monitored by the Council's Information Governance Group.</p>
<p>FR IT 0006c Ensure that all hardware and software is supported for security updates.</p>	<p>Ensure that infrastructure and application lifecycle management practices are in place and functioning</p>	<p>Rob Miller; Ian Williams</p>	<p>Henry Lewis</p>	<p>31-Dec-2020</p>	<p>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</p>

	effectively so that the Council's systems remain supported. This will be an ongoing activity (no fixed end date).				planned refresh of out of data software and hardware. This is ongoing as part of continuous maintenance and patching. Sept 2020: No further significant change. Mitigation of this risk continues to be monitored by the Council's 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-Dec-2020	Sept 2020: Work has continued to migrate from Windows 7 for the Council's legacy desktop service, but has been delayed due to the impact of COVID-19. Mitigation of this risk is in place and continues to be monitored by the Council's Information Governance Group.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 40</p> <p>SRCR 0030 Pressures on Temporary Accommodation INTERNAL RISK CURRENT RISK</p>	<p>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, reputational and legislative (in terms of abiding by the Homelessness Reduction Act) risks.</p>	<p>Finance and Corporate Resources</p>	 <p>Likelihood</p> <p>Impact</p>	<p style="text-align: center;"></p> <p>September 2020 – In light of COVID-19, score has risen.</p> <p>National update and drivers:</p> <p>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. The number of homeless households in temporary accommodation across England climbed nearly 10% last year to reach a 14-year high as the coronavirus pandemic hit.</p> <p>Official figures released on Thursday also showed that councils assessed 75,140 households as either being homeless or threatened with homelessness within 56 days over the three-month period. That is a 9.7% jump from the figure for the previous quarter and the highest level since the assessment system was introduced in April 2018 as part of the Homelessness Reduction Act. On 31 March, there were 93,000</p>

households in temporary accommodation including 129,380 children – up 5.3% from 88,310 households at 31 December and a 9.4% rise from the 85,040 recorded on the same date in 2019. The increase was mainly driven by single households, with a 28.5% rise over the 12-month period among this group.

DWP data released earlier this month showed more than 150,000 households had their benefits capped as of May 2020, an increase of 74,000 on the previous quarter.

Some 227,000 private renters are known to have fallen into arrears as of the end of June, and 174,000 have been threatened with eviction by their landlord or agent. The legal protection afforded to private renters as part of the Covid 19 Act has been extended for a further month until the end of September.

Local update:

The amount of temporary accommodation property needed to fulfill demand for homeless households continues to increase. The Council now houses the highest amount of households in temporary accommodation for a decade, at 3352 households, containing 3928 children. The sheer volume of units needed is expected to mean that the costs will continue to rise this year (especially in the aftermath of COVID-19 once the legal protection to private tenants expires in September 2020). Due to the closure of the rental market during the Covid emergency, the numbers of households usually exiting Temporary Accommodation ceased,

The number of households seeking advice and support with homelessness in borough has risen by 8.68% with 1352 households approaching YTD. The number of households booked into temporary accommodation is 455 YTD. This is artificially lower than the previous year due to the creation of the Covid 19 Emergency Accommodation Pathway which offered accommodation, food, health care and support to 251 individuals. This pathway hosts a mixture of rough sleeping clients some on a statutory and non statutory basis. This provision is costed separately and a bid has been made through

the newly created funding stream to MHCLG for £2.5m revenue and to GLA for 3.75m capital and £1.3m revenue.

The Council has estimated that a further 700 households will be impacted by the benefit cap by the Autumn due to the impact of the increase to the LHA levels and no adjustment to the overall benefit cap. Undoubtedly, this will cause an increase of those threatened with homelessness.

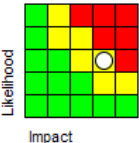

Currently the Council has no way of knowing the amount of tenants that are in rent arrears in the borough due to the economic downturn, who may present to the Council as homeless once the protection is lifted at the end of September. Despite delivery of 36 hostels within the borough, due to the ever increasing property prices in borough, 1332 of these households are placed outside the borough and London. Homeless households still present 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 in borough is expected to open in September and another has passed planning permission stage for completion in 2021.

The Councils Housing Strategy Team are developing a Housing Supply Strategy as part of the Councils Housing Strategy, as all social lettings in the borough have dwindled and therefore the waiting times for social housing and length of stay in temporary accommodation is increasing. Current waiting times can be found here: <https://hackney.gov.uk/housing-application> The Housing Supply Strategy will pursue purchase of RTB properties, a cash incentive scheme and the usage of modular housing on meanwhile sites.

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-Dec-2020	Control ongoing September 2020 The Benefits and Housing Needs Service continues to utilise all Council owned void properties as temporary accommodation wherever possible and affordable to do so. In excess of 500 regeneration void properties have been utilised in this way.
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-Dec-2020	Control ongoing September 2020. 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. The Benefits and Housing Needs Service has increased the number of private rented properties procured for homeless households by more than 300% to 101 within the last three month period. This is compared to 25 for the corresponding three months last year.
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-Dec-2020	Control ongoing September 2020.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>TR DR 0005 Recruitment and Retention / Workforce.</p> <p>EXTERNAL / INTERNAL RISK</p> <p>CURRENT RISK</p>	<p>Within a competitive market, areas of the Directorate (particularly ICT) struggle to successfully recruit for important positions. Failure to do so could impact seriously on service delivery.</p> <p>Also, with various restructures within the Directorate planned or ongoing, there is a period of uncertainty and adjustment which may affect the quality of service delivery and impact on overall objectives and targets.</p> <p>Additionally, the ability to carry out work efficiently, on time and in compliance with applicable standards could be affected by the loss of experienced staff following the Corporate level restructure and the possible long term absence of key staff.</p>	<p>Finance & Corporate Resources</p>		<p style="text-align: center;"></p> <p>September 2020 Within ICT, recruitment and retention continues to be challenging in key roles (especially data, development and delivery roles). The service continues to use approaches such as fixed term recruitment to meet anticipated demand for staffing, and agency staffing levels remain low. In a competitive market for technology skills the Council has experienced difficulties recruiting to a range of ICT roles essential to delivery of services and planned service improvements (including delivery of digital services). This is exacerbated by the changes to IR35, which is driving some skilled specialist workers to the private sector (as many ICT skills are transferable across sectors).</p> <p>The first phase of the ICT restructure finished last year with senior positions having been successfully filled through a creative campaign, emphasising the benefits of Hackney as a place to work and also offering market supplements to ensure the organisation is able to be competitive with wages across the market. Overall, the Council enjoyed some very positive results in terms of attracting high calibre candidates and filling many roles that were expected to be tricky. Therefore, there is now increased assurance that going forward, this risk can be effectively managed.</p> <p>Further background on the ICT recruitment risk –</p> <ul style="list-style-type: none"> -Following the completion of the ICT restructure we have successfully recruited permanently to 29 posts. The sources for the successful candidates were: <ul style="list-style-type: none"> ○ External: 20 ○ Internal: 5 (existing Hackney employees) ○ Agency: 4 (existing agency staff who are now permanent) -The staffing for our establishment once all new recruits have started will now be: <ul style="list-style-type: none"> ○ Permanent staff: 100 ○ Agency cover: 2 ○ Vacant posts: 39 -The vacancies include 18 apprenticeships which are currently being recruited to. -Areas which have proven hardest to fill and which we'll be doing further targeted recruitment for are: <ul style="list-style-type: none"> ○ Data analytics ○ Development ○ Infrastructure engineers
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					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. Use of longer fixed term commitments and effective recruitment activity has enabled a reduction in agency staffing to one third of the January 2018 (pre-restructure) level.
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
DR 0005 Recruitment and Retention (ICT)	<p>Services are continuing to work with HR / OD to carry out the following suggested mitigations:</p> <ul style="list-style-type: none"> - review recruitment strategy and identify other measures which can be taken to promote Hackney Council as a great place to work in technology and attract high quality candidates - review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent - review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent. 	Ian Williams	Rob Miller	30-Dec-2020	<p>Sept 2020: work is close to completion for updating the salary supplement model, working closely with HR. This has been delayed due to the need to focus on the response to the COVID-19 pandemic and will be restarted in Q3 2020/21. The previous update to the Council's salary supplement scheme reflects the requirements of Services to compete in the open market and is working successfully.</p> <p>All roles are now benchmarked against the market, in line with the new Council salary supplement scheme. A prototype for an improved approach to recruitment advertising has been tested over the last year, and this will be reviewed ahead of recruitment arising from the restructure.</p> <p>ICT restructure is completed. ICT is working with recruitment and communications colleagues to ensure the Council has a digital recruitment offer that supports its aspirations to be the best local authority in London. Further recruitment is ongoing. Recruitment to vacant posts is continuing as part of BAU service management and recruitment to the new apprentice posts has been successful, with all posts filled.</p>
FR DR 007 A Training and development	<p>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.</p>	Ian Williams	All managers	30-Dec-2020	<p>Sept 2020: Training and development continues to receive significant focus and remains a high priority. The Council's first cohort of digital apprentices are graduating this year and successful recruitment for the second cohort has completed, despite the disruption caused by COVID-19.</p>

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PERFORMANCE OVERVIEW

AUDIT COMMITTEE MEETING DATE	CLASSIFICATION:
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2020/21

CLASSIFICATION:

Open

14 October 2020

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.

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

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 2020



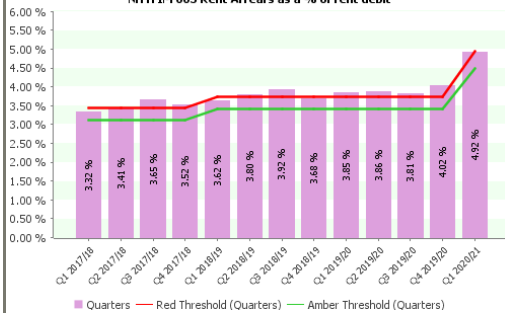


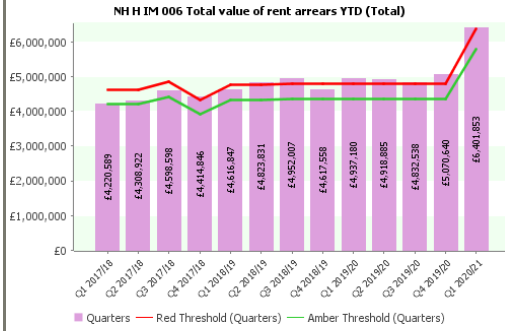


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CACH CSC 010 Page 53	Percentage of child protection cases which were reviewed within required timescales (ex NI 67)	100.0%	95.2%	Not measured for Quarters		100%			<p>CACH CSC 010 Percentage of child protection cases which were reviewed within required timescales (ex NI 67)</p> <table border="1"> <caption>CACH CSC 010 Performance Data</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>100.0%</td> </tr> <tr> <td>2017/18</td> <td>100.0%</td> </tr> <tr> <td>2018/19</td> <td>100.0%</td> </tr> <tr> <td>2019/20</td> <td>95.2%</td> </tr> </tbody> </table>	Year	Percentage	2016/17	100.0%	2017/18	100.0%	2018/19	100.0%	2019/20	95.2%																		
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CE HROD 001	Sickness 12 month rolling average	8.39	10.29	10.77	<p>After an initial fall in the sickness levels in April, following the COVID-19 lockdown, there was an increase in the sickness levels in May and June. The sickness data indicates that absence associated with COVID, i.e. staff who were self-isolating but still had symptoms at the end of the self-isolation period, as well as sickness relating to mental health / stress / anxiety and depression, a lot of which stems from staff finding it difficult working at home all the time, have contributed to the increase in the sickness levels.</p> <p>A support programme has been put in place, for both managers and staff working remotely or differently, which is aimed at both mental and physical well being</p>	8.43			<p>CE HROD 001 Sickness 12 month rolling average</p> <table border="1"> <caption>CE HROD 001 Performance Data</caption> <thead> <tr> <th>Quarter</th> <th>Sickness 12 month rolling average</th> </tr> </thead> <tbody> <tr> <td>Q4 2017/18</td> <td>6.53</td> </tr> <tr> <td>Q1 2017/18</td> <td>6.63</td> </tr> <tr> <td>Q2 2017/18</td> <td>6.94</td> </tr> <tr> <td>Q3 2017/18</td> <td>7.82</td> </tr> <tr> <td>Q4 2017/18</td> <td>7.79</td> </tr> <tr> <td>Q1 2018/19</td> <td>8.87</td> </tr> <tr> <td>Q2 2018/19</td> <td>8.8</td> </tr> <tr> <td>Q3 2018/19</td> <td>8.39</td> </tr> <tr> <td>Q4 2018/19</td> <td>9.17</td> </tr> <tr> <td>Q1 2019/20</td> <td>9.43</td> </tr> <tr> <td>Q2 2019/20</td> <td>9.71</td> </tr> <tr> <td>Q3 2019/20</td> <td>10.29</td> </tr> <tr> <td>Q4 2019/20</td> <td>10.77</td> </tr> </tbody> </table>	Quarter	Sickness 12 month rolling average	Q4 2017/18	6.53	Q1 2017/18	6.63	Q2 2017/18	6.94	Q3 2017/18	7.82	Q4 2017/18	7.79	Q1 2018/19	8.87	Q2 2018/19	8.8	Q3 2018/19	8.39	Q4 2018/19	9.17	Q1 2019/20	9.43	Q2 2019/20	9.71	Q3 2019/20	10.29	Q4 2019/20	10.77
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Page 54 CE HROD 029a	Top 5% of earners: Ethnic minorities (ex BV11b)	29.21%	28.91%	27.91%		25.00%		↓	<p>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</p> <table border="1"> <caption>CE HROD 029a Top 5% of earners: Ethnic minorities (ex BV11b)</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>26.46%</td></tr> <tr><td>Q2 2017/18</td><td>25.73%</td></tr> <tr><td>Q3 2017/18</td><td>25.43%</td></tr> <tr><td>Q4 2017/18</td><td>27.01%</td></tr> <tr><td>Q1 2018/19</td><td>25.22%</td></tr> <tr><td>Q2 2018/19</td><td>23.53%</td></tr> <tr><td>Q3 2018/19</td><td>29.15%</td></tr> <tr><td>Q4 2018/19</td><td>29.21%</td></tr> <tr><td>Q1 2019/20</td><td>26.82%</td></tr> <tr><td>Q2 2019/20</td><td>28.16%</td></tr> <tr><td>Q3 2019/20</td><td>28.10%</td></tr> <tr><td>Q4 2019/20</td><td>28.91%</td></tr> <tr><td>Q1 2020/21</td><td>27.91%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	26.46%	Q2 2017/18	25.73%	Q3 2017/18	25.43%	Q4 2017/18	27.01%	Q1 2018/19	25.22%	Q2 2018/19	23.53%	Q3 2018/19	29.15%	Q4 2018/19	29.21%	Q1 2019/20	26.82%	Q2 2019/20	28.16%	Q3 2019/20	28.10%	Q4 2019/20	28.91%	Q1 2020/21	27.91%
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Q2 2018/19	49.28%																																				
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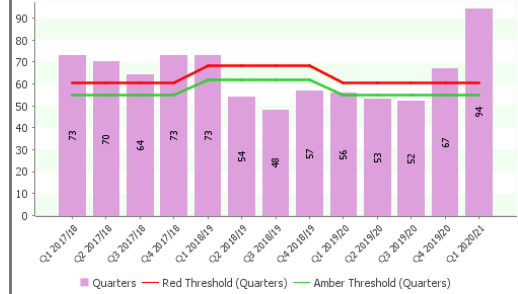
PI Code	Short Name	2018/19	2019/20	Q1 2020/21		Annual Target 2020/21	Traffic Light	DOT	Performance Data Trend Chart																												
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CE PPD 021	Number of Resolution Stage complaints received by the Council	2701	2322	421		Data Only		↑	<p>CE PPD 021 Number of Resolution Stage complaints received by the Council</p> <table border="1"> <caption>CE PPD 021 Quarterly Data</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>758</td></tr> <tr><td>Q2 2017/18</td><td>765</td></tr> <tr><td>Q3 2017/18</td><td>730</td></tr> <tr><td>Q4 2017/18</td><td>714</td></tr> <tr><td>Q1 2018/19</td><td>724</td></tr> <tr><td>Q2 2018/19</td><td>779</td></tr> <tr><td>Q3 2018/19</td><td>605</td></tr> <tr><td>Q4 2018/19</td><td>593</td></tr> <tr><td>Q1 2019/20</td><td>662</td></tr> <tr><td>Q2 2019/20</td><td>551</td></tr> <tr><td>Q3 2019/20</td><td>570</td></tr> <tr><td>Q4 2019/20</td><td>549</td></tr> <tr><td>Q1 2020/21</td><td>421</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	758	Q2 2017/18	765	Q3 2017/18	730	Q4 2017/18	714	Q1 2018/19	724	Q2 2018/19	779	Q3 2018/19	605	Q4 2018/19	593	Q1 2019/20	662	Q2 2019/20	551	Q3 2019/20	570	Q4 2019/20	549	Q1 2020/21	421
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Page 55 FCR RB BHN 002	Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure	7.7 days (YTD)	6.8 days (YTD)	6.5 days (YTD)		15.0 days (YTD)		↑	<p>FCR RB BHN 002 Time taken to process Housing Benefit new claims and change events (ex NI 181) - reported as YTD figure</p> <table border="1"> <caption>FCR RB BHN 002 Quarterly Data</caption> <thead> <tr> <th>Quarter</th> <th>Value (days YTD)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>15.7</td></tr> <tr><td>Q2 2017/18</td><td>17.4</td></tr> <tr><td>Q3 2017/18</td><td>17.4</td></tr> <tr><td>Q4 2017/18</td><td>13.2</td></tr> <tr><td>Q1 2018/19</td><td>8.7</td></tr> <tr><td>Q2 2018/19</td><td>7.9</td></tr> <tr><td>Q3 2018/19</td><td>9.1</td></tr> <tr><td>Q4 2018/19</td><td>7.7</td></tr> <tr><td>Q1 2019/20</td><td>7.5</td></tr> <tr><td>Q2 2019/20</td><td>7.7</td></tr> <tr><td>Q3 2019/20</td><td>8.0</td></tr> <tr><td>Q4 2019/20</td><td>7.8</td></tr> <tr><td>Q1 2020/21</td><td>6.5</td></tr> </tbody> </table>	Quarter	Value (days YTD)	Q1 2017/18	15.7	Q2 2017/18	17.4	Q3 2017/18	17.4	Q4 2017/18	13.2	Q1 2018/19	8.7	Q2 2018/19	7.9	Q3 2018/19	9.1	Q4 2018/19	7.7	Q1 2019/20	7.5	Q2 2019/20	7.7	Q3 2019/20	8.0	Q4 2019/20	7.8	Q1 2020/21	6.5
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FCR RB BHN 007	Number of households living in temporary accommodation (ex NI 156)	3,133	3,242	3,315		Data Only		↓	<p>FCR RB BHN 007 Number of households living in temporary accommodation (ex NI 156)</p> <table border="1"> <caption>FCR RB BHN 007 Quarterly Data</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>2,948</td></tr> <tr><td>Q2 2017/18</td><td>2,895</td></tr> <tr><td>Q3 2017/18</td><td>2,868</td></tr> <tr><td>Q4 2017/18</td><td>2,867</td></tr> <tr><td>Q1 2018/19</td><td>2,867</td></tr> <tr><td>Q2 2018/19</td><td>3,007</td></tr> <tr><td>Q3 2018/19</td><td>3,089</td></tr> <tr><td>Q4 2018/19</td><td>3,133</td></tr> <tr><td>Q1 2019/20</td><td>3,159</td></tr> <tr><td>Q2 2019/20</td><td>3,168</td></tr> <tr><td>Q3 2019/20</td><td>3,206</td></tr> <tr><td>Q4 2019/20</td><td>3,242</td></tr> <tr><td>Q1 2020/21</td><td>3,315</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	2,948	Q2 2017/18	2,895	Q3 2017/18	2,868	Q4 2017/18	2,867	Q1 2018/19	2,867	Q2 2018/19	3,007	Q3 2018/19	3,089	Q4 2018/19	3,133	Q1 2019/20	3,159	Q2 2019/20	3,168	Q3 2019/20	3,206	Q4 2019/20	3,242	Q1 2020/21	3,315
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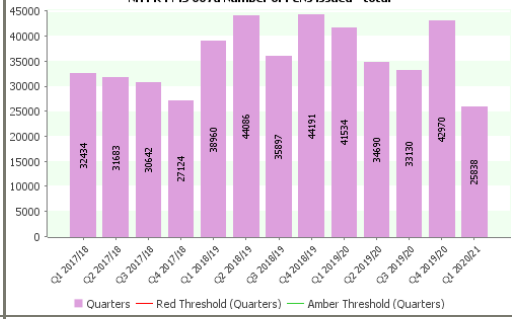

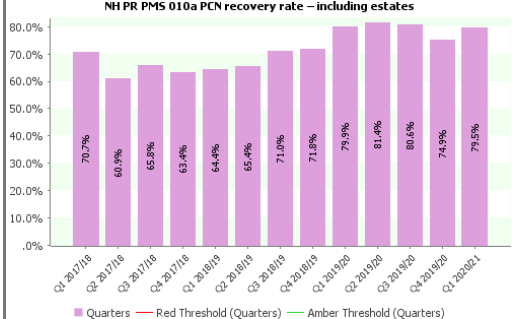
PI Code	Short Name	2018/19	2019/20	Q1 2020/21		Annual Target 2020/21	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Note				
FCR RB REV 003	% of current year Council Tax collected (QRC basis)	95.0%	94.7%	24.0%		94.5%	🟢	⬇️	<p>FCR RB REV 003 % of current year Council Tax collected (QRC basis)</p>
Page 56 FCR RB REV 005	Percentage of non-domestic rates collected	95.50%	94.98%	21.50%	<p>Non-domestic rates (NDR) collection was down in the first quarter compared to the previous year, predominantly as a result of COVID-19, and the associated issues this caused for Business rates payers. Recovery action was suspended.</p> <p>NDR</p> <p>QRC collection: 21.5% compared to 29.3% (Q1 2019/20) Cash collected: £25.7m compared to £45.6m (Q1 2019/20) Net Collectable Debit: £119.5m compared to £155.2m (Q1 2019/20)</p> <p>The net collectable debit has reduced from £155.2m to £119.5m, primarily as a result of the expanded retail, hospitality and leisure discount being applied. Cash has also significantly dropped, partly as a result of Retail, Hospitality Leisure cases having nothing to pay. If the same percentage had been paid as last year then circa £35m would have been paid.</p>	95.00%	🔴	⬇️	<p>FCR RB REV 005 Percentage of non-domestic rates collected</p>

PI Code	Short Name	2018/19	2019/20	Q1 2020/21		Annual Target 2020/21	Traffic Light	DOT	Performance Data Trend Chart																												
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NH H IM 005	Rent Arrears as a % of rent debit	3.68 %	4.02 %	4.92 %	<p>The rent arrears have increased by over £1.5m since the start of lockdown on 23 March 2020. However, the escalation policy will now be reinstated in July 2020 for letters 1 & 2 and notices of seeking possession (NOSP). It will not be possible to undertake court action until at least 23 August 2020, under the current Government legislation.</p> <p>When comparing Q1 2020/21 to the same period last year - Q1 2019/20 - our Housing Benefit income has dropped by more than £1.2m, which is mainly due to tenants moving to Universal Credit (UC).</p> <p>Although there has been a significant decrease in customers paying at post offices/pay points and cash offices (kiosks) since the start of lockdown, our cash collection has increased in Q1 2020/21, compared with the same period last year - Q1 2019/20. This represents an overall increase of £777,068.</p>	4.50%			<p>NH H IM 005 Rent Arrears as a % of rent debit</p>  <table border="1"> <caption>NH H IM 005 Rent Arrears as a % of rent debit</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>3.32 %</td></tr> <tr><td>Q2 2017/18</td><td>3.41 %</td></tr> <tr><td>Q3 2017/18</td><td>3.65 %</td></tr> <tr><td>Q4 2017/18</td><td>3.62 %</td></tr> <tr><td>Q1 2018/19</td><td>3.62 %</td></tr> <tr><td>Q2 2018/19</td><td>3.80 %</td></tr> <tr><td>Q3 2018/19</td><td>3.92 %</td></tr> <tr><td>Q4 2018/19</td><td>3.68 %</td></tr> <tr><td>Q1 2019/20</td><td>3.85 %</td></tr> <tr><td>Q2 2019/20</td><td>3.86 %</td></tr> <tr><td>Q3 2019/20</td><td>3.81 %</td></tr> <tr><td>Q4 2019/20</td><td>4.02 %</td></tr> <tr><td>Q1 2020/21</td><td>4.92 %</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	3.32 %	Q2 2017/18	3.41 %	Q3 2017/18	3.65 %	Q4 2017/18	3.62 %	Q1 2018/19	3.62 %	Q2 2018/19	3.80 %	Q3 2018/19	3.92 %	Q4 2018/19	3.68 %	Q1 2019/20	3.85 %	Q2 2019/20	3.86 %	Q3 2019/20	3.81 %	Q4 2019/20	4.02 %	Q1 2020/21	4.92 %
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NH H IM 006	Total value of rent arrears YTD (Total)	£4,617,558	£5,070,640	£6,401,853	<p>When offsetting the increase in cash collection between Q1 2019/20 and Q1 2020/21 against the loss of Housing Benefit, the total reduction in income is £433,236. In addition to this, there is an additional rent debit of £530,727 to collect in Q1 2020/21, due to the increases in rent.</p> <p>Half of the current rent arrears is owed by UC claimants and there are approximately £400k administrative arrears for 800 direct payment cases. With regards to the other UC cases, a</p>	£5,800,000			<p>NH H IM 006 Total value of rent arrears YTD (Total)</p>  <table border="1"> <caption>NH H IM 006 Total value of rent arrears YTD (Total)</caption> <thead> <tr> <th>Quarter</th> <th>Value (£)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>£4,220,589</td></tr> <tr><td>Q2 2017/18</td><td>£4,308,322</td></tr> <tr><td>Q3 2017/18</td><td>£4,598,598</td></tr> <tr><td>Q4 2017/18</td><td>£4,414,846</td></tr> <tr><td>Q1 2018/19</td><td>£4,616,847</td></tr> <tr><td>Q2 2018/19</td><td>£4,823,831</td></tr> <tr><td>Q3 2018/19</td><td>£4,952,007</td></tr> <tr><td>Q4 2018/19</td><td>£4,617,558</td></tr> <tr><td>Q1 2019/20</td><td>£4,837,180</td></tr> <tr><td>Q2 2019/20</td><td>£4,918,895</td></tr> <tr><td>Q3 2019/20</td><td>£4,832,538</td></tr> <tr><td>Q4 2019/20</td><td>£5,070,640</td></tr> <tr><td>Q1 2020/21</td><td>£6,401,853</td></tr> </tbody> </table>	Quarter	Value (£)	Q1 2017/18	£4,220,589	Q2 2017/18	£4,308,322	Q3 2017/18	£4,598,598	Q4 2017/18	£4,414,846	Q1 2018/19	£4,616,847	Q2 2018/19	£4,823,831	Q3 2018/19	£4,952,007	Q4 2018/19	£4,617,558	Q1 2019/20	£4,837,180	Q2 2019/20	£4,918,895	Q3 2019/20	£4,832,538	Q4 2019/20	£5,070,640	Q1 2020/21	£6,401,853
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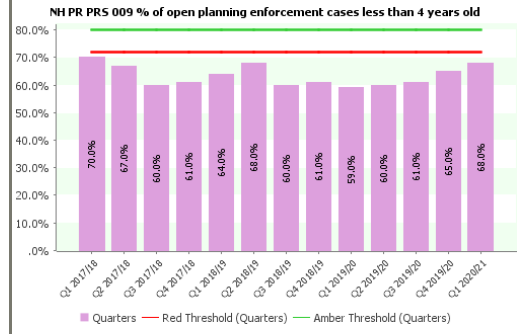
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					<p>further £700k administrative arrears is due to UC customers, making payments 4 to 6 weeks in arrears.</p> <p>The majority of our customers who missed payments in late March and April, have now begun paying, however, around 900 of them have fallen behind, which has increased our average arrears cases compared to this time last year.</p>																																
Page 58 NH H RespRep 002	% of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors	73.41%	72.64%	70.17%	<p>A total of 704 survey responses were received during Q1, with 494 of respondents (70.17%) stating that they were satisfied that their repair had been completed on first visit. This was a fall of 1.79% on Q4 2019/20 but was still above 70%.</p> <p>The volume of survey responses received fell by just under 30% quarter on quarter (995 were received in Q4), which is to be expected given the 50% downturn in the number of repairs completed during the period as we moved to only carrying out Immediate and Emergency priority jobs due to the COVID-19 lockdown.</p>	75%	⚠️	⬇️	<p>NH H RespRep 002 % of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors</p> <table border="1"> <caption>NH H RespRep 002 % of repairs completed on first visit (based on tenant satisfaction) - DLO and Contractors</caption> <thead> <tr> <th>Quarter</th> <th>%</th> </tr> </thead> <tbody> <tr><td>Q2 2017/18</td><td>55.56%</td></tr> <tr><td>Q3 2017/18</td><td>67.81%</td></tr> <tr><td>Q4 2017/18</td><td>70.05%</td></tr> <tr><td>Q1 2018/19</td><td>72.12%</td></tr> <tr><td>Q2 2018/19</td><td>75.58%</td></tr> <tr><td>Q3 2018/19</td><td>72.5%</td></tr> <tr><td>Q4 2018/19</td><td>74.1%</td></tr> <tr><td>Q1 2019/20</td><td>75.35%</td></tr> <tr><td>Q2 2019/20</td><td>72.84%</td></tr> <tr><td>Q3 2019/20</td><td>70.53%</td></tr> <tr><td>Q4 2019/20</td><td>71.66%</td></tr> <tr><td>Q1 2020/21</td><td>70.17%</td></tr> </tbody> </table>	Quarter	%	Q2 2017/18	55.56%	Q3 2017/18	67.81%	Q4 2017/18	70.05%	Q1 2018/19	72.12%	Q2 2018/19	75.58%	Q3 2018/19	72.5%	Q4 2018/19	74.1%	Q1 2019/20	75.35%	Q2 2019/20	72.84%	Q3 2019/20	70.53%	Q4 2019/20	71.66%	Q1 2020/21	70.17%		
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NH H RespRep 003	% of repairs completed on first visit (based on system generated data) - DLO only	86.15%	88.7%	87.55%	<p>The percentage of repairs completed on first visit by the DLO (based on system generated data) improved markedly in May and June following a poor April.</p> <p>The April 2020 outturn was just 77.20% (1812 out of 2347 completed repair jobs were showing as completed on first visit on our systems), a fall of 11.07% on February 2020 (88.27%) and 15.56% on March 2020 (92.76%). This should be viewed in the context of</p>	91%	⚠️	⬇️	<p>NH H RespRep 003 % of repairs completed on first visit (based on system generated data) - DLO only</p> <table border="1"> <caption>NH H RespRep 003 % of repairs completed on first visit (based on system generated data) - DLO only</caption> <thead> <tr> <th>Quarter</th> <th>%</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>69.8%</td></tr> <tr><td>Q2 2017/18</td><td>44.4%</td></tr> <tr><td>Q3 2017/18</td><td>64.9%</td></tr> <tr><td>Q4 2017/18</td><td>74.5%</td></tr> <tr><td>Q1 2018/19</td><td>82.2%</td></tr> <tr><td>Q2 2018/19</td><td>87.4%</td></tr> <tr><td>Q3 2018/19</td><td>88.5%</td></tr> <tr><td>Q4 2018/19</td><td>88.8%</td></tr> <tr><td>Q1 2019/20</td><td>87.21%</td></tr> <tr><td>Q2 2019/20</td><td>91.48%</td></tr> <tr><td>Q3 2019/20</td><td>89.5%</td></tr> <tr><td>Q4 2019/20</td><td>90.23%</td></tr> <tr><td>Q1 2020/21</td><td>87.55%</td></tr> </tbody> </table>	Quarter	%	Q1 2017/18	69.8%	Q2 2017/18	44.4%	Q3 2017/18	64.9%	Q4 2017/18	74.5%	Q1 2018/19	82.2%	Q2 2018/19	87.4%	Q3 2018/19	88.5%	Q4 2018/19	88.8%	Q1 2019/20	87.21%	Q2 2019/20	91.48%	Q3 2019/20	89.5%	Q4 2019/20	90.23%	Q1 2020/21	87.55%
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		Value	Value	Value	Note				
					<p>a 48.62% fall in the number of completed jobs in April 2020 as the DLO moved to only carrying out Immediate and Emergency repair jobs due to COVID-19.</p> <p>We are continuing to investigate the reasons for the sharp drop seen in performance in April (and whether there was some form of data inputting error) as it does seem remarkably low given the other monthly out-turns. A job is deemed to have been completed on first visit if the "CO" completion code is entered onto the system. This field is updated automatically via mobile working if a job is completed on first visit. However, if completed jobs are entered manually into the system then sometimes this field isn't always completed. A review of the completed jobs data for the Plumbing and Electrical trades jobs shows that the proportion of jobs where the CO was not completed was significantly higher in April than in usual months. We will continue to investigate this and retrospectively update the April data and out-turn if errors are found.</p> <p>May and June saw improved RFT performance levels, with 90.3% of jobs completed on first visit in May and the June figure of 93.48%, nearly 2.5 percentage points above the 91% target.</p>				

PI Code	Short Name	2018/19	2019/20	Q1 2020/21		Annual Target 2020/21	Traffic Light	DOT	Performance Data Trend Chart
		Value	Value	Value	Note				
NH H Voids 001	Average time taken to re-let local authority housing (all voids including major & minor voids) - calendar days	59	55	94	<p>Some 76 properties were re-let during Q1 2020/21. 42 of these were minor voids with an average of 84 days turnaround. 34 were major, with an average turnaround of 107 days. It is of note that minus the works period for those records we have this information available, net turnaround time was 27.3 days. This means that works took an average of 79.7 days for these major properties. It is worth noting that many local authorities did not undertake the voids function at all during lockdown, so while results are poor they may still be an improvement on the performance of other organisations.</p> <p>A number of COVID 19-related issues have impacted on the capacity and ability of the team to turn around voids this quarter. This includes:</p> <ul style="list-style-type: none"> the asbestos contractor being unavailable to visit properties due to the lockdown, terminating the contract the stores being unable to source key components for kitchens and bathrooms deliveries of new stock being made to the depot rather than directly to site staff availability in the central team and surveying, with issues around health and sickness <p>While additional staff were drafted in to the works team, they were only able to balance the numbers absent so did not provide significant additional capacity.</p>	50			<p>NH H Voids 001 Average time taken to re-let local authority housing (all voids including major & minor voids) - calendar days</p> 












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					While arrangements have been made to cover a position in the surveying team that has been vacant for some months, this post will be re-advertised post lockdown in order to increase the team's capacity.																																
NH PR PMS 007a	Number of PCNs issued - total	162934	152324	25838		Data Only			<p>NH PR PMS 007a Number of PCNs issued - total</p>  <table border="1"> <caption>NH PR PMS 007a Number of PCNs issued - total</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>32024</td></tr> <tr><td>Q2 2017/18</td><td>31683</td></tr> <tr><td>Q3 2017/18</td><td>30642</td></tr> <tr><td>Q4 2017/18</td><td>27124</td></tr> <tr><td>Q1 2018/19</td><td>38960</td></tr> <tr><td>Q2 2018/19</td><td>44026</td></tr> <tr><td>Q3 2018/19</td><td>35837</td></tr> <tr><td>Q4 2018/19</td><td>44191</td></tr> <tr><td>Q1 2019/20</td><td>41534</td></tr> <tr><td>Q2 2019/20</td><td>34690</td></tr> <tr><td>Q3 2019/20</td><td>33130</td></tr> <tr><td>Q4 2019/20</td><td>42970</td></tr> <tr><td>Q1 2020/21</td><td>25838</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	32024	Q2 2017/18	31683	Q3 2017/18	30642	Q4 2017/18	27124	Q1 2018/19	38960	Q2 2018/19	44026	Q3 2018/19	35837	Q4 2018/19	44191	Q1 2019/20	41534	Q2 2019/20	34690	Q3 2019/20	33130	Q4 2019/20	42970	Q1 2020/21	25838
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NH PR PMS 010a	PCN recovery rate – including estates	69.9%	73.3%	79.5%	<p>Number of PCN paid - 27075 Number of PCN issued - 34072</p> <p>In quarter one the overall number of penalty charge notices decreased due to a combination of CEO staff absence due to COVID 19 self-isolation, and a pause on the implementation of new CCTV schemes.</p> <p>Penalty charge notice numbers are now back up to pre-COVID 19 levels as Parking Services supports the implementation of low emissions neighbourhoods.</p>	Data Only			<p>NH PR PMS 010a PCN recovery rate – including estates</p>  <table border="1"> <caption>NH PR PMS 010a PCN recovery rate – including estates</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>70.7%</td></tr> <tr><td>Q2 2017/18</td><td>60.9%</td></tr> <tr><td>Q3 2017/18</td><td>65.8%</td></tr> <tr><td>Q4 2017/18</td><td>63.4%</td></tr> <tr><td>Q1 2018/19</td><td>64.4%</td></tr> <tr><td>Q2 2018/19</td><td>65.4%</td></tr> <tr><td>Q3 2018/19</td><td>71.0%</td></tr> <tr><td>Q4 2018/19</td><td>71.8%</td></tr> <tr><td>Q1 2019/20</td><td>79.9%</td></tr> <tr><td>Q2 2019/20</td><td>81.4%</td></tr> <tr><td>Q3 2019/20</td><td>80.6%</td></tr> <tr><td>Q4 2019/20</td><td>74.9%</td></tr> <tr><td>Q1 2020/21</td><td>79.5%</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	70.7%	Q2 2017/18	60.9%	Q3 2017/18	65.8%	Q4 2017/18	63.4%	Q1 2018/19	64.4%	Q2 2018/19	65.4%	Q3 2018/19	71.0%	Q4 2018/19	71.8%	Q1 2019/20	79.9%	Q2 2019/20	81.4%	Q3 2019/20	80.6%	Q4 2019/20	74.9%	Q1 2020/21	79.5%
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NH PR PRS 001a	% of Major planning applications determined within 13 weeks (ex NI 157a)	90.00%	95.00%	90.00%		70.00%	🟢	⬇️	<p>NH PR PRS 001a % of Major planning applications determined within 13 weeks (ex NI 157a)</p> <table border="1"> <caption>Performance Data for NH PR PRS 001a</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>100.00%</td></tr> <tr><td>Q2 2017/18</td><td>100.00%</td></tr> <tr><td>Q3 2017/18</td><td>100.00%</td></tr> <tr><td>Q4 2017/18</td><td>100.00%</td></tr> <tr><td>Q1 2018/19</td><td>100.00%</td></tr> <tr><td>Q2 2018/19</td><td>67.00%</td></tr> <tr><td>Q3 2018/19</td><td>100.00%</td></tr> <tr><td>Q4 2018/19</td><td>85.00%</td></tr> <tr><td>Q1 2019/20</td><td>83.00%</td></tr> <tr><td>Q2 2019/20</td><td>100.00%</td></tr> <tr><td>Q3 2019/20</td><td>100.00%</td></tr> <tr><td>Q4 2019/20</td><td>100.00%</td></tr> <tr><td>Q1 2020/21</td><td>90.00%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	100.00%	Q2 2017/18	100.00%	Q3 2017/18	100.00%	Q4 2017/18	100.00%	Q1 2018/19	100.00%	Q2 2018/19	67.00%	Q3 2018/19	100.00%	Q4 2018/19	85.00%	Q1 2019/20	83.00%	Q2 2019/20	100.00%	Q3 2019/20	100.00%	Q4 2019/20	100.00%	Q1 2020/21	90.00%
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Page 62 NH PR PRS 001b	% of Minor planning applications determined within 8 weeks (ex NI 157b)	82.00%	82.00%	83.00%		75.00%	🟢	⬆️	<p>NH PR PRS 001b % of Minor planning applications determined within 8 weeks (ex NI 157b)</p> <table border="1"> <caption>Performance Data for NH PR PRS 001b</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>73.00%</td></tr> <tr><td>Q2 2017/18</td><td>80.00%</td></tr> <tr><td>Q3 2017/18</td><td>77.00%</td></tr> <tr><td>Q4 2017/18</td><td>83.00%</td></tr> <tr><td>Q1 2018/19</td><td>75.00%</td></tr> <tr><td>Q2 2018/19</td><td>82.00%</td></tr> <tr><td>Q3 2018/19</td><td>85.00%</td></tr> <tr><td>Q4 2018/19</td><td>87.00%</td></tr> <tr><td>Q1 2019/20</td><td>85.00%</td></tr> <tr><td>Q2 2019/20</td><td>81.00%</td></tr> <tr><td>Q3 2019/20</td><td>82.00%</td></tr> <tr><td>Q4 2019/20</td><td>82.00%</td></tr> <tr><td>Q1 2020/21</td><td>83.00%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	73.00%	Q2 2017/18	80.00%	Q3 2017/18	77.00%	Q4 2017/18	83.00%	Q1 2018/19	75.00%	Q2 2018/19	82.00%	Q3 2018/19	85.00%	Q4 2018/19	87.00%	Q1 2019/20	85.00%	Q2 2019/20	81.00%	Q3 2019/20	82.00%	Q4 2019/20	82.00%	Q1 2020/21	83.00%
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NH PR PRS 001c	% of Other planning applications determined within 8 weeks (ex NI 157c)	88.00%	87.00%	91.00%		80.00%	🟢	⬆️	<p>NH PR PRS 001c % of Other planning applications determined within 8 weeks (ex NI 157c)</p> <table border="1"> <caption>Performance Data for NH PR PRS 001c</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>85.00%</td></tr> <tr><td>Q2 2017/18</td><td>81.00%</td></tr> <tr><td>Q3 2017/18</td><td>84.00%</td></tr> <tr><td>Q4 2017/18</td><td>90.00%</td></tr> <tr><td>Q1 2018/19</td><td>83.00%</td></tr> <tr><td>Q2 2018/19</td><td>88.00%</td></tr> <tr><td>Q3 2018/19</td><td>91.00%</td></tr> <tr><td>Q4 2018/19</td><td>88.00%</td></tr> <tr><td>Q1 2019/20</td><td>91.00%</td></tr> <tr><td>Q2 2019/20</td><td>86.00%</td></tr> <tr><td>Q3 2019/20</td><td>86.00%</td></tr> <tr><td>Q4 2019/20</td><td>85.00%</td></tr> <tr><td>Q1 2020/21</td><td>91.00%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	85.00%	Q2 2017/18	81.00%	Q3 2017/18	84.00%	Q4 2017/18	90.00%	Q1 2018/19	83.00%	Q2 2018/19	88.00%	Q3 2018/19	91.00%	Q4 2018/19	88.00%	Q1 2019/20	91.00%	Q2 2019/20	86.00%	Q3 2019/20	86.00%	Q4 2019/20	85.00%	Q1 2020/21	91.00%
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NH PR S 009	% of open planning enforcement cases less than 4 years old	61.0%	62.0%	68.0%	<p>The Planning Service has put a strategy in place to meet this KPI target (80% cases less than four years old). A review of all live cases which are over 4yrs old is underway. It is expected that this review will lead to a further reduction in the number of cases which are over 4yrs old, primarily via compliance checks. The latest quarterly figures for enforcement demonstrate improvement on the KPI. From Q4-Q1of 19/20 the % of cases which are less than 4 years old rose from 65% to 68%. It is also important to monitor the numerical caseload of historic cases, as the KPI is also influenced by the number of new cases received as well as the closure of current cases. Whilst the overall enforcement caseload remained relatively constant between Q4 of 19/20 and Q1 from at approx. 600 cases, the proportion of 'older cases' was reduced significantly. The Planning Service is committed to achieving this KPI and this is considered to be achievable with a full complement of officers for a sustained period of time of 9-12 months. The Planning Service are currently seeking to recruit three officers at S01/S02 level which would give the Enforcement Team the resources required to achieve the KPI. Unfortunately at present, the Council's litigation team are not in a position to progress prosecution cases due to ongoing recruitment & restructuring issues within their team, and also due to the COVID-19 related closure of Magistrates' Courts.</p>	80.0%			 <p>NH PR S 009 % of open planning enforcement cases less than 4 years old</p> <table border="1"> <caption>Performance Data Trend Chart Data</caption> <thead> <tr> <th>Quarter</th> <th>% of cases less than 4 years old</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>70.0%</td></tr> <tr><td>Q2 2017/18</td><td>67.0%</td></tr> <tr><td>Q3 2017/18</td><td>60.0%</td></tr> <tr><td>Q4 2017/18</td><td>61.0%</td></tr> <tr><td>Q1 2018/19</td><td>64.0%</td></tr> <tr><td>Q2 2018/19</td><td>68.0%</td></tr> <tr><td>Q3 2018/19</td><td>60.0%</td></tr> <tr><td>Q4 2018/19</td><td>61.0%</td></tr> <tr><td>Q1 2019/20</td><td>59.0%</td></tr> <tr><td>Q2 2019/20</td><td>60.0%</td></tr> <tr><td>Q3 2019/20</td><td>61.0%</td></tr> <tr><td>Q4 2019/20</td><td>65.0%</td></tr> <tr><td>Q1 2020/21</td><td>68.0%</td></tr> </tbody> </table> <p>Legend: Quarters (purple bars), Red Threshold (Quarters) (red line), Amber Threshold (Quarters) (green line)</p>	Quarter	% of cases less than 4 years old	Q1 2017/18	70.0%	Q2 2017/18	67.0%	Q3 2017/18	60.0%	Q4 2017/18	61.0%	Q1 2018/19	64.0%	Q2 2018/19	68.0%	Q3 2018/19	60.0%	Q4 2018/19	61.0%	Q1 2019/20	59.0%	Q2 2019/20	60.0%	Q3 2019/20	61.0%	Q4 2019/20	65.0%	Q1 2020/21	68.0%
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NH PR WS 045a	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)	2.50%	2.66%	n/a		2.50%	🟢	⬆️	<p>NH PR WS 045a Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Litter (ex NI 195a)</p> <table border="1"> <caption>Litter Levels (ex NI 195a)</caption> <thead> <tr><th>Quarter</th><th>Value</th></tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>2.97%</td></tr> <tr><td>Q2 2017/18</td><td>1.41%</td></tr> <tr><td>Q3 2017/18</td><td>1.25%</td></tr> <tr><td>Q4 2017/18</td><td>2.66%</td></tr> <tr><td>Q1 2018/19</td><td>2.19%</td></tr> <tr><td>Q2 2018/19</td><td>2.66%</td></tr> <tr><td>Q3 2018/19</td><td>3.38%</td></tr> <tr><td>Q4 2018/19</td><td>3.13%</td></tr> <tr><td>Q1 2019/20</td><td>1.56%</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	2.97%	Q2 2017/18	1.41%	Q3 2017/18	1.25%	Q4 2017/18	2.66%	Q1 2018/19	2.19%	Q2 2018/19	2.66%	Q3 2018/19	3.38%	Q4 2018/19	3.13%	Q1 2019/20	1.56%
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Page 64 NH PR WS 045b	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)	5.26%	1.64%	n/a	Due to COVID-19 only one assessment (Tranche 1) will be carried out in 2020/21. The assessment will be done in November 2020.	5.00%	🟢	⬇️	<p>NH PR WS 045b Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Detritus (ex NI 195b)</p> <table border="1"> <caption>Detritus Levels (ex NI 195b)</caption> <thead> <tr><th>Quarter</th><th>Value</th></tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>4.22%</td></tr> <tr><td>Q2 2017/18</td><td>1.88%</td></tr> <tr><td>Q3 2017/18</td><td>2.03%</td></tr> <tr><td>Q4 2017/18</td><td>4.84%</td></tr> <tr><td>Q1 2018/19</td><td>5.78%</td></tr> <tr><td>Q2 2018/19</td><td>5.78%</td></tr> <tr><td>Q3 2018/19</td><td>2.75%</td></tr> <tr><td>Q4 2018/19</td><td>0.93%</td></tr> <tr><td>Q1 2019/20</td><td>1.56%</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	4.22%	Q2 2017/18	1.88%	Q3 2017/18	2.03%	Q4 2017/18	4.84%	Q1 2018/19	5.78%	Q2 2018/19	5.78%	Q3 2018/19	2.75%	Q4 2018/19	0.93%	Q1 2019/20	1.56%
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NH PR WS 045c	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)	3.23%	3.02%	n/a		3.00%	🛑	⬇️	<p>NH PR WS 045c Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Graffiti (ex NI 195c)</p> <table border="1"> <caption>Graffiti Levels (ex NI 195c)</caption> <thead> <tr><th>Quarter</th><th>Value</th></tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>2.66%</td></tr> <tr><td>Q2 2017/18</td><td>0.36%</td></tr> <tr><td>Q3 2017/18</td><td>2.66%</td></tr> <tr><td>Q4 2017/18</td><td>4.65%</td></tr> <tr><td>Q1 2018/19</td><td>4.65%</td></tr> <tr><td>Q2 2018/19</td><td>0.36%</td></tr> <tr><td>Q3 2018/19</td><td>2.66%</td></tr> <tr><td>Q4 2018/19</td><td>2.50%</td></tr> <tr><td>Q1 2019/20</td><td>4.65%</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	2.66%	Q2 2017/18	0.36%	Q3 2017/18	2.66%	Q4 2017/18	4.65%	Q1 2018/19	4.65%	Q2 2018/19	0.36%	Q3 2018/19	2.66%	Q4 2018/19	2.50%	Q1 2019/20	4.65%
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PI Code	Short Name	2018/19	2019/20	Q1 2020/21		Annual Target 2020/21	Traffic Light	DOT	Performance Data Trend Chart																												
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NH PR WS 045d	Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)	3.13%	0.26%	n/a	Due to COVID-19 only one assessment (Tranche 1) will be carried out in 2020/21. The assessment will be done in November 2020.	3.00%	🟢	⬆️	<p>NH PR WS 045d Improved street and environmental cleanliness (levels of litter, detritus, graffiti and fly posting): Fly-posting (ex NI 195d)</p> <table border="1"> <caption>Fly-posting Data (ex NI 195d)</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>0.7%</td></tr> <tr><td>Q2 2017/18</td><td>1.5%</td></tr> <tr><td>Q3 2017/18</td><td>0.5%</td></tr> <tr><td>Q4 2018/19</td><td>1.5%</td></tr> <tr><td>Q1 2019/20</td><td>5.9%</td></tr> <tr><td>Q2 2019/20</td><td>1.8%</td></tr> <tr><td>Q3 2019/20</td><td>0.1%</td></tr> <tr><td>Q4 2019/20</td><td>0.6%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	0.7%	Q2 2017/18	1.5%	Q3 2017/18	0.5%	Q4 2018/19	1.5%	Q1 2019/20	5.9%	Q2 2019/20	1.8%	Q3 2019/20	0.1%	Q4 2019/20	0.6%										
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Page 65 NH PR WS 047	Residual household waste per household (ex NI 191)	521.9	514.4	131.7		519.0	🟢	⬇️	<p>NH PR WS 047 Residual household waste per household (ex NI 191)</p> <table border="1"> <caption>Residual household waste per household (ex NI 191)</caption> <thead> <tr> <th>Quarter</th> <th>Value</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>148.4</td></tr> <tr><td>Q2 2017/18</td><td>138.5</td></tr> <tr><td>Q3 2017/18</td><td>134.8</td></tr> <tr><td>Q4 2017/18</td><td>127.5</td></tr> <tr><td>Q1 2018/19</td><td>134.7</td></tr> <tr><td>Q2 2018/19</td><td>128.6</td></tr> <tr><td>Q3 2018/19</td><td>136.9</td></tr> <tr><td>Q4 2018/19</td><td>126.5</td></tr> <tr><td>Q1 2019/20</td><td>132.3</td></tr> <tr><td>Q2 2019/20</td><td>127.7</td></tr> <tr><td>Q3 2019/20</td><td>137.5</td></tr> <tr><td>Q4 2019/20</td><td>121.4</td></tr> <tr><td>Q1 2020/21</td><td>131.7</td></tr> </tbody> </table>	Quarter	Value	Q1 2017/18	148.4	Q2 2017/18	138.5	Q3 2017/18	134.8	Q4 2017/18	127.5	Q1 2018/19	134.7	Q2 2018/19	128.6	Q3 2018/19	136.9	Q4 2018/19	126.5	Q1 2019/20	132.3	Q2 2019/20	127.7	Q3 2019/20	137.5	Q4 2019/20	121.4	Q1 2020/21	131.7
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NH PR WS 048	Percentage of household waste sent for reuse, recycling and composting (ex NI 192)	27.90%	28.00%	27.88%		28.00%	🟡	⬆️	<p>NH PR WS 048 Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</p> <table border="1"> <caption>Percentage of household waste sent for reuse, recycling and composting (ex NI 192)</caption> <thead> <tr> <th>Quarter</th> <th>Value (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2017/18</td><td>27.69%</td></tr> <tr><td>Q2 2017/18</td><td>27.43%</td></tr> <tr><td>Q3 2017/18</td><td>27.65%</td></tr> <tr><td>Q4 2017/18</td><td>27.42%</td></tr> <tr><td>Q1 2018/19</td><td>28.00%</td></tr> <tr><td>Q2 2018/19</td><td>27.74%</td></tr> <tr><td>Q3 2018/19</td><td>27.69%</td></tr> <tr><td>Q4 2018/19</td><td>28.51%</td></tr> <tr><td>Q1 2019/20</td><td>28.01%</td></tr> <tr><td>Q2 2019/20</td><td>28.35%</td></tr> <tr><td>Q3 2019/20</td><td>27.11%</td></tr> <tr><td>Q4 2019/20</td><td>27.72%</td></tr> <tr><td>Q1 2020/21</td><td>27.88%</td></tr> </tbody> </table>	Quarter	Value (%)	Q1 2017/18	27.69%	Q2 2017/18	27.43%	Q3 2017/18	27.65%	Q4 2017/18	27.42%	Q1 2018/19	28.00%	Q2 2018/19	27.74%	Q3 2018/19	27.69%	Q4 2018/19	28.51%	Q1 2019/20	28.01%	Q2 2019/20	28.35%	Q3 2019/20	27.11%	Q4 2019/20	27.72%	Q1 2020/21	27.88%
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PI Status		Long Term Trends		Short Term Trends	
	Alert		Improving		Improving
	Warning		No Change		No Change
	OK		Getting Worse		Getting Worse
	Unknown				
	Data Only				



**Corporate Risk Management
Performance Overview October 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 June 2020.

Corporate		Current Risk	Direction of Travel	Previous Score	Target Risk
1	Pandemic - second wave (COVID-19)	25	↑	25	12
2	National / International Economic Downturn (SRCR001)	20	↔	20	12
3	Brexit Implications(SRCR001A)	20	↔	15	12
4	Management of Major Capital Programmes (SRCR002)	15	↔	15	9
5	Regeneration Programmes (SRCR003)	16	↔	16	12
6	Pension fund (SRCR 0010)	15	↔	15	12
7	Impact of New Legislation / Welfare reform (SRCR 0013)	12	↔	12	12
8	Workforce (SRCR 0018)	8	↔	12	9
9	Recruitment and Retention (SRCR 0018B)	8	↓	9	9
10	Information Assets (SRCR 0020)	16	↔	16	9
11	Corporate Resilience (SRCR 0020B)	15	↔	15	12
12	Cyber / Information Security	8	↔	8	9
13	Person suffers significant harm, injury or death (SRCR 0023)	15	↔	15	12
14	Contract Procurement and Management (SRCR 0025)	12	↔	12	8
15	Risks posed by unregistered schools and settings (leading to safeguarding failure)	16	↔	16	12
16	SEND funding (SRCR 0028)	25	↔	25	12
17	Fire Safety (SRCR 0031)	10	↔	10	12
18	Pressures on Temporary Accommodation (SRCR31)	20	↑	16	
19	Inaccurate or late pay information supplied to LGPS (SRCR 0033)	20	↓	25	12
20	Setting up Council owned companies (SRCR 0035)	12	↔	12	9
21	Insourcing (SRCR 0036)	12	↔	12	9
22	Universal Credit (SRCR 0037)	20	↔	20	12
23	Climate Change / Climate Emergency	10	↔	10	8

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 14 red risks and 9 amber risks. Clearly, numerous external events and influences are having a considerable impact on the Council’s objectives, notably the continuing impact of the Coronavirus pandemic and the effects it is having in multiple areas. Areas like finances (with budget cuts) were already problematic before the pandemic, and they have intensified now. Brexit remains a key risk and the COVID-19 crisis poses a further risk in the manner it is potentially detracting from Brexit negotiations for a satisfactory deal. 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. The latest COVID-19 risk relates to the probability of a second wave occurring in the autumn and ensuring that the Council is well positioned to manage this. From an internal Council perspective there is a clear challenge to all Services, especially those of a more front facing nature and this is reflected in details on the Corporate register. An important control for the Council clearly lies in the detailed Business Continuity Plans which are up to date for every service area. These should provide assurance that in the continuing case of closures of offices and potential absences of staff, services can still continue to operate as effectively as possible.

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. COVID-19 itself, has been having detrimental impacts on the overall world economy and stock markets which will be felt by all. However, even in the light of this continued red rating, the controls should still be able to provide assurance that the risk is being managed so far as is possible, and that the Council is taking appropriate action to best position itself in the light of challenging circumstances. Areas which are alluded to in the Corporate register, such as Integrated Commissioning and major programmes like Britannia, have their own separate registers going into much more detail with regards to all areas of risk.

In addition to the Corporate risks, the Scorecard also contains a selection of other major risks within the organisation. This assorted selection will usually be pulled from Directorate level and assist in providing an improved overview of risks around the Council, which don’t necessarily always get escalated to Corporate level. This extra level of risks was requested by Committee and will usually be comprised of high scoring areas which have

previously been on the Committee's radar, or areas of general importance (which may be on the threshold of being escalated to the Corporate Register). This should assist in providing an even more comprehensive overview.

3. FUTURE REPORTING TO AUDIT COMMITTEE

- 3.1 The reporting of the Corporate risks to Audit Committee will continue at future meetings, on a quarterly basis. With twice yearly updates of the full Corporate Register, the next one is scheduled for January 2021, so the full details on all risks will be provided then.

CAPITAL

This is the first OFP Capital Programme monitoring report for the financial year 2020/21. The actual year to date capital expenditure for the four months April 2020 to July 2020 is £20.7m and the forecast is currently **£215m**, **£131.7m** below the revised budget of **£346.7m**. In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and monitoring reflect the anticipated progress of schemes. In normal circumstances the phase 1 re-profiling is done as part of Quarter 2 capital monitoring but considering the additional financial pressures arising from Covid-19, the decision to bring forward phase one re-profiling as part of Quarter 1 capital monitoring was taken. September Cabinet will be asked to approve a total of £126.7m into future years. A summary of the forecast and phase 1 re-profiling 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 – Q1 2020-21	Revised Budget Position	Spend as at end of Q1	Forecast	Variance (Under/Over)	To be Re- profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	16,446	146	6,740	(9,705)	8,905
Finance & Corporate Resources	15,292	680	13,693	(1,598)	2,748
Mixed Use Development	105,203	8,010	60,487	(44,716)	44,716
Neighbourhoods & Housing (Non)	47,282	3,549	26,146	(21,136)	15,693
Total Non-Housing	184,222	12,386	107,066	(77,156)	72,062
AMP Capital Schemes HRA	94,358	4,952	49,147	(45,211)	45,211
Council Capital Schemes GF	1,007	261	1,404	397	(397)
Private Sector Housing	2,464	90	1,020	(1,444)	1,444
Estate Renewal	28,758	306	33,879	5,122	(5,122)
Housing Supply Programme	21,592	499	15,464	(6,128)	6,128
Other Council Regeneration	14,314	2,235	6,986	(7,328)	7,328
Total Housing	162,493	8,342	107,900	(54,593)	54,593
Total Capital Expenditure	346,715	20,728	214,966	(131,749)	126,656

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £6.7m, £9.7m below the revised budget of £16.4m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	1,136	7	197	(939)

Education Asset Management Plan	5,887	111	1,577	(4,309)
Building Schools for the Future	586	12	97	(489)
Other Education & Children's Services	1,226	(7)	964	(262)
Primary School Programmes	4,054	(73)	1,957	(2,096)
Secondary School Programmes	3,558	96	1,949	(1,609)
TOTAL	16,446	146	6,740	(9,705)

Adult Social Care

The overall scheme is forecasting an underspend of £0.9m against the respective budget of £1.1m. The two main capital projects in this area are Oswald Street and Median Road Day Resource Centre. Oswald Street Day Centre project is complete and the expenditure this year relates to health and safety and fixtures. The minor variance relates to final accounts and will be re-profiled to 2021-22. The new day centre was officially opened back in October 2018 and brings all existing day centre services together under one roof and will be used by people with a range of complex needs including dementia, learning disabilities, physical disabilities and autism. Median Road feasibility was concluded last year but there is more detail to work through. On this basis the resource held for Median Road will be re-profiled to 2021-22 and a small budget held this year for further feasibility studies. This capital project is the first phase of 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 £4.3m against an in-year respective budget of £5.9m. The main variance relates to Shoreditch Park Primary School which is forecasting £2.2m underspend against the in-year respective budget of £2.6m. The roof and kitchen alterations are completed. The next round of capital works include the first floor internal alteration, music room, playground and toilet refurbishment. All due to be completed by the end of the year. The structural repairs to the main school is completed. The Art block element of the project is likely to spend 15% of its budget this financial year and the balance has been re-profiled. Due to Covid-19, the external toilet works have been deferred until Summer 2021. The MUGA element is ongoing and planned to complete this financial year. The resurfacing of the playground is currently on hold with the external gate works now completed. The refurbishment of the internal toilets have been completed and it is currently in defect period. The variance will be re-profiled to 2021-22.

Building Schools for the Future

The overall scheme is forecasting an underspend of £0.5m against the in-year respective budget of £0.6m. The works at Stormont College SEN and Mossbourne are complete and part of the underspend this financial year will be offered up as savings and the remainder will be used to support the cooling works at Ickburgh which is on-going with no delays anticipated at this time.

Other Education & Children's Services

The overall scheme is forecasting an underspend of £0.3m against the in-year respective budget of £1.2m. There are no asbestos works planned for this financial year therefore the underspend has been re-profiled to 2021-22. The tendering at The Garden School SEND is due in January 2021 and the revised budget is currently re-profiled to actual spend. This capital works will increase the number of the Post-16 places for pupils with Austistic Spectrum Disorder and Severe Learning Difficulties Places. The forecast for Gainsborough SEND is technical advisers projected for this financial year. The plan is to complete the scheme this financial year with any overspends supported from 2021-22 budget. Retention is planned for 2021-22. This project aims to provide additional capacity for 10 additional resourced provision placements to allow primary aged children with Social, Emotional and Mental Health Needs (SEMH) to access a mainstream setting at a level which supports their learning and development.

Primary School Programmes

The overall Primary School Programme is forecasting an underspend of £2.1m against the in-year respective budget of £4.1m. The most significant variance is Woodberry Down which is reporting an underspend of £1m against the in-year respective budget of £1.1m. The expenditure this financial year will be consultants costs projected up to tender phase with costs relating to ground breaking works and the remaining budget has been re-profiled to 2021-22.

Further surveys at a number of the schools have been carried out for the next phase of remedial works to the facades and it recognises additional works are required. This is the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. On the outcome of these surveys there will be a spending approval request via CPRP bid to increase the current budget from the available resources which was already approved during budget setting. The overall variances have been reprofiled to 2021-22 to support any retention payments and to support the next phase of the programme.

Secondary School Programmes

The overall scheme is forecasting an underspend of £1.6m against the in-year respective budget of £3.6m. The two main significant variances relate to The Urswick

School Expansion and Stoke Newington School Drama Theatre and associated ancillary spaces.

The Urswick School Expansion works to the science lab will start later in the year and the expansion of the school element to start possibly early 2021-22. The variance has been re-profiled to 2021-22 to reflect the actual spend of the works. This capital project is to support the increased pupil growth of the school to the 6th Form Entry to include the additional three general classrooms, two seminar rooms, science studio, ICT room, general stock room and ICT equipment store.

Stoke Newington School forecast includes the works identified this year and the projected retention for the refurbishment of the drama theatre. During the BSF programme, Stoke Newington was one of the three schools that was partially refurbished rather than rebuilt and as a result there were certain areas that still required upgrading to BSF standards. This drama theatre is one such area. It is crucial for the delivery of the drama curriculum, as well as for use as an assembly hall and for general teaching.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £74.2m, £46.3m under the revised budget of £120.5m. More detailed commentary is outlined below.

F&R Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Property Services	10,126	502	9,846	(280)
ICT	4,150	292	2,882	(1,268)
Financial Management	209	(109)	520	311
Other Schemes	807	(4)	445	(362)
Total	15,292	680	13,693	(1,598)
Mixed Use Development	105,203	8,010	60,487	(44,716)
TOTAL	120,494	8,691	74,180	(46,315)

Strategic Properties Services - Strategy & Projects

The overall scheme is forecasting an overspend of £2.9m against the in-year respective budget of £10.1m. Covid-19 has impacted the wider Corporate Estate Rationalisation (CER) Programme with increased staff working from home and the re-opening of public buildings with strict rules of social distancing. The main variance relates to the refurbishment of the Council Office building Christopher Addison House which is forecasting an overspend of £0.8m. A number of design issues relating to the structure were realised after work had commenced by the contractor. This has resulted in proposed variations to the contract which if approved will increase the ceiling price of the main contract. There will also be an increase to other costs associated with the

project but these will be covered by the existing contingency. Assuming the approval is given, the project is scheduled to complete in October 2020. This programme is part of the wider Corporate Estate Rationalisation (CER) Programme and the need to consolidate the Council's buildings to make better use of the space. The other significant variance relates to the flooring replacement to the Council's Hackney Service Centre. The decision to bring forward a number of works at this building was taken. A large part of the Council's workforce continues to work from home which is a good opportunity to complete all the works this financial year. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

ICT Capital

The overall ICT scheme is forecasting an underspend of £1.3m against the in-year respective budget of £4.1m. The main variance is the resource held for the overall ICT capital programme which will support future capital projects planned for 2021-22. The variance has therefore been re-profiled.

The rolling programme of the End-user and Meeting Room Device Refresh should have ended last financial year but due to priorities shifting to home working, more support is required relating to the roll out of new devices. A number of additional chrome books have been purchased as part of the new way of working. This expenditure this financial year will be staffing and hardware with the remainder of the budget to be earmarked for installing kit in Christopher Addison House, meeting room refresh and hardware. This is dependent on council plans as kit may be transferable from existing buildings if they are not at full capacity. This project relates to the roll out of the device refresh model for council staff and meeting room devices across the core Hackney campus.

The other variance is the Hackney Learning Trust G-Suite work which is underway but the actual migration to G-suite is likely to start in September due to most staff being on school holidays. This project is for consultation and implementation only so no devices will be purchased. The variance has been re-profiled to 2021-22.

Other Schemes

The overall scheme is forecasting an underspend of £0.4m against the in-year respective budget of £0.8m. These schemes cover smart meter data, the home energy efficiency measures (Green Homes Fund), Solar PV Panel and the pilot of Solar Panel in Leisure centres. The forecasted spend is to pay the current installer, planning applications costs and cost of two plaques for the pilot solar panels. There will be further feasibility studies on the wider solar panels rollout for the Council's stock, therefore, the variance has been re-profiled to 2021-22.

Mixed Use Developments

Tiger Way and Nile Street is forecasting an underspend of £10.1m against the in-year respective budget of £14.1m. The Design and Build (D&B) projects at Tiger Way are in its defects periods. Outstanding defects are being undertaken on a priority basis; where works are a priority for reasons of health, safety and security they have been undertaken by McLaren and their subcontractors. Until recently defects that were not a priority had been put on hold, but more recent updates from Government have enabled McLaren and their sub-contractors to put in place revised safe methods of working and action practically all of the lower priority defects too. The situation continues to be the subject of regular review in accordance with the latest Government advice. In addition to the above defects, the replacement of the Nightingale School roof is a significant piece of defect rectification at Tiger Way. In respect of Covid-19 the principal contractor, McLaren, is organising the works in compliance with site operating procedures and guidance issued by construction industry organisations. Close liaison has been maintained with the school, so that the operations of McLaren do not conflict with those of the school, who have their own Covid-19 operating procedures relating to their teaching environment to comply with. The variance relates to final accounts, forecasted voids and associated costs, project management costs, sales agent and marketing fees and has been re-profiled to 2021-22.

Britannia Site is forecasting an underspend of £34.6m against the in-year respective budget of £87.6m. Phase 1a (Leisure Centre) is on target for completion in March 2021. Phase 1a - South elevation being fast tracked to enable the temporary energy centre installation in September. Pool works continue to increase in momentum to make up for lost time due to COVID-19. Phase 1b (School) is on target for completion in May 2021. Phase 1b - Windows have commenced to ground and first floors. Concrete topping to precast concrete floors now complete and lift installations commenced. Morgan Sindall continues to progress at speed and there are no major issues to report. Phase 2a (Homes) will progress later this financial year. Phase 2b remains under review. The variance has been re-profiled to 2021-22 to reflect the actual programme of works.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £26.1m, £21.1m under the revised budget of £47.3m. More detailed commentary is outlined below.

N&H – Non Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Museums and Libraries	6,070	222	1,310	(4,760)
Leisure Centres	1,590	0	1,490	(100)
Parks and Open Spaces	13,457	649	7,025	(6,432)
Infrastructure Programmes	12,411	543	7,294	(5,117)
Environmental & Other EHPC Schemes	5,409	1,055	5,162	(246)

Public Realms TfL Funded Schemes	4,185	1,045	1,425	(2,760)
Parking and Market Schemes	358	0	0	(358)
Other Services	900	0	100	(800)
Regulatory Services	79	0	0	(79)
Safer Communities	1,133	3	1,133	0
Regeneration	1,691	31	1,206	(484)
Total	47,282	3,549	26,146	(21,136)

Museums and Libraries

The overall scheme is forecasting an underspend of £4.8m against the in-year respective budget of £6.1m. A number of the capital works relating to Hackney's museum and libraries have been reviewed in light of Covid-19 and are unlikely to progress this financial year. Therefore the variance has been re-profiled to 2021-22.

Leisure Centres

The overall scheme is forecasting to come in line with the in-year respective budget of £1.6m. The leisure centres have been closed to the public since Covid-19 and during this closure the Council has attempted to progress vital repair works. The works to pools have been delayed due to the contractor's staff being furloughed which has impacted the delayed opening of some of the pools. The phased re-opening of services at our leisure centre started from 25 July 2020 with additional safety and hygiene measures in place in line with coronavirus regulations. The forecast this financial year will fund the essential works to the roof of King's Hall Leisure Centre and essential repair works at Clissold Baths to continue meeting the Council's landlord obligations in respect of on-going maintenance. It is likely that the repair works that are currently being done at London Field Lido (not new works) will also need to be funded from this budget. This capital spend will maintain the leisure facilities and ensure they are accessible and welcoming for the whole community.

Parks and Open Spaces

The overall scheme is forecasting an underspend of £6.4m against the in-year respective budget of £13.5m. The most significant variances relate to Abney Park restoration project, Shoreditch Park and West Reservoir Improvements.

Abney park project is underway following the successful grant application to the National Lottery Heritage Lottery Fund (NLHF) in December 2019. We have entered the delivery stage of the project to refurbishment of the chapel, building of a new cafe, rebuilding of the Southern entrance and delivery of activity programme. The Covid-19 has had very little impact on the project as the design team are successfully working

remotely. The project is on target for on-site work in May 2021. The underspend of £1.5m has been re-profiled to 2021-22 to reflect the actual programme of works.

Shoreditch Park feasibility and design works to be completed in 2020-21 and the main construction works to take place early in 2021-22. Like most projects the variance is mainly due to Covid-19 and the known financial pressures facing the Council.

Springfield Park Restoration is on target to spend the in-year respective budget of £2.6m. The construction site closed for six weeks because the contractor was experiencing problems sourcing materials and they were unable to work on site and adhere to the Government's social distancing regulations. The site has now reopened and progress is being made with utility suppliers and providers on new supplies, routes and metering. Stables Marketing has been affected as most agents are furloughed and the market is slow. The closure has meant that the practical completion date has been pushed back to December 2020. The NLHF are aware of the delay to the programme and it has no impact on the funding or our ability to meet their requirements.

West Reservoir Improvements Project is a big project and it is likely that the plans may have to be scaled down. The project has been put on hold for this financial year and will be reviewed next year. The variance has been re-profiled to 2021-22.

Play areas, sport courts and toilets were closed since Covid although most have now reopened or planned to be opened by September/October in line with strict rules from Public Health. The development works have been put on hold and the variance re-profiled to 2021-22.

The parks have remained open during the lockdown and remain the main hub for recreational space for the community. To keep our parks and green spaces open, clean and safe during the Covid-19 crisis we have to continue to invest in them further. The expenditure this financial year will be essential repair and maintenance and the variance re-profiled.

Infrastructure

The overall scheme is forecasting an underspend of £5.1m against the in-year respective budget of £12.4m. Covid-19 has impacted the delivery of a number of projects therefore up to 50% of the overall budget has been re-profiled to 2021-22. The department is conducting a full review of the capital projects to identify critical sites and produce a slimmed down version of the programme of works. This includes Park Trees, Highways Surface Water Drain Risk, LED Lights on Highways Bridge Maintenance Schemes and highways works to a number of sites in the borough. The main risk will be costs potentially being higher in the future if work is delayed.

Environmental Services and Other

The overall scheme is forecasting to come in line with the in-year respective budget of £5.4m. The only underspend relates to bin weighing equipment which will be procured in 2021-22 and the variance re-profiled.

Public Realms TfL Funded Schemes

The overall scheme is forecasting an underspend of £2.8m against the in-year respective budget of £4.2m. All of these schemes are grant funded to facilitate the delivery of the TfL funded schemes to implement measures to reduce road traffic accidents and fund projects to encourage sustainable transport within the borough. Most of these schemes are being ceased due to TfL funding shortfall. All spend to date will be claimed and the remaining budget offered up as savings. The Council's department is conducting a full review of the capital projects to identify a new replacement scheme.

Regeneration (Non-Housing)

The overall scheme is forecasting to come in line with the in-year respective budget of £1.7m with a minor underspend. Full spend of budget confirmed by the Project Manager before the end of Mar 2021. Contract for works to MUGA and Classroom to be signed imminently.

HOUSING

The overall forecast in Housing is £107.9m, £54.6m below the revised budget of £162.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
AMP Housing Schemes HRA	94,358	4,952	49,147	(45,211)
Council Schemes GF	1,007	261	1,404	397
Private Sector Housing	2,464	90	1,020	(1,444)
Estate Regeneration	28,758	306	33,879	5,122
Housing Supply Programme	21,592	499	15,464	(6,128)
Woodberry Down Regeneration	14,314	2,235	6,986	(7,328)
Total Housing	162,493	8,342	107,900	(54,593)

AMP Housing Schemes HRA

The overall scheme is forecasting an underspend of £45.2m against the in-year respective budget of £94.4m. The projected underspend at Quarter 1 represents the

latest assessment of Covid-19 and its enduring impact on capital projects and in particular their starting times.

Contract 1 contributes 50% of the reprofiling with uncertainties arising from social distancing, backlog of Section 20 applications (where we have to consult leaseholders on any major works taking place in the block) and access for Kitchen and Bathroom installations. Contract 1 is also undergoing renegotiation of its principal contracts under Project Partnering Contract (PPC) and through the South East Consortium for circa £40m.

Both the Electrical and Mechanical sectors have downgraded their programmes but are hopeful of improving their forecast for Quarter 2 following the collation and assessment of field intelligence. The variance has been reprofiled to 2021-22 to recognise the change which has affected the programme of works.

Council Schemes GF

The overall scheme is forecasting an overspend of £0.4m against the in-year budget of £1m. This relates to the allowance made for major repair works at multiple Hostels (Housing Needs) properties and the Borough Wide Housing Under Occupation where some regeneration properties are being used as Temporary Accommodation. Borough-wide Housing regeneration void works for Temporary Accommodation have accelerated along with the works at 111 Clapton Common. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

Private Sector Housing

The main variance relates to the Disabled Facilities Grant which is forecasting an underspend of £1.1m against the in-year budget of £1.9m. There is a reduction in spend due to Covid 19 access issues. The variance has been reprofiled to 2021-22 to recognise the change affecting the programme of works.

Estate Regeneration

The overall scheme is forecasting an overspend of £5.1m against the in-year respective budget of £28.8m. The Estate Regeneration (ERP) was first approved in 2011 (updated in 2015, refreshed in 2016 and updated in 2019) is a Council-led programme that will deliver nearly 3,000 homes across 18 sites/estates including 195 refurbished properties. The programme will deliver new homes of mixed tenure of social rent, shared ownership and outright sale focused on meeting existing and future housing needs with the aim of achieving the highest proportion of genuinely affordable homes that is viable. The progress on the capital projects are set out below:

Tower Court works have accelerated again after a slow down due to Covid-19. The budget from 2021-22 has been re-profiled back to current year to cover this overspend.

Kings Crescent Phase 1 and 2 site is complete and the spend in 2020-21 relates to retention payment.

Kings Crescent Phase 3 and 4 on site date will be early 2021-22. Expenditure this year relates to Design fees and Planning.

Colville Phase 2 site handed over and the spend in 2020-21 relates to final construction payment and consultant fees.

Colville Phase 2C demolition due to start next financial year and the spend this year relates to consultancy and survey fees.

Colville Phase 4 and 5 estimate four buybacks to be completed this financial year.

St Leonard's Court site handed over and the spend in 2020-21 relates to consultant fees and sales and marketing.

Nightingale spend relates to consultation fees.

Marian Court Phase 3 demolition takes place this financial year and procurement on-going.

Garage Conversion Affordable Workspace design work and surveys to be carried out this financial year.

Sheep Lane purchase of 'off the shelf' units should be handed over in Quarter 3.

Housing Supply Programme

The overall scheme is forecasting an underspend of £7.3m against the in-year respective budget of £14.3m. The Housing Supply Programme (HSP) was approved by Cabinet in 2016 (updated 2020) to focus on delivering new homes on Council owned sites for social rent and shared ownership. The additional affordable housing will help meet the challenge of reducing the number of families being housed in temporary accommodation. The progress on the capital projects are set out below:

Gooch House works are currently forecast to start in Quarter 4 of 2020-21.

Wimbourne Street is due to start on site next financial year. Procurement will take place during 2020-21.

Buckland Street is due to start on site next financial year. Procurement will take place during 2020-21.

Murray Grove procurement to take place during this financial year.

Downham Road 1 and 2 planning application to be submitted this financial year. Design work ongoing.

Balmes Road planning application to be submitted this financial year. Design work ongoing.

Pedro Street project now started on site and works to accelerate during this financial year.

Mandeville Street works have now re-started after slowing during the Covid period. Due for handover in April 2021.

Tradescant House planning application to be submitted this financial year. Design work ongoing.

Lincoln Court design options being considered. Planning application to be submitted before the end of the financial year.

Rose Lipman project now started on site and works to accelerate during this financial year.

Woolridge Way project now started on site and works to accelerate during this financial year.

81 Downham Road project now started on site and works to accelerate during this financial year.

Daubeney Road project now started on site and works to accelerate during this financial year.

Hereford Road planning application to be submitted this year. Design work ongoing.

Woodberry Down Regeneration

The £7.3m underspend on Woodberry Down is based on a reduction of Buybacks this financial year and the variance re-profiled to 2021-22. The Woodberry Down Regeneration was first approved by Cabinet in 2004 with the forecast to deliver over 5,500 homes over a 20 year period and is being delivered by a partnership of the Council, Berkeley Homes, Notting Hill Genesis, Woodberry Down Community Organisation and the Manor House Development Trust.



AUDIT AND ANTI-FRAUD REVIEW OF 2020/2021 ANNUAL PLAN & PROGRESS REPORT AS AT 30 SEPTEMBER 2020

AUDIT COMMITTEE MEETING DATE

14 October 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 asked to consider and note the progress and performance of the Audit & Anti Fraud Service to 30 September 2020 (Appendices 1 - 4).

2.2 The Audit Committee is recommended to review and approve the changes proposed to the 2020/2021 Annual Audit Plan (Appendix 2)

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'.

3.3. The Audit & Anti Fraud Service, like all services in the Council, have been affected by the lockdown that was introduced nationally as part of the strategy to combat Covid19. Between March and September all of the auditors have been undertaking redeployment duties in key service areas alongside their own audit work where possible. Our ability to undertake reviews has also been hampered by the additional burdens placed on service areas during this time. It is anticipated that from October, assuming the Council's response to Covid19 continues to be relaxed to enable service to return to a new form of normality, we hope to be able to undertake audits to enable the Head of Internal Audit & Risk Management to provide the annual assurance statement. For this to be achieved we rely on the co-operation of directorate and service level management.

4. BACKGROUND

4.1 The Audit Committee approved the 2020/21 Annual Audit Plan on 22 April 2020 and this report notes the progress against that plan and progress against high and medium priority recommendations.

4.2 The 2020/21 Annual Audit Plan has been amended to reflect the reduction in days available to undertake the planned reviews and to focus resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement. The proposed changes have been discussed with directorate management teams and the Council's external auditor. The proposed plan is shown at Appendix 2.

4.3 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 September 2020
- Implementation of high and medium audit recommendations

- School audits

Details of progress with planned audits and proposed revisions to the 2020/21 annual plan are provided in Appendix 2.

Definitions of the assurance levels used are provided in Appendix 3.

4.4 A statistical summary of the work undertaken by the Audit Investigation Service for the period April to September 2020 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	408,000 (minimum)
No Recourse to Public Funds	887,888
Blue Badge/Parking	4,965
NFI	344,031
Total	1,644,884

4.3 There was a shift in corporate priorities as the Council provided maximum support to residents and businesses in response to the Covid19 pandemic. This has drawn resources from secondary services, including Audit and Anti-Fraud (AAF), to support key front line teams. There has been an impact on the internal audit team's performance as a result of service managers needing to focus on the Council's response to the pandemic. Although half of the investigators were reassigned to other duties in support of the pandemic response, and some aspects of the work could not be undertaken, the estimated savings arising from investigations work are 73% of what was achieved at the equivalent time last year. The Division has been proactive in moving officers to support the Borough Emergency Command Centre and Customer Services quickly, this took place from the end of March onwards. Much of the work of the division was suspended from April until August which strongly impacted performance of the service.

4.4 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.

4.5 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.

4.6 Sustainability

Not applicable

4.7 Consultations

Consultation on the proposed changes to the internal audit plan have taken place with senior management, the Council's external auditors and the Audit Committee.

4.8 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.

5.3 The impact of the Council's response to Covid-19 on the capacity of the internal audit team is noted as is the ambition set out in paragraph 4.2 to undertake sufficient audit work this year in order for the Head of Internal Audit & Risk Management to provide the annual assurance statement. There is an expectation that there will be some level of reliance on cumulative assurance and it is also emphasised that internal audit are in liaison with the external auditors to ensure that there is minimal impact on the external audit programme of reduced internal audit activity.

6. COMMENTS OF THE DIRECTOR OF LEGAL

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

6.2 The Audit Committee is asked to note the report on the Audit 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 30 September 2020

Appendix 2 - Progress with planned audits 2020/21 and proposed changes to the 2020/21 Audit Plan

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to 30 September 2020

BACKGROUND PAPERS

None

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

Audit & Anti-Fraud Progress Report

1 April - 30 September 2020

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period April - September 2020. 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 two 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 Council's response to the coronavirus pandemic which saw all auditors redeployed to assist with critical services delivery from March to September. Additionally, completion of planned work in the period was further hampered by the inability of services to facilitate audit reviews whilst the Council focussed resources on responding to the pandemic.
- 2.2 The 2020/21 Audit Plan consisted of 53 audits (of which 11 are schools/children's centres), 19 audits have been postponed or cancelled and six (one school plus five others) were added since the plan was agreed. In order to focus the available resources for the remainder of the financial year it has been necessary to review the annual plan and reduce the number of audit reviews. Reviews planned in services currently classed as critical services in the response to the pandemic have been deferred and three new audit reviews have been added to ensure changes to the system of internal controls, made during lockdown, are adequate and functioning as designed. Proposed changes to the plan have been discussed and agreed with directorate management teams and the Council's external auditor. These changes are reflected in the revised Audit Plan at Appendix 2.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

- 3.1 Internal Audit's performance for 20120/21 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraphs 3.2 – 3.4.

Objective	KPIs	Targets	Actual
Cost & Efficiency <i>To ensure the service provides Value for Money</i>	1) Percentage of planned audits completed to final/draft report stage 2) Average days between the end of fieldwork & issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 12% complete or in progress by 30 September 2020 2) 17 days
Quality <i>To ensure recommendations made by the service are agreed and implemented</i>	1) Percentage of significant recommendations made which are agreed 2) Percentage of agreed high priority recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 80% - fully implemented** 11% - partially implemented
Client Satisfaction <i>To ensure that clients are satisfied with the service</i>	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires	1) Responses meeting or exceeding expectations 2) Satisfactory	1) 100% (82% exceeded expectations and excellent) 2) N/A 3) None

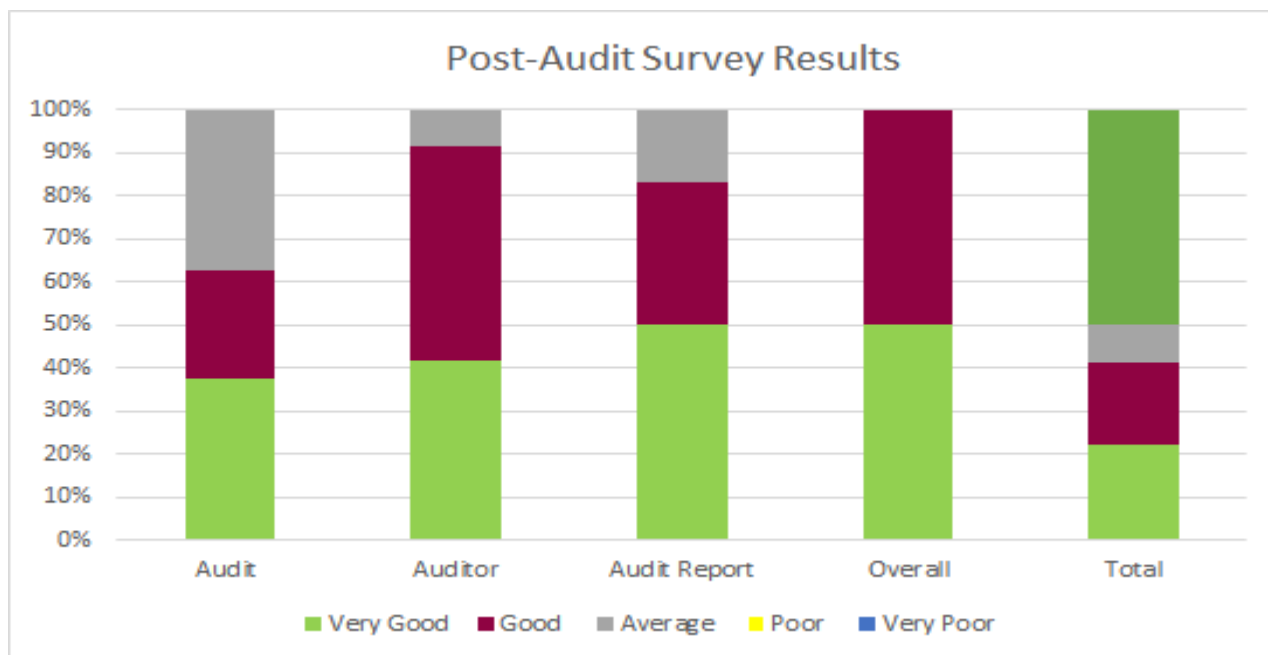
<i>and consider it to be good quality</i>	3) No. of Complaints / Compliments	3) Actual numbers reported	
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** See paragraph 6.2 for explanation

Table 1

3.2 As at 30 September 2020 a total of six internal audit reviews have been started from the 2020/21 Plan, three have been finalised and a further two are at draft report stage. In addition 10 reviews carried forward from the 2019/20 annual plan were finalised.

3.3 Post Audit Survey results continue to show that overall expectations of auditees are met or exceeded with 82% responding that expectations were exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

4.1 Progress with 2020/21 planned audits is summarised in Table 2 below and detailed in Appendix 2.

2020/21 Audit Plan Stage of Audit Activity	Number of assignments	% of the original plan
Scoping/TOR agreed	1	2
Fieldwork in progress		
Draft report issued	2	4
Completed	3	6
Total work completed and in progress		
Original Plan	53	
Cancelled and Postponed	19	
Additional requests	6	
Total Revised Plan	40	

Table 2

4.2 The table shows 12% of the planned assignments have been completed or are in progress.

4.3 Details of cancelled/postponed audits are shown in Table 3 below.

Review	Reason for Deferral
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Pension Fund	Unable to proceed due to lack of staff resources during Covid response
Commercialisation	Cancelled at management request
Electoral Services	Deferred to 2021/22 due to Covid
Grants	On hold due to work on Covid grants
Direct Payments	Deferred to 2021/22 due to Covid
Residential Care	Deferred to 2021/22 due to Covid
Adults Homecare Payments Team	Deferred to 2021/22 due to Covid
Housing with Care	Deferred to 2021/22 due to Covid
LAC Incidentals	Deferred to 2021/22 due to Covid
Facilities Management in Schools	Deferred to 2021/22 due to Covid
Consultants	Cancelled at management request. Restructure taking place to reduce usage. New corporate review planned that will incorporate some aspects of the original review.
Capital Budget Monitoring	Cancelled - Audit Committee is undertaking a deep dive review so would be a duplication.
NNDR/Business Rates	Deferred to 2021/22 due to Covid
Accounts Payable - Ivanti Post Implementation Review	Cancelled at management request, not considered necessary.
Council Tax	Deferred to 2021/22 due to Covid
Capital Schemes - monitoring/project management	Cancelled - Audit Committee is undertaking a deep dive review
Gold Loggists - recruitment/training/preparation	Deferred to 2021/22 due to Covid
Build Quality on New Builds	Cancelled - no longer required

Table 3

- 4.4 Each completed audit is given an overall assurance grading. These are categorised as 'Significant', 'Reasonable', 'Limited' or 'No' assurance. The assurances given this year are included in Appendix 3. For those audits finalised this year, including 10 carried forward from the 2019/20 plan, the assurance levels are set out in Table 4.

Assurance Level	2020/21	2019/20
No	0	0
Limited	0	3
Reasonable	0	2
Significant	1	3
Not Applicable	1	2
Total	2	10

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 30 September 2020 are shown in Table 5.

Categorisation of Risk	Definition	Number 2020/21 Plan	Number 2019/20 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	0	7

Medium	Important issues which should be addressed by management in their areas of responsibility.	2	29
Total		2	36

Table 5

5. SCHOOLS

- 5.1 The results of schools' audits are reported to the Hackney Education (HE) within the Children's, Adults and Community Health Directorate. In addition, progress with the implementation of agreed recommendations from 2016/17 to the current date are regularly followed up and reported.
- 5.2 As a result of school's being closed as part of the national lockdown and the stresses placed on school management a decision has been taken to defer all audits until after October half term. Following the successful pilot of Internal Control Questionnaires (ICQs) in 2019/20 this approach will be used for future reviews. This approach allows for the necessary insurances to be given whilst reducing the resources necessary to complete the audits, both for the school and the audit service. The audits focus on the existence and compliance with key financial controls and the adequacy of governance arrangements.
- 5.3 As at 30 September 2020, two school and children centre audits ongoing from the 2019/20 audit plan had been finalised, three had been issued with draft reports.

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 that were due to be implemented by 30 September 2020 are presented in Table 6.

Directorate	Implemented/ No longer relevant	Partially Implemented	Not implemented /No response	Not Yet Due	Total*
Children's, Adults and Community Health	17	1	2	0	20
Neighbourhoods and Housing	42	6	5	4	53
Finance & Corporate Resources	17	4	1	0	22
Chief Executive's	5	0	0	0	5
Corporate	3	1	1	0	5
Total number	84	12	9	4	105
Percentage (%)*	80	11	9	n/a	100

* Does not include "Not Yet Due"

Table 6

- 6.2 The Council's target for 2020/21 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 105 'High' priority recommendations, the implementation rate currently stands at 80% fully implemented, with a further 11% partially implemented.
- 6.3 Of the 410 'Medium' priority recommendations followed up 81% were assessed as implemented and 10% partially implemented. Details are shown in Table 7.

Directorate	Implemented/ No longer relevant	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Children's, Adults & Community Health	73	6	13	0	92
Neighbourhoods and Housing	107	17	2	7	126
Finance & Corporate Resources	112	18	16	0	146
Chief Executive's	25	0	0	0	25
Corporate	16	1	4	0	21
Total number	333	42	35	7	410
Percentage (%)	81	10	9	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/ No longer relevant	Partially Implemented	Not implemented/ No Response	Not yet due	Total*
High	48	2	1	0	51
Medium	256	8	2	0	266
Total Number	304	10	3	0	317
Percentage (%)	96	3	1	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, was subject to changes resulting from the voluntary redundancy scheme in February 2020. This resulted in two auditor posts being deleted. The planned review of the management, resources and approach adopted by the internal audit team resulting from the reduction in resources, has been deferred until the current Covid19 crisis has passed. Temporary cover was organised from the end of December 2019 to assist with completing the 2019/20 audit plan, this resource was redeployed along with the other three members of the team to assist critical front line services during the crisis but all four have now returned to audit work.
- 7.2 The completion of ICT audits for 2019/20 were impacted by the Council's response to the Covid19 pandemic. These had been scheduled to be completed during Q4 however although work did start this had to be put on hold to allow IT to focus on supporting the Council's management of its workforce. Audits not completed from the 2019/20 plan that were still relevant have been included in the 2020/21 plan however at the time of reporting no reviews have commenced in this service area. The revised Annual Audit Plan (Appendix 2) has taken account of discussions with the Director and management team to identify those areas where planned work could progress without having a negative effect on service delivery.

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). The planned review of structures and resources following the outcomes of the Council's Voluntary Redundancy Scheme has been delayed as a result of the Covid19 pandemic.
- 8.2 Half of the investigators were redeployed to assist key services as part of the pandemic response. Some investigative activities have not been possible for much of the financial year, although these are being carefully reintroduced with additional safeguards in place. Despite these difficulties, significant financial benefits continue to arise from these enquiries (equivalent to 73% of the benefits which had been achieved at the corresponding time in 2019/20).
- 8.3 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 The ability to complete internal audit reviews has been severely hampered by the Covid19 pandemic which has affected the whole country. Where it is possible to undertake work virtually this is being done. Work that has been put on hold will recommence as appropriate. Resources will focus on reviews that will provide evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.
- 9.3 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					
<i>Progress to 30 September 2020 (including 2019/20 audits completed in the year)</i>					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2019/20 Audits					
1920LBH01	AGS Co-ordination 2019/20	N/A	N/A	N/A	Completed
1920LBH09	IR35	2	2	Limited	Final
1920CACH13	Children Leaving Care	2	9	Limited	Final
1920CACH14	Children's Disability Payments				Draft
1920CACH15	Schools Overview Report 2018/19	0	1	N/A	Final
1920CACH16	Special Educational Needs (SEN) Transport	0	7	Reasonable	Final
1920CACH03	Mortuary Statutory Review				Draft
1920ICT02	Cyber Resilience				Draft
1920NH05	DLO	0	0	Significant	Final
1920NH07	Major Works	2	5	Limited	Final
1920NH12	Parking Income				Draft
1920NH13	Markets Management	0	0	Significant	Final
1920SCH06	Daubeney Primary School				Draft
1920SCH14	Sebright School				Draft

Appendix 2

1920SCH23	Lauriston Primary School				Draft
1920SCH29	Randal Cremer Primary School	1	5	Reasonable	Final
1920SCH41	St Scholastica Catholic Primary School (replaces St Matthias)	0	2	Significant	Final

Internal Audit Annual Plan					
<i>Progress to 30 September 2020 (including 2019/20 audits completed in the year)</i>					
Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2020/21 Audits					
Corporate / Cross Cutting					

2021LBH01	AGS co-ordination 2020/21				
2021LBH04	Equal Pay				
2021LBH05	Company Management/ Governance (e.g. Hackney Light & Power, Tiger Way, Ed Partnerships)				
2021LBH07	Review of Contract Management - Performance Management				Draft
New proposal	Corporate Response to Covid 19				New - necessary to be able to provide assurance that the control framework introduced for new areas of activity are working effectively, lessons learnt
Chief Executive's					
2021CE02	Environmental Sustainability & Climate Change				Audits merged
2021CE04	Establishment				ToR
Children, Adults & Community Health					
Adult Services/Public Health					
2021CACH01	Mortuary Statutory Review				
2021CACH03	Integrated Learning Disabilities Service (ILDS)				
Children & Families					

Education					
2021CACH10	Schools overview report 2019/20	0	1	N/A	Final
2021CACH12	Schools overview report 2020/21				
	Compliance review for schools based upon a risk assessment and cyclical review, 11 due this year. Additional review of Primary Advantage Federation requested by HE.				
2021CACH11	Themed audit Early Years Setting -15 hours free entitlement for 2 year olds				
2021CACH08	Safeguarding - Children Missing from School - F/up				
Public Health					
					Noreview planned due to pressures on this service resulting from Covid response
FINANCE & CORPORATE RESOURCES					
Strategic Property					
Financial Management					
2021FCR05	Treasury and Investments	0	1	Significant	Final
New review	Main Financial System upgrade - post implementation review				New audit requested by Mgmt

New review	Income Compensation Scheme - audit of grant claim				New audit requested by Mgmt following response to Covid
Audit & Anti-Fraud					
2021FCR09	Anti-Fraud				
Customer Services					
	Cautionary Contact (ASB/CTax Teams)				See Housing
Procurement					
2021FCR08	Virtual Payment Cards - Post Implementation Review				New audit following response to Covid.
New review	Consultants role in Procurement				Requested by Management
Human Resources					
2021CE04	Establishment				ToR
ICT					
2021ICT01	Programmes & Projects/Project Benefit Appraisal				
2021ICT02	ICT RM, sources of assurance				
2021ICT03	Mobile Device Security & EP Security				
2021ICT04	Service Desk Case Management & End User experience (focussed on the new ways of working)				

2021ICT05	GDPR - Privacy by Design				
Neighbourhoods & Housing					
Housing					
2021NH01	Suffolk TMO				
2021NH02	Wyke TMO				
2021NH03	C/Tax & Hackney Housing - Cautionary Contact				
Public Realm					
2021NH06	Use of Infrastructure Levy/section 106				
Regeneration					
					No review planned
Schools					
Children's Centres					
2021SCH01	Gainsborough Children's Centre (with school)				
2021SCH02	Lubavitch Children's Centre				
2021SCH03	Mapledene Children's Centre (linked to Queensbridge PS)				
Primary Schools					

2021SCH01	Gainsborough Community Primary School				
2021SCH04	Berger Primary School				
2021SCH05	Gayhurst Community School				
2021SCH06	Holmleigh Primary School				
2021SCH03	Queensbridge Primary School				
2021SCH07	St. John the Baptist CE Primary School				
2021SCH08	St. Matthias CE Primary School				
2021SCH09	Colvestone Primary School				
2021SCH10	Whitmore Primary School				
2021SCH13	Primary Advantage Federation (PAF)				Draft
Secondary Schools					
2021SCH11	Yesodey Hatorah Senior Girls' School				
Special Schools					
2021SCH12	Ickburgh School				

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.	No more than one high priority finding &/or a low number of medium rated findings. Where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.	There are a significant number of high rated findings (i.e. four or more).

Anti-Fraud Service:

Statistical Information 1 April to 30 September 2020

1. Investigations Referred

The Anti-Fraud service has received 192 referrals so far during 2020/21, which represents a significant decrease on 2019/20. This is due to reductions of tenancy and parking referrals and is entirely due to the pandemic. Other areas of operation remain broadly consistent with previous levels of activity.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2020/21 to date	Referrals 2019/20
Neighbourhoods & Housing (N&H)	Neighbourhoods & Housing	4	1	6	4	6
	Hackney Homes	0	0	4	0	12
	Tenancy Fraud	85	59	266	85	266
	Parking	51	46	75	51	220
Children, Adults & Community Health (CACH)	Children, Adults & Community Health	0	2	8	0	10
	No Recourse to Public Funds (NRPF)	41	21	40	41	89
	Hackney Education	4	4	8	4	5
Finance & Corporate Resources (F&CR)	Finance & Resources	7	15	13	7	12
Chief Executive Directorate	Chief Executive Directorate	0	0	2	0	0
Total		192	148	422	192	620

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 Data Protection Act crime prevention and detection gateways.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	2020/21 to date	2019/20

Internal	61	60	1	61	184
Other Local Authorities	13	14	0	13	64
HMRC	3	4	0	3	16
Police	26	26	0	26	32
Immigration	1	1	0	1	3
DWP	177	178	0	177	708
Other	14	14	1	14	35
Total	295	297	2	295	1042

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 NFI2018/19	Number Matches Cleared NFI2016/17
Payroll	145	4	81	63
Housing Benefit	3376	6	128	51
Housing Tenants	1443	16	58	68
Right to Buy	55	0	10	1
Housing Waiting List	2614	122	70	88
Concessionary travel / parking	203	0	187	169
Creditors	6,428	0	sample	638
Pensions	217	9	207	171
Council Tax	22608	291	9628	3,163
Council Tax Reduction Scheme	2453	29	185	22
Covid19 business grants	8,873	26	937	n/a
Other	72	3	50	29
Total	48,467	506	11,541	4,463

Table 3

There has been a significant increase in the number of matches reviewed from the most recent NFI release. This is in part due to extra focus in this area as capacity has been made available by a reduction in some reactive work due to Covid. Particular areas where outcomes have resulted in 2020/21 to date are -

- Fourteen business grants with a value of £140,000 have been withheld following AAF investigation;
- CTRS claims have been cancelled following the discovery of undeclared income, resulting in assistance to the value of £116,500 being cancelled.
- A further £87,531 of incorrectly claimed Council Tax single person discounts have been identified and are in the process of being recovered (taking the total that has been identified from the 2018/19 exercise to £392,205).

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.

Hackney has agreed to provide DWP officers with direct access to our Housing Benefit records, although the timescale for doing this has been adversely impacted by Covid19. When this trial is able to proceed 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	2020/21 to date	2019/20 to date
Disciplinary action	0	0	3
Resigned as a result of the investigation	1	1	9
Referred to Police or other external body	0	0	1
Prosecution	0	0	1
Referred to Legal Services	0	0	9
Investigation Report/ Management Letter issued	2	2	10
Council service or discount cancelled	44	44	87
Blue Badges recovered	20	20	41
Other fraudulent parking permit recovered	2	2	0
Parking misuse warnings issued	10	10	19
Penalty Charge Notice (PCN) issued	21	21	71
Vehicle removed for parking fraud	8	8	38
Recovery of tenancy	6	6	85
Housing application cancelled or downgraded	75	75	42
Legal action to recover tenancy in progress	115	115	81
Right to Buy application withdrawn or cancelled	0	0	15

Table 4

Resigned as a result of the investigation

As a result of the investigations conducted by the Audit Investigation Team (AIT) one member of staff left while they were under investigation in connection with an allegation of fraud.

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

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

5.1 Tenancy Fraud Team (TFT)

During the period April to September 2020 a total of 6 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 £108,000.

In the same period 75 housing applications have been cancelled following a TFT review. These investigations help to ensure that Hackney's social housing is only allocated to those in genuine need. The Audit Commission has variously reported the potential benefit to the public purse of

each cancelled application as between £4,000 and £18,000, so the value of this work represents a potential saving of between £300,000 and £1.35m.

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 'service cancelled' category in Table 4). In the period April to September 2020 44 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £17,028 per week, if these had been paid for the full financial year it would have cost Hackney approximately £887,888.

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 removed. In this period AIT recovered 20 Blue Badges, this equates to £2,000, enforcement charges of £2,965 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.

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

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

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

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

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

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

POCA investigations can only be undertaken by accredited officers, as are currently employed by AAF. The Council is able to benefit financially from the use of POCA investigation powers. The amount awarded to the Council is greater in instances where the Council is both the investigating and prosecuting authority. 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	2020/21 to date	2019/20 to date
Production	0	0	10
Restraint	0	0	0
Compensation	0	0	1
Confiscation	0	0	2
Total	0	0	13

Table 5

So far this year the Council has not received any income as a result of POCA Confiscation and Compensation Orders. It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.



**CORPORATE RISK MANAGEMENT POLICY AND STRATEGY
REVIEW 2020**

AUDIT COMMITTEE MEETING DATE
2020/21

14 October 2020

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. INTRODUCTION AND PURPOSE

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

2. RECOMMENDATION(S)

Audit Committee is recommended to:

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

3. REASONS FOR DECISION

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

4. BACKGROUND

- 4.1 The Corporate Risk Management Policy is a concise document setting out the objectives and detailing the structures in place within the Council to manage risk. The Policy can be understood to define the 'what' in terms of what the Council has in place to manage its risk, whereas the Strategy represents the question of 'how' – in respect of how the Council will operate in order to achieve the objectives set out in the Policy.
- 4.2 The Council's full approach for managing risk is outlined in its Corporate Risk Management Strategy. The Strategy provides a template for all matters relating to risk within the Council. There is a description of how the Council perceives risk, and its appetite is discussed, as are the methods for scoring and appraising risks. It is important that the Strategy is kept up to date and is formally approved by those responsible for overseeing this important function (i.e. Audit Committee).
- 4.3 Changes have been made to both the Policy and Strategy to reflect changes both internally and externally in Hackney (and the wider world) over the last couple of years.
- 4.4 The Policy and Strategy are reviewed biennially by the Corporate Risk Team and also approved every other year by Risk Champions within each group directorate, as part of their

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

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

4.6 The Policy and Strategy were last reviewed by Audit Committee in September 2018.

4.7 **Policy Context**

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

4.8 **Equality Impact Assessment**

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

4.9 **Sustainability**

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

4.10 **Consultations**

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

4.11 **Risk Assessment**

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

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

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




6 COMMENTS OF THE GROUP DIRECTOR OF LEGAL SERVICES

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

APPENDICES

Appendix 1 – Corporate Risk Management Strategy – October 2020

Appendix 2 – Corporate Risk Management Policy – October 2020

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



CORPORATE RISK MANAGEMENT POLICY

October 2020

Foreword

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

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

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

APPROVAL:

- . This policy was last ratified by the Audit Committee in October 2018 - to be ratified now in 2020.
- . This Policy version is number 4.0
- . Next review date: 2022

For further information, contact

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

Contents

1.	Foreword and Approval	2
2.	Objectives	4
3.	Risk Management Approach	4
4.	Responsibilities and Procedures	6

Information Box	
Title	Risk Policy Version 4.0 October 2020
Description	Hackney Council Risk Policy
Primary audience	Members, Chief Executive, Hackney Management Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	Corporate Risk Team, Finance & Corporate Resources Tel: 020 8356 2624
Revised / Created	October 2020

1. Objectives

The purpose of risk management is to:

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

2. Risk Management Approach

AIM

- 2.1 To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and (the Mayor's) priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences, and using appropriate expertise.
- 2.2 Risk management must be proactive to ensure that corporate and operational risks are:
- identified
 - assessed by considering the impacts and likelihoods of their occurrence
 - effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.
- 2.3 Effective risk management anticipates and avoids risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control (e.g. severe weather, nationwide austerity measures). Key services and mission critical activities are therefore required to develop Business Continuity Plans in order to reduce the impact should a major event (for example the Coronavirus pandemic in 2020) occur. These are managed by a separate Business Continuity Team.
- 2.4 **Risk Appetite and Tolerances** - Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk tolerance' levels, these are defined as:

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

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

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

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

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

2.6 Framework

The Council maintains a Corporate Risk Register that details: -

- events that may impact upon the Council and its services
- possible risks and consequences, both negative (risks and threats) and positive (opportunities) that could happen should the hazards occur
- current scores (i.e. after being treated / controlled), between 1 and 5, of the potential impact and likelihood of the hazard occurring taking into account the mitigation in place
- controls and countermeasures that are in place in order to mitigate the risks
- further notes outlining any other areas of relevance to the risk, providing more context to the all round situation (especially important if the risk has an external basis)
- further actions planned to reduce the risks, the timescales and responsible persons. There is also the option to enter a target risk score (where we want to be once the controls have been applied.)

3. Responsibilities and Procedures

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

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



RISK Management Strategy

“Your Risk – Your Responsibility”
October 2020

Foreword

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

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

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

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

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



Tim Shields, Chief Executive
October 2020

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Information Box	
Title	Risk Management Strategy “Your Risk – Your Responsibility” version 9.0 revised October 2020
Description	Hackney Council Risk Management Strategy (which also serves as a toolkit)
Primary audience	Members, Chief Executive, Hackney Management Team, Heads of Service, Unit / Departmental Heads and all Hackney Staff
Contact	Corporate Risk Team, Finance & Corporate Resources Tel: 020 8356 2624
Revised	October 2020

1. Introduction

- 1.1 Management of risk is both a statutory requirement (from the Accounts and Audit Regulations 2015), an indispensable element of good management, and not simply a compliance exercise. As such, its implementation is crucial to the Council and essential to its ability to

discharge its various functions: as a partner within the Local Strategic Partnership, a deliverer of public services, a custodian of public funds and a significant employer.

- 1.2 This Risk Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully. It also defines a practical approach to risk.
- 1.3 Management of risk in Hackney is about improving the ability to deliver strategic objectives by managing threats, enhancing opportunities and creating an environment that adds value to ongoing operational activities.
- 1.4 Risk management is a key part of corporate governance, which is essentially the systems by which the organisation manages its business, determines strategy and objectives and goes about achieving these objectives. Risk management will help identify and deal with the key risks facing the Council in the pursuit of its goals.
- 1.5 The benefits of successful risk management include:
- Improved service delivery**
Enhanced corporate policies, fewer surprises, added value across service areas, more targets achieved, improved internal controls, consistent management of risk and opportunities resulting in improved service delivery.
 - Improved financial performance**
Higher percentage of objectives achieved, lower level of fraud, increased capacity through reduction in the number of decisions that need reviewing or revising, decreased number of and impact of critical risks, better income generation and fewer alterations and losses. A clear overall picture of budgets is maintained, and work undertaken is mindful of potential financial limitations.
 - Improved human resources management**
Potentially reduced staff turnover and absenteeism due to less stressful working environment. Fewer surprises occur, and change is managed in a more controlled and diligent manner.
 - Improved corporate governance and compliance systems**
Fewer regulatory visits, fewer legal challenges, and an improved annual governance statement that is better substantiated and evidenced. Also increased assurance across the Council about the robustness of processes designed to achieve objectives.
 - Improved insurance management**
Lower insurance premiums and number and level of claims, lower total of uninsured losses.
- 1.6 Further advice and assistance on risk management is available from the Corporate Risk Advisor within the Finance & Corporate Resources Group Directorate.

2. Aims and Objectives

AIM

- 2.1 The aim of this Strategy is to improve the ability to deliver strategic priorities by managing our threats, enhancing our opportunities and creating an environment that adds value to

ongoing operational activities. This Strategy should also serve as a toolkit for officers looking to clearly acquaint themselves with Hackney's approach to risk.

OBJECTIVES

2.2 The objectives of the Strategy are to:

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

3. Definitions

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

RISK

3.2. Hackney's definition is:

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

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

Probability – the likelihood of an event occurring

Event – the occurrence of a particular set of circumstances

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

Issues - can sometimes be confused with risks, however there is a distinct difference between these two concepts. An issue is something that is actually happening (or has occurred), whereas a risk is something that might happen. With an issue, one must figure out how to resolve something at the present time. A risk is something which needs mitigation plans which will hopefully eliminate the possibility of the risk occurring or reduce

the impact should it occur. So a risk is in the future, whilst an issue occurs at the current time. Therefore, when the risk materialises it becomes an issue.

RISK MANAGEMENT

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

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

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

4. Risk Appetite

- 4.1 Risk Appetite refers to the level of risk that an organisation (and within that a service area) would be comfortable to accept in order to reach strategic objectives. If outside an appetite, it would be difficult to justify pursuing such a course of action. Even though an organisation admits to an appetite for risk, the risks still need to be managed and monitored very closely. Once out of the boundaries of the appetite, then serious consideration needs to be applied to whether the risk can be managed properly. Clearly, some risks are unavoidable (especially of an external nature) and will be managed extremely closely. Other risks which are comfortably beyond the appetite will simply not be taken. It is the risks where the organisation has a clear choice that appetite becomes especially relevant.
- 4.2 Risk tolerance is a similar principle to risk appetite but concerns the specific maximum risk (or exposure) an organisation would be (theoretically) capable of taking. Therefore, the

level of risk an organisation is comfortable in pursuing is their appetite but they may be able to tolerate or absorb a different level of risk without significant pain and impact on achieving their strategic objectives. This is their tolerance.

- 4.3 Theoretically there are some risks the Council may be able to tolerate within its resources but for other reasons (perhaps political or reputational) it might still not be within their appetite. Once outside of boundaries of appetite (red), a risk is a serious concern and must be reviewed and treated and such. This will be something that needs to be consistently reappraised.
- 4.4 Risk appetite can vary depending on a service area and the sensitivities of the work it undertakes. For example within Children's, Adults and Community Health, the potential for harm to any of Hackney's vulnerable stakeholders is something that would be guarded against with no appetite or tolerance for any example of this. Conversely, in a service concerned with regeneration and property, the Council is trying to capitalise on a buoyant market to achieve the appropriate rent for its property assets, here the appetite for slight uncertainty is greater because of the beneficial (financial) opportunities it can bring. Although recent fluctuations in the market make the appetite here even more important (and fragile?).
- 4.5 When the Council admits to an 'open' attitude to risk (as it does in the table below for major capital programmes and more commercial schemes), there is an acceptance that an element of financial risk is involved. However, within these risks, there are so many (break) clauses built into a project, and other options / mitigations, with stages to pull back, that the Council can provide clear assurance that it is well positioned to manage this more open approach to risk taking. There are considerable sums of investment involved, but careful planning should justify this open approach. With the numerous ongoing Regeneration programmes, innovative ways of working have been established and developers have ensured any financial risk on the Council can be dealt with safely, and even in the instance of a serious crash of the Property market, the Council would be able to temporarily rent property whilst waiting for the market to recover.
- 4.6 All risks identified should be managed in accordance with the Council's "risk appetite", and assessed within the particular appetite of that actual service area. **Table 4** (on the next page) contains a general **statement of the Council's Risk Appetite** – a high level guide as to how this should be approached.

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

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

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

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



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

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

4.6 A risk may be considered acceptable if it is sufficiently low that treatment is not considered cost-effective; this applies if the risk scores 'low' on the Council's scoring matrix. The cost of mitigating the risk here is not proportionate to the benefit that treating it would provide.

Low risks do not require inclusion on either the Council's Corporate or a Directorate's risk register, but they should be entered onto the risk database and be reviewed annually as a minimum standard. The key is that risk conversations are taking place, with decisions backed up by discussions of varied appetites.

- 4.7 Risks that are 'unlikely' or 'rare' to occur, but would have a 'major' or 'catastrophic' impact will probably score either 'low' or 'medium' on the Council's scoring matrix. It is probable that many of these risks fall within the Council's Business Continuity Management Process (e.g. flooding).

5. Scope

- 5.1 Management of risk is something that everyone within the Council undertakes almost daily, to varying degrees. Although it is difficult to draw clear boundaries around risk management areas because of the cross-cutting nature of risk, management of risk within Hackney falls into five main areas:

- Health and Safety
- Insurance of risk: where some serious risks are mitigated within Insurance cover (eg – a fire on a Council property).
- Emergency / Business Continuity Planning
- Project: both physical (e.g. the Britannia project) and strategy-related. This area is closely aligned to and may overlap with business risk, although each have a separate matrix.
- Business: risks identified that could prevent the Council achieving its priorities – either top-level priorities (e.g. failure to deliver the Mayor's agenda) or operational-level priorities (e.g. failure to deliver actions within a team plan).

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

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

Table 1 – Risk Areas

Risk Area	Service Area with Lead Responsibility
Health and Safety	Strategic Property Services, Finance and Corporate Resources Directorate

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

HEALTH AND SAFETY

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

BUSINESS CONTINUITY MANAGEMENT & EMERGENCY PLANNING

- 5.4 Business continuity management (BCM) and risk management have clear inter-dependencies and are closely aligned. However, BCM is concerned with events that typically have a very low probability of occurring but would have a catastrophic impact on the Council's ability to deliver services, and business continuity planning is based around time-critical activities. BCM tends to be concerned with the aftermath of an event occurring, whereas Risk deals with an event in advance of its potential occurrence. Consequently, any risk identified through the risk assessment process as likely to have a catastrophic impact upon the Council's ability to deliver its services will probably be mitigated through the Council's BCM Process. The Council's Emergency Planning Management Team, hold responsibilities for managing the external impacts of risks of this nature.
- 5.5 Hackney's approach to BCM is outlined in the Business Continuity Strategy. In summary, a Council-wide business impact analysis has been undertaken and Business Continuity Plans (BCPs) are now in place (at corporate and directorate levels), having all been updated in recent months. The Council has also ensured that Council-wide BCPs are in place covering activities in high-priority areas (e.g. customer services) and high-risk areas (e.g. IT). Regular testing also occurs in these areas. There is also an overall community wide Business Continuity/Emergency Planning Risk Register, which is updated annually.
- 5.6 The Council's approach to BCM is to ensure that a generic response is in place to deal with the likely impact of an incident, regardless of the cause of the incident. This means that the Council is able to produce one generic plan rather than a series of plans to deal with different scenarios. If BCPs aren't in place and properly prepared, this in itself will constitute a serious risk to the Council. There is an additional Corporate Resilience group currently in place chaired by the Director of ICT & Customer Services.

PROJECT RISKS

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

BUSINESS RISKS

- 5.9 The risk management process outlined within this Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (e.g. delivery of the community strategy themes) and operational activities (e.g. delivery of actions identified in team plans). The term 'business risks' relates to risks that might prevent objectives being achieved at all levels, including:
- strategic priorities - e.g. delivery of the Mayor's Priorities (ie: cleaner, safer, greener Hackney)
 - planned actions identified in the Sustainable Communities Strategy (latest version is running from 2018-28)
 - service area priorities identified in service plans
 - priorities identified in team plans
 - individual objectives
 - partnerships and situations which might impact upon their successful operation.

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

6. Roles and Responsibilities

- 6.1 Everyone in the Council is involved in the management of risk and must be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with: -

- the Mayor and Cabinet
- The Chief Executive and HMT

6.2 In order to ensure the successful implementation of this Strategy, responsibilities for management of risk are detailed in Table 2.

Table 2 – Roles and responsibilities

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

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

Corporate Risk Team	<input type="checkbox"/> Providing strategic direction on the Council's approach to risk management. <input type="checkbox"/> Ensuring effective liaison between risk areas (see Table 1 on page). <input type="checkbox"/> Co-ordinating the Council's approach to risk management <input type="checkbox"/> Ensure appropriate training is available to members and officers relevant to individual roles. All members of staff have access to training if required. The Intranet provides detailed libraries of information on risk management. Training has regularly been delivered to members to ensure the same approach is embedded throughout the Council.
Staff	<input type="checkbox"/> Understanding their accountability for individual risks. <input type="checkbox"/> Reporting systematically and promptly to their manager any perceived new risks or failures of existing control measures. <input type="checkbox"/> Making the effort to acquaint themselves with the basics of risk, as clearly outlined on the Council's intranet pages.
Audit	<input type="checkbox"/> Providing independent assurance of controls / risk, as well as promoting a risk aware culture through audits. There is a separate risk / audit protocol which clearly defines how the two areas exist together.

7. Risk Management Process

7.1 The approach to risk management in the Council is based on the best practice outlined in varied international risk management standards (eg – IRM, ALARM).

7.2 Hackney's risk management process consists of seven steps:

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

KNOWING THE STRATEGIC AND OPERATIONAL PRIORITIES

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

DEFINING/DESCRIBING RISKS/OPPORTUNITIES

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

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

7.5 It also helps to think of risks being driven by two basic categories – Strategic and Operational. These categories are not mutually exclusive, and one can move to the other. If we use a school as an example, at a strategic level, the school would consider threats to its long term objectives (e.g. issues such as expansion, raising standards, recruiting staff, attracting students and demographic factors). At an operational level, it would be more concerned with the day to day running of the school (e.g. physical hazards to the students / teachers, budget shortfalls, the performance of external contractor).

7.6 Expressing a risk as a clear and succinct statement is important to begin with, as scoping risks can often be difficult. For example, “no resources” is not in itself a complete description; you need to consider not only a symptom, but also a result. There essentially need to be three parts in the description of a risk.

EVENT > CONSEQUENCE > IMPACT

A typical phrasing could be: -

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

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

SCORING RISKS

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

Table 3 – Scoring risks

L I K E L I H O O D (P R O B A B I L I T Y)	5	Almost certain: > 80%	Low (5)	Medium (10)	High (15)	High (20)	High (25)
	4	Likely: 51% – 80%	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
	3	Possible: 21% – 50%	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely: 6 – 20%	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare: < 6%	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
SCORING SCALES (each score for likelihood and impact is multiplied to attain overall score)			1: Insignificant	2: Minor	3: Moderate	4: Major	5: Catastrophic
IMPACT (CONSEQUENCES)							

Consider the impact on the following when scoring: -

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

TREATING AND MANAGING RISKS

7.9 There are four general approaches to managing risk:-

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

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

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

COMPILING A RISK DATABASE AND REGISTER

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

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

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

MONITORING AND REPORTING RISKS

- 7.15 All risks on the Corporate and Directorate Risk Registers are consistently monitored, and reports (from Pentana Risk) are considered twice a year by Hackney Management Team before reporting to Audit Committee for scrutiny. Low level risks are reviewed annually, and if they are perceived to no longer present a threat (or opportunity) to objectives, they will be deactivated. They are not deleted and so remain on the system, but will no longer be 'live' within the registers. Of course, if the risk does become more serious and likely once again, it can then be reactivated. The Risk Management process should be a continuous cycle for supporting objectives. It is also important to highlight risks that cut across services so a consistent approach can be taken across the organisation to managing these risks.
- 7.16 Service-specific business risks should be included within service risk registers and monitored through the directorate's performance management arrangements. This will include reporting, at least annually, to Audit Committee.
- 7.17 As a recent development, a new balanced Scorecard has been created to accompany the Corporate register each time it is presented to Committee. This includes the current score of the risk and well as a target score which the Management of each particular risk should strive towards. Also a direction of travel makes it clear how the risk is progressing which should provide Audit Committee with assurance that risks are being effectively managed.

REVIEWING RISKS

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

RISK MATURITY

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

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

8. Alignment of Risk Management and Performance Management

INTER – DEPENDENCIES BETWEEN RISK MANAGEMENT AND PERFORMANCE MANAGEMENT

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

INTEGRATION OF PROCESSES

- 8.4 Hackney has a well-established business planning cycle that includes setting priorities and ensuring that the Council's budget is aligned to the Council's priorities. The Council's performance management framework monitors the delivery of these priorities and ensures that they are achieved within budget. The performance management framework includes regular reporting to the Executive, Scrutiny and HMT.

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

BENEFITS ARISING FROM INTEGRATING THE TWO PROCESSES

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

THE INTEGRATED PROCESS

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

9. Links to Corporate Governance

- 9.1 Governance is the system by which organisations direct and control their functions and relate to their communities. In other words, it is the way in which they manage their

business, determine strategy and objectives, and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.

- 9.2 This Risk Management Strategy forms part of Hackney Council's corporate governance arrangements.

INTERNAL CONTROL

- 9.3 Internal controls are those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of objectives. Internal financial control systems form part of the wider system of internal controls.
- 9.4 A council's system of internal controls is part of its risk management process and has a key role to play in the management of significant risks to the fulfilment of its business objectives. For example, the Council's policy and decision-making processes require all executive reports to include an option appraisal/risk assessment.

HEALTH AND SAFETY

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

INTERNAL AUDIT

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

10. Monitoring and Indicators of Success

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

For further information, contact

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



Treasury Management Update Report

<p>AUDIT COMMITTEE MEETING DATE 2020/21</p> <p>14 October 2020</p>	<p>CLASSIFICATION:</p> <p>Open</p>
<p>WARD(S) AFFECTED</p> <p>All Wards</p>	
<p>Ian Williams, Group Director Finance and Corporate Resources</p>	

1. INTRODUCTION AND PURPOSE

- 1.1 The report, at Appendix 1, introduces the treasury management outturn report and the actual prudential indicators for 2019/20 for the Audit Committee setting out the background for treasury management activity over the previous financial year and confirming compliance with treasury limits and prudential indicators.
- 1.2 The report, at Appendix 2, provides a quarterly update on treasury management activity for the period June 2020 to August 2020 of 2020/21.

2. RECOMMENDATION(S)

The Audit Committee is recommended to:

- There are no immediate recommendations arising from this report as the purpose is to update the Audit Committee on the past events.

3. BACKGROUND

3.1 Policy Context

Treasury management and ensuring that the function is governed effectively means that it is essential for those charged with governance to review the operations of treasury management on a regular basis. This report sets out the prior year's outturn and forms part of the regular reporting cycle for Audit Committee along with the second of the in-year updates for the current financial year covering period from June 2020 to August 2020.

3.2 Equality Impact Assessment

There are no equality impact issues arising from this report.

3.3 Sustainability

There are no sustainability issues arising from this report.

3.4 Consultations

No consultations are required in respect of this report.

3.5 Risk Assessment

There are no risks arising from this report as it reports on past events. Clearly though the treasury management function is a significant area of potential risk for the Council if the function were not properly carried out and monitored by those charged with responsibility for oversight. Regular reporting on treasury management ensures that the Committee is kept informed.

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

- 4.1 There are no direct financial consequences arising from this report as it reflects past performance through 2019/20 and for the period from June 2020 to August 2020. 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. Committee is requested to note this report.

5. COMMENTS OF THE DIRECTOR OF LEGAL

- 5.1 The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. In addition, the Council within its Annual Treasury Management Strategy has agreed to comply with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.
- 5.2 There are no immediate legal implications arising from the report.

6. BACKGROUND PAPERS

- 6.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).
- 6.2 The Authority's Treasury Management Strategy for 2019/20 was approved by full Council on 28th January 2019 which can be accessed on the Council website:

<http://mginternet.hackney.gov.uk/documents/s63777/Treasury%20Management%20Strategy%20201819%20FINAL.pdf>

- 6.3 The Authority's Treasury Management Strategy for 2020/21 was approved by full Council on 15th January 2020 which can be accessed on the Council website:

http://mginternet.hackney.gov.uk/documents/s68240/FINAL%20-%20Treasury%20Management%20Strategy%202020_21%201.pdf

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APPENDIX 1: Annual Treasury Management Outturn Report 2019/20

1. External Context

1.1 Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

1.2 Financial markets: Financial markets sold off sharply as the impact from the

coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

- 1.3 **Credit background:** In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings

for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

2 The Borrowing Requirement and Debt Management

- 2.1 The Council currently had one £2.4m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.
- 2.2 The LEEF loan is an EIP (Equal Instalment of Principle) loan where each payment includes an equal amount in respect of loan principle throughout the duration of the loan. Therefore the interest due with each payment reduces as the principle is eroded, and so the total amount reduces with each instalment. Consequently, part of the loan is short term in duration, the amount which will be paid via instalments within one year with the remainder of loan maturing beyond 1 year (long term).
- 2.3 In addition, the Authority had £123.7m in external borrowing. This was made up of £45m short term to cover liquid cash flow requirements and £78.7m long term 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.

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

	Balance as at 31/03/19 £'000	New Borrowing £'000	Debt Maturing £'000	Debt Repaid £'000	Balance as at 31/03/20 £'000	Average Rate %
CFR	484,185				493,014	
	80,400	-	35,000	-	45,400	1%

Short Term Borrowing*						
Long Term Borrowing	2,400	80,000	-	1,700	80,700	1.92%
TOTAL BORROWING	82,800	80,000	35,000	1,700	126,100	
Other Long Term Liabilities	14,112	-	-	-	14,332	
TOTAL EXTERNAL DEBT	96,912	-	-	0	140,432	

2.4 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/03/2020 was £493.014m.

2.5 External Borrowing – During the year 80m was borrowed from the Public Work Loan Board to be paid in equal instalments over a 10 and 25 year period. This 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. This new borrowing has been 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 Activity

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

3.2 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2019/20 Investments during the year included:

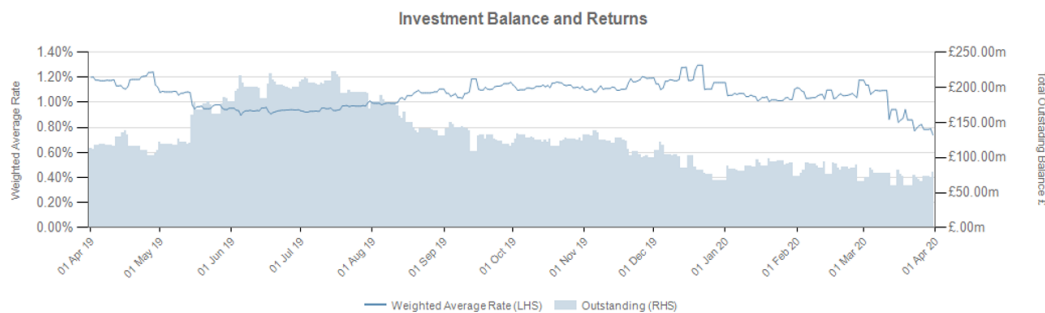
- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds

- Investments in AAA-rated Variable Net Asset Value Cash Enhanced Money Market Funds
- Call accounts, deposits and
- Housing Associations

Table 2: Investment Balances

Investments	Balance as at 31/03/19 £'000	Average Rate %	Balance as at 31/03/20 £'000	Average Rate %
Short Term Investments	32,296		28,429	
Long Term Investments	6,500		3,700	
Corporate Bonds	2,356		0	
Housing Associations	35,000		15,000	
Investments in VNAV MMF's (Money Market Funds)	3,000		13,000	
Investments in CNAV MMF's (Money Market Funds)	27,923		19,250	
TOTAL INVESTMENTS	107,075	1.3	79,379	0.74

3.3 The Council's investment balance reduced by £28m to £79m at the end of the financial year with weighted average rate (investment return) of 0.74%. The Council is forecasting a further downward trend in cash balances as when the Council progresses on a number of major capital schemes requiring forward funding. The movement of cash balances (thick grey block) and yield (thin blue line) throughout the year is represented in the graph below:



3.4 Credit Risk- Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2019/20 treasury strategy was A-across rating agencies Fitch, S&P and Moody's.

Table 3: Credit Score Analysis

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating
31/03/2019	4.9	A+	4.7	A+
30/06/2019	4.9	A+	5.4	A+
30/09/2019	5.4	A+	5.8	A
31/12/2019	5.1	A+	5.9	A
31/03/2020	5.0	A+	5.9	A

Scoring: - Aim = AA- or higher credit rating, with a score of 4 or lower, to reflect current investment approach with main focus on security

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

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

-AAA = highest credit quality = 1

- D = lowest credit quality = 27

- 3.5 Liquidity - In keeping with the MHCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts.
- 3.6 Yield - The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate changed from 0.25% to 0.1% in March 2020.

4. Compliance

- 4.1 The Council can confirm that it has complied with its Prudential Indicators for 2019/20, which were approved on 28th January 2019 as part of the Council's Treasury Management Strategy Statement.
- 4.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2019/20. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.
- 4.3 The Authority can confirm that during 2019/20 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

5. Prudential Indicators

5.1 Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2017/18 to 2019/20 are shown in the table below. The estimates for the 2020/21 are currently being reworked, in conjunction with the first review of the authority's capital programme and financing.

	31/03/18 Actual £'000	31/03/19 Actual £'000	31/03/20 Actual £'000	31/03/21 Estimated £'000
Gross CFR	398,854	484,185	493,014	486,535
Less: Other Long Term Liabilities	14,822	14,112	14,332	13,200
Borrowing CFR	384,032	470,073	478,682	473,335
Less: Existing Profile of Borrowing	33,086	82,800	126,100	121,000
Gross Borrowing Requirement/Internal Borrowing	350,946	387,273	352,582	352,335
Usable Reserves	295,064	307,447	318,364	279,480
Net Borrowing Requirement/(Investm ent Capacity)	55,882	79,826	34,218	72,855

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.

	2017/18 Actual £'000	2018/19 Actual £'000	2019/20 Actual £'000	2020/21 Estimate £'000
Gross Debt	47,908	96,953	140,432	135,000
CFR	398,854	484,185	493,014	486,535
Borrowed in excess of CFR? (Y/N)	N	N	N	N

5.2 Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

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

- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Group Director of Finance and Corporate Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Operational Boundary (Approved) as at 31/03/20 £'000	Authorised Limit (Approved) as at 31/03/20 £'000	Actual External Debt as at 31/03/20 £'000
Borrowing	502,000	532,000	126,100
Other Long-term Liabilities	20,000	20,000	14,332
Total	522,000	552,000	140,432

(b) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels. The three year capital programme is being re-profiled and reviewed at the time of this report being prepared. Annual spend has reduced in 2019/20 (we have spent around £270m a year in the previous three years), but the 2020/21 position will be considerably lower. Covid 19 brings an element of uncertainty into planning at this point.

	2018/19 Actual £000	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Capital Expenditure					
Housing	120,026	122,120	107,879	149,831	178,127
Non-Housing	148,852	108,346	107,512	90,303	79,605
Total spend	268,878	230,466	215,391	240,134	257,732

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

Capital Financing	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Prudential Borrowing	38,933	56,842	128,854	134,621

S106/CIL	7,590	4,939	7,096	-
Capital receipts	104,655	43,832	32,454	31,373
Grants	25,879	24,420	12,557	17,832
Reserves/ Discretionary	-	34,104	19,964	20,582
RCCO	53,409	51,254	39,209	53,324
Total Financing	230,466	215,391	240,134	257,732

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

(c) Ratio of Financing Costs to Net Revenue Stream

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income.
- As mentioned above there is a reworking of the capital financing requirement in train currently, which also drives this indicator and hence 2020/21 and 2021/22 figures will be updated at a point after the date this report is being discussed.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual	2019/20 Actual	2020/21 Estimate	2021/22 Estimate
Non-HRA	1.0%	1.0%	1.2%	1.4%
HRA	30%	32%	32%	32%

(d) Adoption of the CIPFA Treasury Management Code

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

Appendix 2 – Treasury Management Update Report

Treasury Management Activities from June 2020 to August 2020

1. Economic Highlights

- 1.1 Growth:** The ONS first estimate for GDP in Quarter 2 2020 is estimated to have fallen by a record 20.4%. When compared with the same quarter a year ago, the UK economy decreased by 21.7%. This decline in quarterly GDP marks the second consecutive quarterly decline after the 2.2% fall in Quarter 1 2020. In Quarter 2 there have been record falls in services, production, and construction output. Declining private consumption accounted for more than 70% of the fall in the expenditure measure of GDP which fell by 23.1%. Although the Quarter 2 GDP figures paint a grim picture for the UK's output, it is important to note that the overall decline in GDP masks May's 2.4% and June's 8.7% month on month growth in GDP.
- 1.2 Inflation:** The Consumer Price Index (CPI) 12-month rate was 1.0% in July 2020 up from 0.6% in June. The Consumer Price Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.1% in July 2020 increasing from 0.8% in June. Core inflation increased to 1.8% from 1.4%.
- 1.3 Labour Market:** In the three months to June 2020, the estimated employment rate was 76.4% down 0.2% from the previous quarter, while the unemployment rate remained at 3.9%, unchanged from the previous quarter. The statistics show that in the three months to June 2020 the rate of pay growth fell to -1.2% for total pay and also decreased by -0.2% for regular pay which is the first time it has been negative since records began in 2001. The rate of pay growth in real terms fell to -2.0% for total pay and -1.0% for regular pay.
- 1.4 Monetary Policy Committee:** At the conclusion of the MPC meeting held on the 4th August 2020, the committee voted unanimously to maintain the Bank Rate at 0.1%. They also voted unanimously to continue with the existing asset purchase programme, financed by the issuance of central bank reserves, to maintain the target for these purchases at £745 billion.

2. Borrowing & Debt Activity

- 2.1** The Authority currently has £127.6m in external borrowing. This is made up as a single LEEF loan of £2.2m from the European Investment Bank to fund housing regeneration and £48m short-term borrowing from Local Authorities for day to day cash management purposes and £77.4m borrowed from Public Work Loan Board for housing capital programme, particularly in respect of housing regeneration.

3. Investment Policy and Activity

- 3.1** The Council held average cash balances of £127 million during the reported period, compared to an average £175 million for the same period last financial year.

Movement in Investment Balances 01/06/20 to 31/08/20

	Balance as at 01/06/2020 £'000	Average Rate of Interest %	Balance as at 31/08/2020 £'000	Average Rate of Interest %
Short Term Investments	28,444	-	25,455	-
Long Term Investments	3,700	-	3,700	-
Housing Associations	15,000	-	15,000	-
Investments in VNAV MMF's (Money Market Funds)	13,000	-	13,000	-
Investments in CNAV MMF's (Money Market Funds)	48,750	-	81,600	-
	108,894	0.58	138,755	0.37

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

4. Counterparty Update

4.1 Fitch has affirmed its AAA sovereign rating for USA but revised the outlook to Negative. Arlingclose remains comfortable with clients making deposits with UK and Non-UK institutions on our counterparty list for a period up to 35 days, where strategies permit.

4.2 Arlingclose have stress tested the UK banks and building societies on our counterparty list in case the credit impact of the coronavirus pandemic is similar to the global financial crisis (GFC) of 2007-09. As a result, they have removed five smaller financial institutions from our recommended list.

4.3 Arlingclose has suspended Close Brothers, Coventry Building Society, Goldman Sachs International Bank, Handelsbanken UK and Leeds Building Society from our counterparty list for unsecured deposits.

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

5. Credit Score Analysis

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating Score	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating Score
30/06/2020	A+	4.9	A	6.5
31/07/2020	A+	4.7	A	5.9
31/08/2020	A+	4.7	A	6.0

Scoring:

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

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

-AAA = highest credit quality = 1

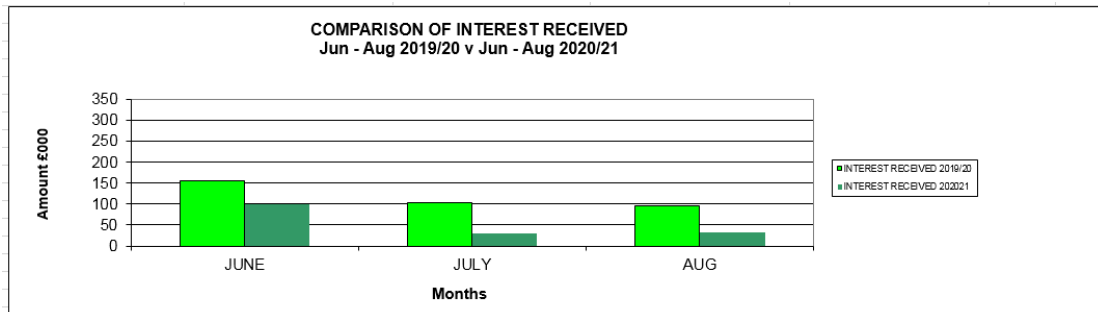
-D = lowest credit quality = 27

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

- 5.1 The Council continues to utilise AAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances. This type of investment vehicle has continued to provide very good security and liquidity, although yield suffers as a result.
- 5.2 In light of legislative changes and bail-in risk for unsecured bank deposits, as set out in previous monitoring reports, the Council continues to invest in highly rated UK Government institutions, Building Societies and Housing Associations. This investment vehicle offers good level of security and increases diversification for the Council's portfolio whilst achieving a reasonable yield.

6. Comparison of Interest Earnings

- 6.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, longer term and short term investments have been placed in highly rated UK Government institution and Housing Associations, thus ensuring creditworthiness whilst increasing yield's through the duration of the deposits.
- 6.2 The graph below provides a comparison of interest earnings for June 2020 and August 2020 against the same period for 2019/20.
- 6.3 Average interest received for the period June 2020 to Aug 2020 was £53k compared to £118k for the same period last financial year. Less interest received this year is a clear indication of falling interest rates.



7. Movement in Investment Portfolio

- 7.1 Investment levels have decreased to £139 million at the end of Aug 2020 in comparison to the end of Aug 2019 last year of £156 million. It is anticipated that overall levels of investment balance will reduce as and when the capital programmes are delivered, although we need to maintain liquidity for day-to-day operational purposes.

