



A U D I T C O M M I T T E E

Wednesday, 25 October 2023 at 6.30 pm
Council Chamber, Hackney Town Hall,
Mare Street, London, E8 1EA

Live stream link: <https://youtube.com/live/ZYfLboQuyNg>

Back up link: <https://youtube.com/live/0NySraqdIVs>

Members of the Committee:

Councillor Anna Lynch (Chair)
Councillor Sharon Patrick (Vice-Chair)
Councillor Sophie Conway
Councillor Zoë Garbett
Councillor Margaret Gordon
Councillor Shaul Krautwirt
Councillor Lee Laudat-Scott
Councillor Yvonne Maxwell
Councillor Caroline Selman
Councillor Gilbert Smyth

Dawn Carter-McDonald
Interim Chief Executive
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Audit Committee

Wednesday, 25 October 2023

Order of Business

1 Apologies for Absence

2 Declarations of Interest

Members are invited to consider the guidance which accompanies this agenda and make declarations as appropriate.

3 Minutes of the Previous Meetings (Pages 7 - 22)

To consider the minutes of the previous meetings held on 21 June 2023 and 26 September 2023

4 Finance Update

Presentation by the Interim Group Director, Finance.

5 Treasury Management Update (Pages 23 - 38)

6 Performance Report (Pages 39 - 56)

7 Directorate Risk Register Review - Chief Executive (Pages 57 - 78)

8 Directorate Risk Register Review - Finance and Resources (Pages 79 - 112)

9 Audit and Anti-Fraud Progress Report to September 2022 (Pages 113 - 184)

10 Audit Committee Work Programme (Pages 185 - 188)

11 Any Other Business that the Chair Considers Urgent

Public Attendance

The Town Hall is open. Information on forthcoming Council meetings can be obtained from the Town Hall Reception.

Members of the public and representatives of the press are entitled to attend Council meetings and remain and hear discussions on matters within the public part of the meeting. They are not, however, entitled to participate in any discussions. Council meetings can also be observed via the live-stream facility, the link for which appears on the agenda front sheet of each committee meeting.

On occasions part of the meeting may be held in private and will not be open to the public. This is if an item being considered is likely to lead to the disclosure of exempt or confidential information in accordance with Schedule 12A of the Local Government Act 1972 (as amended). Reasons for exemption will be specified for each respective agenda item.

For further information, including public participation, please visit our website <https://hackney.gov.uk/menu#get-involved-council-decisions> or contact: governance@hackney.gov.uk

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The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on 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 to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;

- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

Advice to Members on Declaring Interests

If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at any meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not**:

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an 'Other Registrable Interest' (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at any meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest or well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.



DRAFT MINUTES OF A MEETING OF THE AUDIT COMMITTEE WEDNESDAY, 21 JUNE 2023

THE COUNCIL CHAMBER, HACKNEY TOWN HALL,
MARE STREET, LONDON, E8 1EA

- Councillors Present:** Cllr Sharon Patrick (Vice Chair) in the Chair
Cllr Zoe Garbett, Cllr Margaret Gordon, Cllr Lee Laudat-Scott, Cllr Yvonne Maxwell, Cllr Gilbert Smyth
- Apologies:** Cllr Anna Lynch (Chair) and Cllr Shaul Krautwirt
- Absent:** Cllr Sophie Conway and Cllr Caroline Selman
- Officers in Attendance:** Mark Agnew, Governance Officer
Jacquie Burke, Group Director Children and Education
Dawn Carter-McDonald, Director of Legal, Democratic and Electoral Services
Bruce Devile, Head of Business Intelligence, Elections and Member Services
Georgina Diba, Director Adult Social Care & Operations
Mario Kahraman, Senior ICT Support Analyst
Jackie Moylan, Director of Financial Management
Matthew Powell, Corporate Risk Advisor
Michael Sheffield, Corporate Head of Audit, Anti-Fraud and Risk Management
Mizanur Rahman, Chief Accountant
Ian Williams, Group Director of Finance and Corporate Resources
- Others in Attendance:** Cllr Robert Chapman
Stuart Frith, Mazar
Tom Greensill, Mazars
Suresh Patel, Mazars

1 Apologies for Absence

- 1.1 Apologies for absence were received from Cllr Anna Lynch and Cllr Shaul Krautwirt.

2 Declarations of Interest

- 2.1 There were no declarations of interest.

3 Minutes of the Previous Meeting

RESOLVED: That the minutes of the meeting held on 19 April 2023 be agreed as a true and accurate record of proceedings.

4 Finance Update

4.1 The Vice Chair decided, at the request of the Group Director of Finance and Corporate Resources, and with the agreement of the Committee, to take agenda item 8, Finance Update, first, which would also include agenda item 9, Performance Update, and agenda item 10, Treasury Management Update.

4.2 The Group Director of Finance and Corporate Resources gave a presentation, highlighting the following:

- The General Fund Forecast as reported to April Cabinet was an overspend of £7.844m.
- The overspend related to cost pressures including in Adult Social Care, a reduction in Planning income, and continued pressures related to Children and Education, particularly Access and Assessment, and Housing Needs.
- One-off costs related to the cyberattack, included backlog clearance, system investment, and income pressures.
- Residents and the Council would continue to face significant financial pressure as a result of inflation, which had shown no sign of abating.
- Inflation would particularly impact Council services with significant energy, fuel, and contract costs.
- The pay award for 2022/23 was higher than budgeted for, and this would be a pressure in 2023/24.
- The Housing Revenue Account (HRA) was forecasting an overspend in net operating expenditure of £10.728m, but this would be brought into balance by not drawing down on the Revenue Contribution to Capital Outlay (RCCO).
- Without a full capital programme in 2022/23 the RCCO would not be required and so could be released. However, there would be a backlog of maintenance work that would need to be funded in future years.
- There remained a difficult economic outlook due to the ongoing cost of living crisis. The Office for Budget Responsibility's (OBR) latest forecast was that GDP would fall by 0.2% in 2023.
- Despite Bank of England counter-inflationary measures, the cost of borrowing continued to rise.
- Public Works Loan Board (PWLB) interest rates had also increased, meaning a higher cost of borrowing for Local Authorities, which brought further pressure on capital programmes.
- The annual unemployment rate in 2023 was expected to be 4.1%, compared to 3.7% in 2022.
- In relation to Public Sector Net Borrowing (PSNB), total Government borrowing was expected to exceed the total UK GDP for the first time since 1961.
- Work continued on the Medium Term Financial Planning (MTFP) and progress was being made analysing the challenges to the Council's Budget, and on identifying timetables and programmes of work with the Elected

Mayor and Cabinet to have proposals in place to balance the Budget in 2024/25.

- Emerging risks in 2023/24 included the ongoing pay negotiations and the need for Group Directors and Directors to prioritise in-year recovery actions and bring forward savings proposals from 2024/25.
- The capital monitoring report prepared for April Cabinet showed a forecast of £139.8m, £28.9m below the revised budget of £168.7m. This was in part due to construction industry inflation resulting in tender prices above cost estimates, and other external factors requiring scheme reviews and re-profiling.
- As part of Closedown 2022/23, Officers undertook an analysis of variances and significant factors including external pressures which impacted the CCG Primary Care project and provided challenges for S77 applications as well as S106 applications for highway schemes.
- No new long-term borrowing had been undertaken by the Council, however the overall cost of borrowing had risen sharply.
- Higher interest rates had also resulted in an uptick in investment income, but this was a one-off gain and not sustainable.
- The Money Hub had seen over 5,000 residents request support since the team launched in November 2022, which is more than applied for Discretionary Housing Payments (DHP) and Hackney Discretionary Crisis Support Scheme (HDCSS) in the whole of the previous year.
- In 2022/23, the Money Hub had paid £198k in relation to HDCSS; £1,204k in relation to DHP; and £400k in relation to the Council Tax Reduction Discretionary Fund.
- In relation to benefits update, the Money Hub had confirmed additional benefits income worth a total of £655k, which is worth on average £1,840pa to 355 households.
- The Money Hub team was on target to meet its goal of £1m of additional income for residents during its 12 month pilot.
- Hackney was one of only 8 London boroughs to publish their 2022/23 accounts before the 31 May 2023 statutory deadline.
- Deep Dives were confirmed on Public Interest Reports, for October 2023; School Budgets and Financial Sustainability, for January 2024; and Cost of Capital and Borrowing, for April 2024.

4.3 Members of the committee asked for further information on the underspend in capital expenditure, particularly in relation to the asbestos surveys, the solar project, and community halls.

4.4 The Director of Financial Management responded:

- That in relation to underspend in capital programmes the Council would expect to see a balance over several years of capital programmes, and would update Committee members on the specific projects referenced.

ACTION:

- 1. The Director of Financial Management to update relevant Committee members re. solar project and community halls capital projects.**
- 2. The Group Director of Finance and Corporate Resources to circulate the presentation slides.**

RESOLVED: To note the update on the overall financial position, the Treasury Management Update Report, and the Performance Update.

5 External Audit Completion Report 2021/22

- 5.1 The Director of Financial Management introduced the report highlighting that the 2020/21 Audit draft final letter had been received, and the 2021/22 Audit completion reports had been finalised.
- 5.2 Suresh Patel, Mazars, confirmed that the letter for the 2020/21 Audit had been expected to have been signed-off, but the final review had identified a small number of narrative adjustments that needed to be made, and highlighted that Mazars had been unable to certify closure of 2018/19 and 2019/20 Audits because of outstanding objections, but that once the 2020/21 Audit was signed-off, they would be closed.
- 5.3 Tom Greensill, Mazars, discussed the 2021/22 Audit, which was substantially complete and an unqualified opinion was anticipated, but highlighted the IAS19 disclosures related to the defined benefit pension scheme. The latest triennial review had been received, providing actuals for 31 March 2022, and as these were different to estimated values, Auditors would require the results of the Pension Fund Auditors, whose work was unlikely to commence until July 2023.
- 5.4 It was confirmed that no significant findings had been reported in relation to Management Override of Control and the approaches taken in relation to both Property and Plant and Equipment (PPE) Valuations and Investment Property Valuation were discussed. Small misstatements in relation to grant income, extrapolated adjustments required for property valuations, PPE valuations, low traffic neighbourhood PCN provisions, were highlighted.
- 5.5 Stuart Frith, Mazars, confirmed that work on IAS19 disclosures still needed to be completed, and discussed the Significant Findings highlighted in the report, including Management Override, which must be included in every Audit and the valuation of level 3 investments, which were investments that were harder to value. In addition, there had been no adjusted or unadjusted misstatements that had been identified.
- 5.6 In response to a question about the beacon valuation methodology in relation to Council dwellings, Tom Greensill, Mazars, confirmed the methodology for confirming the valuation of Council dwellings and the sample selection process.

RESOLVED: The Audit Committee to note the contents of the reports.

6 Children & Education Directorate Risk Register

- 6.1 The Group Director Children and Education introduced the report and began by highlighting that further to the publication of the Local Safeguarding Practice Review relating to Child Q, a new directorate-wide risk had been added under the title “management of partnership agencies in ensuring the well-being of children”.
- 6.2 In addition the following risks were also highlighted:

- Delays responding to Subject Access Requests: this reflected the impact the cyberattack in October 2020 had on care leavers experiencing delays in receiving their records, but highlighted the additional processes that had been put in place and the support that had been made available.
 - Reduction of the use of residential placements: this reflected the impact of the cost of living and fuel price crises, but highlighted both the robust review that was underway and the “foster first” approach to ensure that provision remained suitable and children’s needs were being fully met.
- 6.3 The Group Director Children and Education also discussed the risks in relation to Special Educational Needs (SEND) and disabilities, including:
- The meeting of the statutory 20 week deadline: highlighting that performance had improved following the restructure of the SEND service.
 - Budget pressures: the overspend remained a concern, but the statutory override allowing the Directorate to carry over the deficit in accounts had been extended to March 2026, and the Council had been working with the Department of Education’s ‘Better Value Programme’.
- 6.4 In relation to School Place Planning, the Committee were asked to note the impact of falling school rolls across Hackney, in line with other local authorities in London, which had resulted in there being 22% excess places in the Primary sector. The impact on the projected surplus secondary school places was also discussed.
- 6.5 Members of the committee asked whether there was any cross-London work that could be done in relation to ensuring an increase in local authority SEND facilities; about Hackney’s risk profile in comparison to other local authorities; whether the level of risk was manageable; whether in relation to falling school rolls, the number of SEND places had been falling proportionally; about the result of the external finance consultant’s review of special school expenditure; for assurances in relation to the tracking of unaccompanied asylum seeking children; and, whether the pilot scheme related to families with No Recourse to Public Funding (NPRF) would continue;
- 6.6 The Group Director Children and Education, responded and confirmed that;
- there was a Directors of Children Services group, co-ordinated by London Councils, developing initiatives focused on Looked After Children and secure facilities, and there had been some local sub-regional commissioning of residential placements;
 - The impact of the cyberattack had meant that Hackney’s risk register was different to other local authorities;
 - The Directorate had highly evolved quality assurance and performance management systems;
 - Service areas worked hard to mitigate risk;
 - Recent analysis had indicated that, despite rolls falling overall, SEND place demand had had not decreased;
 - The review of special school expenditure had resulted in an uplift in special school budgets;

- Safeguards with partners were in place to ensure the safety of unaccompanied asylum seeking children;
- The commitment was provided that the service supporting NPRF would remain in place.

RESOLVED: The Audit Committee to note the contents of the report, the risk register, and controls in place.

7 Adults, Health and Integration Directorate Risk Register

7.1 The Director Adult Social Care & Operations highlighted the key risks from the report, which included;

- access to sexual health services: reflecting that demand for services had increased, resulting in challenges to provide appointments and clinician availability. This had been mitigated by the development of a draft strategy on sexual health access and provision.
- the impact of the cyberattack on Adult Services: Mosaic had been recovered in the last year, but there was ongoing work to ensure the system was safe and effective.
- growing demand for care: there had been an increase of approximately 30% in those needing long-term support needs compared to before the Covid pandemic. This meant there was insufficient budget to provide a statutory service. Work was underway to mitigate the risk without impacting the care and support that residents received.
- sustainability of the market: The Council worked with a small market of providers and was working to ensure providers did not hand back contracts as had been seen in other areas. This was being mitigated by maintaining good relationships and paying fair, but affordable rate for care.
- recruitment within the social care workforce: this had been mitigated by the appointment of a Principal Social Worker, and the analysis of how the Directorate retained and recruited staff and the culture of work, in order to attract the right calibre of staff.

7.2 Members of the committee asked whether placements within the Borough could be provided through the Council's capital build programme; why there was a risk of substance misuse grant monies not being spent; whether there could be any further consideration of insourcing; inequality of access to services; in relation to recruitment and retention, what had been learned from exit interviews; and, about plans to deal with future pandemics and vaccine hesitancy.

7.3 The Director Adult Social Care & Operations responded and highlighted that;

- the capital build programme had focused on ensuring there was adequate accommodation options, particularly supported living, but had not included residential or nursing care. However a business case was being developed and would be brought back to the Health in Hackney Scrutiny Commission.

- the City & Hackney Combating Drugs Partnership has been developed and work was underway to ensure all allocated grant monies would be spent.
- social care commissioning was a large financial pressure, and insourcing care would come at a higher cost to the Council and would lead to an increase in the Adult Social Care (ASC) budget.
- a significant piece of work had been completed in 2022 with exit interviews and interviews with existing staff to understand why individuals remained as agency staff and why some staff had stayed in Hackney. The work confirmed that for agency staff wage had been a driver, and working environment and organisational culture had been more important.

ACTION: 3. The Director Adult Social Care & Operations to arrange for relevant Committee members to receive answers for questions relating to Public Health.

RESOLVED: The Audit Committee to note the contents of the report, the risk register, and controls in place.

8 Corporate Risk Register

8.1 The Corporate Risk Advisor introduced the report and highlighted the main changes in the Corporate Risk Register since it was last considered by the Committee in January 2023, including;

- the impact of the cost of living crisis; with descriptions and controls updated to reflect changing circumstances, even though inflation and energy costs had begun to decrease;
- that the temporary accommodation risk had risen to the maximum score, illustrating the extreme pressure on the service and the limited resources to effectively deal with demand;
- that the overall cybersecurity risk and cyberattack impact risk had been merged to form one, larger risk;
- that the risk relating to surplus school places and the impact on proposed primary school closures, was a new risk which was likely to have a long-term impact that could also affect secondary schools;
- that the two new corporate risks that were escalated in the January 2023 Risk Register, relating to major service outage and children's residential placements, had remained on the current iteration of the Risk Register;
- and, with the Climate Change Action Plan having been approved, it was now an important ongoing control to mitigate the climate change risk. However the score remained red, reflecting the continued long-term pressures.

8.2 Members of the committee asked about the commercialisation of services, and evictions from supported housing.

ACTION: 4. The Corporate Risk Advisor to arrange for answers from the relevant Heads of Service on the evictions from supported housing risk.

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

9 Internal Audit Annual Report 2022/23

- 9.1 The Corporate Head of Audit, Anti-Fraud and Risk Management introduced the report and confirmed the conclusion was that the Council's control framework was 'adequate' and remained robust, despite recent challenges.
- 9.2 Significantly more Audit reviews were undertaken during 2022/23 than in the previous year; 41 reviews compared to 29 reviews. As a result significantly more recommendations arose from the Audits; 140 compared to 56. However, the implementation of high priority recommendations was lower, 90% compared to 96%, though this was still within the bounds of the key performance indicator (KPI). For medium priority recommendations it was 84%, compared to 92%. This was in part a result of the increased productivity of the team, in relation to undertaking Audit work, which had taken resources from chasing progress on implementation. More implementation may have taken place than the figures might have indicated.
- 9.3 Most of the Audit work undertaken had resulted in a positive Audit opinion of either 'reasonable' or 'significant' assurances for the services reviewed. There was one 'no assurance' Audit, which related to a tenant management organisation (TMO), and within the course of the year the follow-up review had been completed and the TMO had moved to 'reasonable' assurance. Overall levels of assurance had been within the parameters of recent years.
- 9.4 The Corporate Head of Audit, Anti-Fraud and Risk Management noted that 22 Audits from the 2021/22 Audit plan had been postponed or cancelled. This was in part because many services still had interim arrangements in place following the cyberattack. In those service areas it would not have been unreasonable to think that assurance levels might be lower.
- 9.5 The recovery from the cyberattack had also impeded the planned ICT Audit programme, due to the service's necessary focus on recovery. The service had also undergone a considerable restructure in-year. Audits were now underway and one was close to completion. The expected result of that Audit indicated a positive outcome.
- 9.6 The committee was also asked to note that Audit work undertaken year-to-year was different, with different services being risk assessed in different years. In addition, the work that the team undertook was in accordance with the public sector internal audit standard and Committee members were aware that the Council's internal Audit service was being reviewed to ensure they were compliant with required standards. This external review, which should happen every five years, had not taken place since 2016. That delay was a result of both the cyberattack and the Covid pandemic. On that measure alone the service was not compliant, but internal assessments had been undertaken since 2016, and the most recent assessment in February/March 2023 indicated that the service was compliant with expected standards in all other meaningful ways.

- 9.7 Appendix 8 to the report contained the draft Annual Governance Statement 2022/23, and this would accompany the Council's accounts when they were submitted to the Committee later in the year.
- 9.8 Members of the Committee asked for details about the deferred reports; about high priority recommendations; whether residents are included in the Audit process; about what is referred to by the term 'draft; and, whether the repairs backlog included damp and mould.
- 9.9 The Director of Financial Management and the Corporate Head of Audit, Anti-Fraud and Risk Management responded and confirmed that;
- Audits that had been delayed had been brought forward into this year's Audit plan, and that the Committee's role would be to ask about particular Audits that were being consistently delayed, when that happened;
 - that concerns about a lack of implementation related to recommendations appear when there is no feedback from service areas, but every Audit report agreed recommendations with a timeline for implementation allowing for tracking of performance;
 - the Audit process is based on an informed analysis of risk;
 - the internal control statement involved a fundamental review of internal control systems carried out within directorates and signed off by Group Directors, which included a lot of evidence provided by resident engagement and feedback;
 - 'draft' Audits had reached a stage when the Audit conclusions had been prepared, but before a service area had commented and agreed recommendations and associated timescales;
 - the repairs backlog Audit had focused on the backlog that developed as a result of the Covid pandemic, and would not have included the work related to damp and mould as that work would not have been in scope, but would likely be part of a future Audit.

RESOLVED: 1. To comment upon and note this report of Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control.
2. Approve the updated Internal Audit Charter and Strategy.

10 Annual Fraud and Irregularity Report 2022/23

- 10.1 Introducing the report the Corporate Head of Audit, Anti-Fraud and Risk Management highlighted that the referral volumes for all fraud types, excluding fraud enquiries, had increased by 35% since 2021/22. Fraud enquiries were incoming queries from other external organisations who require information for their investigations.
- 10.2 The main areas that had been focused on included;
- tenancy fraud: 49 tenancies were ended following investigations, a 44% increase;

- blue badges and other parking enquiries: this involved reactive investigations following referrals to the team and proactive actions targeted at parking hotspots in the Borough;
- NPRF: the number of support packages cancelled doubled from 2021/22, however it was the previous year was anomalous. The Anti-Fraud team remained mindful that misuse in this area was driven by need, not greed.

- 10.3 The Corporate Head of Audit, Anti-Fraud and Risk Management presented a case study where a business premises above a pub that had been converted into 13 residential units, but had not applied to Planning, where none of the units met minimum requirements for space, and where enforcement notices had been ignored, was successfully prosecuted resulting in the Council receiving a £261k award under the Proceeds of Crime Act, with a fine of £15k and costs of £8k also in the Council's favour.
- 10.4 HM Treasury would receive 50% of the £261k, with the remaining 50% split between the Court, the investigating agency, and the prosecuting agency. In this case the Council had been both the investigating and prosecuting agencies.
- 10.5 Members of the Committee asked for details on tenancy fraud, and how the case study had been referred to the service.
- 10.6 The Corporate Head of Audit, Anti-Fraud and Risk Management responded and confirmed that;
- tenancy fraud referrals had resulted from tenancy audits, when Housing Service staff had checked on resident's housing eligibility, and also in relation to succession applications;
 - the case study had resulted from the Planning service becoming aware of unapproved works having taken place, then taking legally binding enforcement action which, when ignored, meant that the proceeds became a criminal benefit. They referred the case to the Anti-Fraud team knowing they could prosecute under the Proceeds of Crime Act.

RESOLVED: To note the contents of the report.

11 Audit Committee Work Programme

RESOLVED: To note the work programme.

12 Any Other Business that the Chair Considers Urgent

- 12.1 On behalf of the Audit Committee and the Chair, the Vice Chair noted that this meeting would be the final session for the Group Director of Finance and Corporate Resources, thanked him for all the work he had done for the London Borough of Hackney, and wished him well for the future.

End of meeting

Duration of the meeting: 6.30 - 8.25 pm

Cllr Sharon Patrick
Vice Chair of the Audit Committee

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**DRAFT MINUTES OF A MEETING OF THE AUDIT COMMITTEE
TUESDAY, 26 SEPTEMBER 2023**

THE COUNCIL CHAMBER, HACKNEY TOWN HALL,
MARE STREET, LONDON, E8 1EA

- Councillors Present: **Cllr Anna Lynch in the Chair**
Cllr Zoe Garbett, Cllr Margaret Gordon, Cllr Lee Laudat-Scott, Cllr Sharon Patrick (Vice-Chair) and Cllr Gilbert Smyth
- Present Virtually: **Cllr Sophie Conway and Cllr Caroline Selman**
- Absent: **Cllr Shaul Krautwirt and Cllr Yvonne Maxwell**
- Officers in Attendance: **Mark Agnew, Governance Officer
Jackie Moylan, Interim Group Director, Finance
Tessa Mitchell, Team Leader, Governance Services**
- Others Present Virtually: **Mario Kahrman, Senior ICT Support Analyst
Tom Greensill, Mazars
Suresh Patel, Mazars
Mizanur Rahman, Chief Accountant**

1 Apologies for Absence

1.1 No apologies were received.

2 Declarations of Interest

2.1 There were no declarations of interest.

3 Auditor's Annual Report 2020/21

3.1 The Chair welcomed the Interim Group Director, Finance, who was attending the Audit Committee for the first time in her new capacity and who confirmed that in relation to 2020/21 the opinion on the accounts had been received. It was an unqualified opinion from Mazars, the Council's auditors, with no significant matters on the Value for Money assessment.

3.2 Suresh Patel, Mazars, confirmed that the Value for Money commentary contained within the report highlighted the Auditors' view on the Council's arrangements to secure economy, efficiency, and effectiveness in its use of resources, and all feedback had been agreed with Officers. The report concluded the Audit of 2020/21 and included the finalised Audit Certificate.

RESOLVED: The Audit Committee is recommended to note the contents of the report

4 **Progress Report on 2021/22 Accounts**

- 4.1 Introducing the report, the Interim Group Director, Finance highlighted that the Audit was nearly substantially complete, but had been held up as a result of the delays in audits of previous years. However, the Audit opinion was expected to be delivered soon.
- 4.2 Suresh Patel, Mazars, confirmed that work was almost complete and that it had been impacted by national issues, including related to pensions. The testing of a sample of membership data has been completed, and had gone well, but work on the 'completeness' of the data was still to be finalised.
- 4.3 On completion of this, whilst the Audit opinion would be provided, there would still be work required to conclude on the Whole of Government Accounts (WGA), as the Auditors were still awaiting instructions from the National Audit Office. This would delay the issuing of the Certificate.
- 4.4 Members of the Committee welcomed the progress, asked about the delays and whether other local authorities were dealing with similar issues, and what was meant by the term "materially different" as used in the report;
- 4.5 Suresh Patel, Mazars, and the Interim Group Director, Finance responded and confirmed that;
- Mazars also audited other London Boroughs and the majority were in the same situation as the London Borough of Hackney;
 - most local authorities still had 2021/22 accounts awaiting conclusion, largely due to national issues;
 - auditing progress was in-part related to a Council's ability to service the audit, support the process with the production of good quality working papers, and respond effectively and promptly to audit queries;
 - the use of "materially different" in the report related to delays in previous years' accounts, meaning that the 2021/22 accounts had to be redone to reflect changes and submitted for further testing.

RESOLVED: The Audit Committee is recommended to note the contents of the report

5 **Draft Statement of Accounts 2022/23**

- 5.1 The Interim Group Director, Finance confirmed that the deadline to produce a draft statement of accounts had returned to the 31st May for the first time since before the Covid pandemic, and that the Council was one of only 8 in London to produce the draft statement on time.
- 5.2 Members of the Committee asked about the potential liability of £600k in relation to care costs; the decrease in the net value of the assets and liabilities of the Pension Fund; the 'significant governance issues' that had been identified; the 'Gateway' process; what stock market investments by the Pension Fund had decreased; and, the net loss and gain related to the rental income of investment properties.

5.3 The Interim Group Director, Finance, and the Chief Accountant responded and confirmed that;

- the decrease in the Pension Fund was related to a year-on-year decrease in the value of assets held, but the Pension Fund was over 100% funded;
- the Pension Fund's performance was regularly monitored and reported to the Pensions Committee;
- work had been identified to monitor and tackle the governance issues that had been identified as a result of the Internal Audit;
- the Gateway process helped identify unaffordable projects at an early stage and allowed Officers to revisit the project, examine overall budgets, and make decisions about potential timelines;
- and, the Covid pandemic had impacted the expected income from investment properties, but there had also been some outstanding disputes that had now concluded.

Action:

- 1. The Interim Group Director, Finance, to arrange for Committee Members to receive a response relating to the potential liability related to care costs.**
- 2. The Interim Group Director, Finance, to arrange for Committee Members to receive details relating to the decrease in the value of the assets and liabilities of the Pension Fund.**

RESOLVED:

The Audit Committee is recommended to:

- 1. Approve the Council's 2022/23 Statement of Accounts subject to the finalisation of audit processes.**
- 2. Consider and approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.**

6 External Audit Plan 2022/23

6.1 Tom Greensill, Mazars, introduced the report and highlighted;

- that there had been a change to ISA 315 which had meant a greater focus on the scoping of significant classes of transactions, balances, and disclosures, bringing in five new risk factors for consideration;
 - subjectivity
 - complexity
 - uncertainty
 - change
 - susceptibility to management bias or fraud
- that there had also been a greater focus on IT and IT general controls, and the design and implementation of controls which were relevant to the Audit;
- the assessment of significant risk, including management override of controls, valuation of property, plant and equipment (PPE), valuation of investment properties, and net defined benefit liability valuation;
- that enhanced risks of accounting estimates were no longer included as the impact of the cyberattack had been dealt with;

- that in relation of Value of Money no significant weaknesses had been identified, but the planning work had not been concluded;
- that the Code Audit Work (Scale fee) had increased as a result of inflationary pressures;
- and, that the Overall materiality for 2022/23 was £25,360k, the Performance materiality was £17,752k, and the Trivial threshold for errors to be reported to was £761k.

6.2 Members of the Committee asked about the implications of the valuation of PPE risk, and how that could be mitigated; and, about the level of risk from fraud by managers, and any concerns this raised, before technical issues concluded the agenda item.

6.3 Tom Greensill, Mazars, responded and confirmed that;

- PPE valuations are complex and the market would have an impact on build costs, which was the direct replacement cost approach used for the majority of PPE. This had been impacted by inflation;
- in terms of the market, valuations could increase or decrease, which would have an impact on reserves, but not the General Fund balances;
- there had been no particular concerns about Hackney in relation to risk from fraud by managers, but the risk was mandatory across all audits to reflect the unique position that managers were in if controls fail

RESOLVED: The Audit Committee is recommended to consider and note the contents of the attached reports from Mazars, the Council's external auditor.

7 Any Other Business that the Chair Considers Urgent

7.1 There was no urgent business for consideration.

End of meeting

Duration of the meeting: 6.30 - 7.21 pm

Cllr Anna Lynch

Chair of the Audit Committee



Title of Report	Treasury Management Update Report
For Consideration By	Audit Committee
Meeting Date	25 October 2023
Classification	Open
<u>Ward(s) Affected</u>	All Wards
<u>Group Director</u>	Jackie Moylan, Interim Group Director Finance

1. Introduction

- 1.1. The report, at Appendix 1, introduces the treasury management outturn report and the actual prudential indicators for 2022/23 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 July 2023 to Sep 2023 of 2023/24.

2. Recommendations

- 2.1. There are no immediate recommendations arising from this report as the purpose is to update the Audit Committee on the past events; the Audit Committee is therefore invited to note the contents of this report and the Appendices.

3. Reason(s) for decision

- 3.1. This report is an update on the past events.

4. Background

Policy Context

- 4.1. 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 the Audit Committee along with the second of the in-year updates for the current financial year covering the period from July 2023 to Sep 2023.

Equality impact assessment

- 4.2. There are no equality impact issues arising from this report.

Sustainability and climate change

- 4.3. There are no sustainability and climate changes issues arising from this report.

Consultations

- 4.4. No consultations are required in respect of this report.

Risk assessment

- 4.5. 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 was 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.

5. Comments of the Interim Group Director, Finance

- 5.1. There are no direct financial consequences arising from this report as it reflects past performance through 2022/23 and for the period from July 2023 to Sep 2023. 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. Officers continue to pay close attention to the council cashflow making sure there is enough liquid cash to meet any unexpected situation as a result of a highly volatile economy at present.
- 5.2. Global bond markets have been extremely volatile over the prolonged period following the recovery from the pandemic. Inflationary issues arising from supply bottlenecks, first considered transitory, have merged with inflationary behaviour.
- 5.3. No new borrowings have been undertaken since the last update due to sufficiency of internal cash levels. For future capital financing requirements, the Council will continue to consider borrowing rates offered by alternative lenders, including other local authorities alongside PWLB rates in order to minimise, where possible, its costs of borrowing. Officers regularly review council borrowing requirements based on development in cash forecasts and capital programmes. Cash needs have been pushed further out while the council cash balance remains high.
- 5.4. The Committee is requested to note this report.

6. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

- 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.
- 6.2. 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 sets out the work that Treasury Management is undertaking to ensure that it is meeting these requirements and adapting to changes as they arise.
- 6.3. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Annual Treasury Management Outturn Report 2022/23
Appendix 2 - Treasury Management Update Report (July 2023 to September 2023)

Background documents

None

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Comments for the Interim Group Director, Finance prepared by	Name: Deirdre.Worrell Title: Interim Director, Financial Management Email: deirdre.worrell@hackney.gov.uk Tel: 020 8356 7350
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Name: Louise Humphreys Title: Acting Director of Legal, Democratic and Electoral Services Email: Louise.Humphrey@hackney.gov.uk Tel: 020 8356 4817

APPENDIX 1: Annual Treasury Management Outturn Report 2022/23

1. External Context

1.1 **Economic background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank actions remained consistent with combating inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50 bps in December and February and then 25 bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

1.2 **Financial markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse

by UBS caused further volatility. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

- 1.3 **Credit background:** In Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.
- 1.4 As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by treasury advisors remain under constant review.
- 1.5 Local authorities remain under financial pressure, but our treasury advisors continue to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

2 The Borrowing Requirement and Debt Management

- 2.1 The Council currently had one £1.2m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.
- 2.2 The LEEF loan is an EIP (Equal Instalment of Principle) loan where each payment includes an equal amount in respect of loan principle throughout the duration of the loan. Therefore the interest due with each payment reduces as the principle is eroded, and so the total amount reduces with each instalment. Consequently, part of the loan is short term in duration, the amount which will be paid via instalments within one year with the remainder of loan maturing beyond 1 year (long term).
- 2.3 In addition, the Authority had £76.4m in external borrowing. This was made of £10m from local authorities and £66.4m from PWLB 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 31/03/22 £'000	New Borrowing £'000	Debt Maturity £'000	Debt Repaid £'000	Balance as at 31/03/23 £'000	Average Rate %
CFR	466,705				464,023	
	4,500	10,000	-	-	14,500	2.46%

	Balance as at 31/03/22 £'000	New Borrowing £'000	Debt Maturity £'000	Debt Repaid £'000	Balance as at 31/03/23 £'000	Average Rate %
Short Term Borrowing*						
Long Term Borrowing	67,600	-	-	4,500	63,100	1.92%
TOTAL BORROWING	72,100	10,000	-	4,500	77,600	
Other Long Term Liabilities	10,697	-	-	1,020	9,677	
TOTAL EXTERNAL DEBT	82,797	10,000	-	5,520	87,277	

2.4 The Council's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), as at 31/03/2023 was provisionally (whilst accounts remain open and unaudited, but no expectation of change) £464m.

2.5 External Borrowing – During the year no new external borrowing was accessed by the council.

2.6 The cost of both long and short-term borrowing rose dramatically over the year, with rates at the end of March around 2% - 4% higher than those at the beginning of April. Rate rises have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after 'mini-budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four-hour period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms.

2.7 A new HRA PWLB rate of gilt yield plus 0.4% (0.4% below the currently available certainty rate) was announced on 15th March 2023. This discounted rate is to support local authorities borrowing for Housing Revenue Accounts and the delivery of social housing and is expected to be available, initially for a period of one year.

3. Investment Activity

3.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows that ultimately represent balances that need to be invested until the cash is required for use in the course of business.

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 2022/23 Investments during the year included:

- Deposits with other Local Authorities
- Investments in AAA-rated Money Market Funds
- Market Funds
- Call accounts, deposits and
- Housing Associations

Table 2: Investment Balances

Investments	Balance as at 31/03/22 £'000	Average Rate %	Balance as at 31/03/23 £'000	Average Rate %
Short Term Investments	15,045		5,000	
Long Term Investments	200		200	
Housing Associations	15,000		15,000	
Money Market Funds	95,000		24,959	
TOTAL INVESTMENTS	125,245	0.6	45,159	2.75

- 3.3 The Council's investment balance decreased from £125m to £45m at the end of the financial year with an investment return of 2.75%. The Council is forecasting a further downward trend in cash balances as the Council progresses on a number of major capital schemes requiring forward funding.
- 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 2022/23 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
31/03/2022	5.3	A+	6.0	A
30/06/2022	5.0	A+	5.9	A
30/09/2022	5.3	A+	6.1	A
31/12/2022	5.4	A+	6.3	A
31/03/2023	5.7	A	6.9	A-

- 3.5 Liquidity - 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 0.75% to 4.25% in March 2023.

4. Compliance

4.1 The Council can confirm that it has complied with its Prudential Indicators for 2022/23, which were approved on 2nd March 2022 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 2022/23. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

4.3 The Authority can confirm that during 2022/23 it complied with its Treasury Management Policy Statement and Treasury Management Practices. However, the Audit Committee will be aware that the 2022/23 accounts at this point remain open and unaudited. There is the possibility that changes to the numbers could occur but this is not expected.

5. Prudential Indicators

5.1 Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirements for 2020/21 to 2023/24 are shown in the table below.

	31/03/21 Actual £'000	31/03/22 Draft £'000	31/03/23 Draft £'000	31/03/24 Estimate d £'000
Gross CFR	503,330	466,705	464,023	706,013
Less: Other Long Term Liabilities	11,646	10,697	9,677	8,581
Borrowing CFR	491,684	456,008	454,346	697,433
Less: Existing Profile of Borrowing	76,600	72,100	77,600	63,100
Gross Borrowing Requirement/Internal Borrowing	415,084	383,908	376,746	634,333

Usable Reserves	283,313	309,894	332,872	292,872
Net Borrowing Requirement/(Investment Capacity)	131,771	74,015	43,874	341,461

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.

	2020/21	2021/22	2022/23	2023/24
	Actual	Draft	Draft	Estimate
	£'000	£'000	£'000	£'000
Gross Debt	88,246	82,797	87,277	71,681
CFR	503,330	466,705	464,023	706,013
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 confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Operational Boundary (Approved) as at 31/03/23 £'000	Authorised Limit (Approved) as at 31/03/23 £'000	Actual External Debt as at 31/03/23 £'000
Borrowing	550,000	580,000	77,600
Other Long-term Liabilities	18,000	18,000	9,677

Total	568,000	598,000	87,277
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(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.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Draft	Draft	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Expenditure					
Housing	102,105	79,916	113,957	297,901	235,562
Non-Housing	52,089	53,085	134,594	179,054	93,071
Total spend	154,194	133,001	248,551	476,955	328,633

Current capital expenditure financing is as per the table below. However further review of the capital programme will be happening during the 2023/24 financial year meaning configuration of numbers below are likely to change. The Prudential borrowing line below relates primarily to regeneration schemes.

Capital Financing	2021/22	2022/23	2023/24	2024/25	2025/26
	Draft	Draft	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Prudential Borrowing	9,584	23,291	151,251	354,976	160,821
S106/CIL	11,003	17,518	11,496	7,535	2,725
Capital receipts	68,463	30,628	2,092	20,344	84,308
Grants	21,392	19,251	38,363	45,495	24,572
Reserves/ Discretionary	0	643	4,453	2,405	1,598
RCCO	43,751	41,670	40,896	46,201	54,610
Total	154,194	133,001	248,551	476,955	328,633

Financing					
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The above 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.
- The 2021/22 and 2022/23 number here is provisional whilst the accounts remain open, and 2023/24 to 2024/25 numbers will be updated again in this financial year prior to year-end.

Ratio of Financing Costs to Net Revenue Stream	2021/22	2022/23	2023/24	2024/25	2025/26
	Draft	Draft	Estimate	Estimate	Estimate
Non-HRA	0.8%	1.0%	2.6%	5.7%	6.0%
HRA	28%	30%	30%	35%	40%

(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 July 2023 to September 2023

1. Economic Highlights

1.1 Growth: First estimates suggest that UK GDP increased in Q2 2023 to grow by 0.2%. On a monthly basis, GDP is expected to have grown by 0.5% in June 2023, preceded by an unrevised fall of 0.1% in May and growth of 0.2% in April. Relative to the same quarter last year, GDP is estimated to have increased by 0.4%.

1.2 Inflation: CPI inflation rose by 6.7% year-on-year in August 2023 down from 6.8% in July. On a monthly basis, CPI rose by 0.3% in August 2023, compared to a 0.4% rise in July.

1.3 Labour Market: The UK unemployment rate increased by 0.5 percentage points to 4.3% in May to July 2023, and this increase was mostly caused by a rise in people unemployed for up to 12 months. The employment rate was estimated at 75.5% for May to July 2023, 0.5 percentage point lower than the previous reading in February to April. This fall was largely driven by full-time self-employed workers.

1.4 Monetary Policy Committee: The MPC maintained the Bank Rate at 5.25% in a narrow vote, a level that looks to be the peak of this tightening cycle. The reduction in the inflation rate, particularly core and services inflation, allowed policymakers to place more weight on the weaker recent and forward-looking activity indicators, especially given that the drag from higher rates will increase as time passes. The minutes supported the expectation that Bank Rate will persist at current levels until the second half of next year. Our advisors believe that UK economic growth will continue to weaken as the year progresses, as higher interest rates bear down on household and business investment and activity, and unemployment rises. With interest rates being held at this level for longer to push down on inflation and inflation expectations, the Bank will need to cut rates relatively significantly from later 2024.

2. Borrowing & Debt Activity

2.1 The Authority currently has £65.55m in external borrowing. This is made up as a single LEEF loan of £1.2m from the European Investment Bank to fund housing regeneration and £64.35m borrowed from Public Work Loan Board for housing capital programme, particularly in respect of housing regeneration. No new borrowing was done during the period due to high cash balance and uncertainty over economic outlook.

3. Investment Policy and Activity

- 3.1 The Council held average cash balances of £98 million during the reported period, compared to an average £105 million for the same period last financial year.

Movement in Investment Balances 01/07/23 to 30/09/23

	Balance as at 01/07/2023 £'000	Average Rate of Interest %	Balance as at 30/09/2023 £'000	Average Rate of Interest %
Short Term Investments	0	-	0	-
Long Term Investments	200	-	200	-
Housing Associations	10,000	-	10,000	-
Money Market Funds	54,363	-	100,245	-
	64,562	4.12	110,445	4.73

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

4. Counterparty Update

- 4.1 Moody's has affirmed the long-term and short-term issuer ratings for the European Investment Bank (EIB). The outlook remains Stable. Our treasury advisors remain comfortable with clients making investments in bonds with the European Investment Bank (EIB), in line with approved strategies. Fitch has upgraded the long-term deposit rating of Council of Europe Development Bank (CEDB) to AAA from AA+. The Outlook is Stable. Our treasury advisors remain comfortable with clients making secured investments with the Council of Europe Development Bank, in line with approved strategies. Our treasury advisors advise against new lending to Birmingham City Council for treasury management purposes while their legal power to enter into new agreements is unclear.
- 4.2 Whilst the ongoing investment strategy remained cautious counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below.

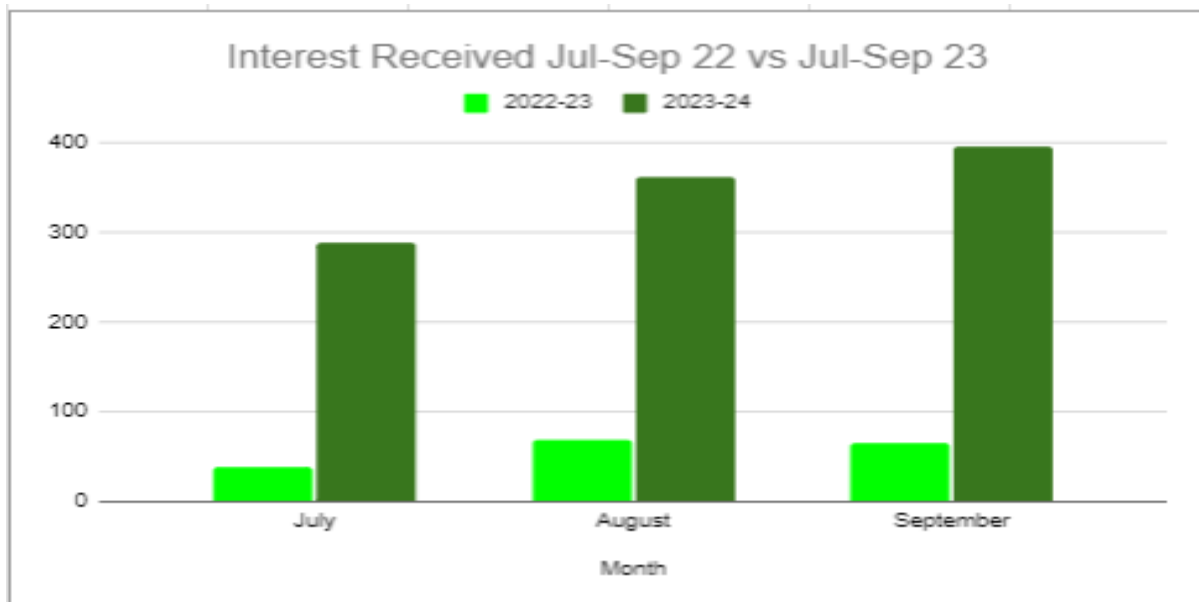
5. **Credit Score Analysis**

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
31/07/2023	A+	5.2	A	6.2
31/08/2023	A+	5.2	A	6.2
30/09/2023	A+	5.2	A+	5.1

- 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.
- 5.2 Council continues to invest in highly rated UK Government institutions, Building Society and Housing Associations. This investment vehicle offers a good level of security and increases diversification for the Council's portfolio whilst achieving a reasonable yield.

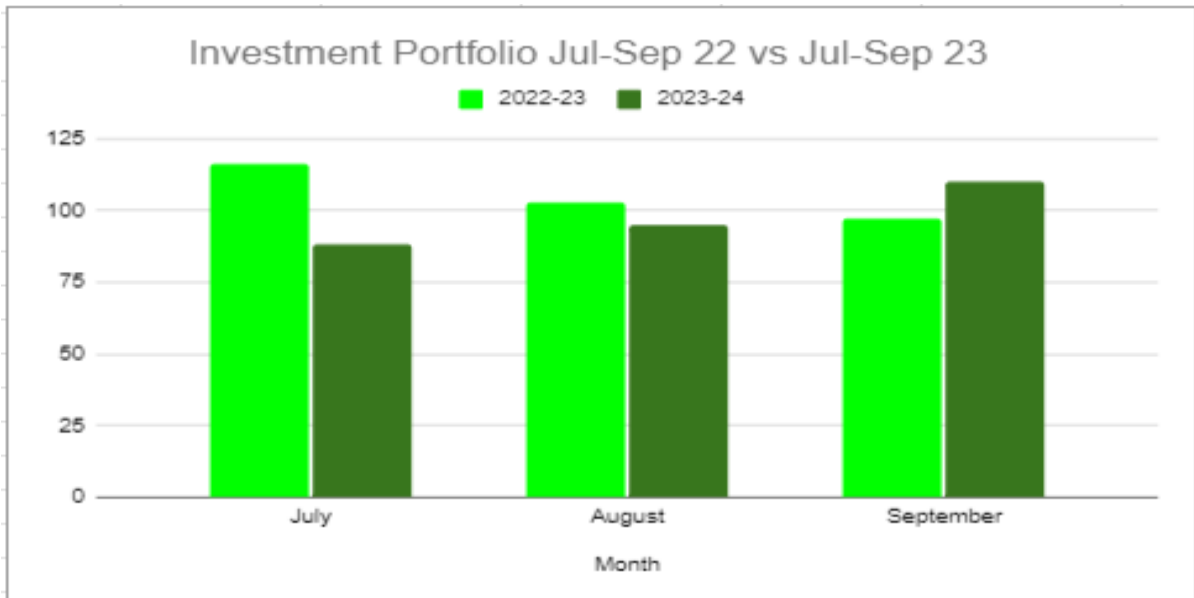
6. Comparison of Interest Earnings

- 6.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, longer term and short term investments have been placed in highly rated UK Government institutions 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 July 2023 to September 2023 against the same period for 2022/23.
- 6.3 Average interest received for the period July 2023 to September 2023 was £349k compared to £57k for the same period last financial year. Increased interest received this year is due to increase in interest rates.



7. Movement in Investment Portfolio

7.1 Investment levels have increased to £110 million at the end of Sep 2023 in comparison to the end of Sep 2022 last year of £97 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.





Title of Report	PERFORMANCE UPDATE - COVERING REPORT
For Consideration By	Audit Committee
Meeting Date	October 25th 2023
Classification	Open
<u>Ward(s) Affected</u>	All Wards
<u>Group Director</u>	Jackie Moylan, Interim Group Director, Finance

1. INTERIM 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 and, as was requested at the last Audit Committee, an additional analysis of forecast spend to the original and revised budgets is included along with explanations where there are significant variances.

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 has 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 the 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, the Audit Committee has 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 an 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. Borrowing is forecast to increase further over the next few years as plans include bringing forward the next phases of both the Britannia scheme and our Regeneration programme.

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.

4.7.4 This report includes a detailed update on the capital programme at **Appendix 3**. It is noted that, despite the additional challenge of capital forecasting along the original budget, the forecast capital outturn is significantly lower. This is largely driven by two main factors:

- construction industry inflation resulting in tender prices being above cost estimates and further work required on viability of schemes (e.g CCG Primary Care Project, Estate Regeneration & Housing Supply programme)
- external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)

4.7.5 Clearly some of these issues remain and are likely to continue to affect capital delivery and spend forecasts. The corporate finance team works closely with the Head of Treasury to ensure that the impacts of these circumstances are mitigated as far as possible.

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. The full version of the Corporate risk register is presented to the Audit Committee every six months.

5. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

- 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 ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 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 - Capital monitoring report

BACKGROUND PAPERS

None

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Comments of the Interim Group Director, Finance	Jackie Moylan ☎020-8356 3332 jackie.moylan@hackney.gov.uk
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Corporate Risk Management Performance Overview October 2023 (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 Corporate Leadership Team (CLT) Team in June 2023, and further reviewed by the risk team in September.:

Corporate	Current Risk Score (with mitigations)	Direction of Travel	Previous Score	Target Risk
1 Cost of living crisis COUNCIL / SERVICE IMPACT - financial deficits & arrears/pressure on resources/threats to effective service delivery RESIDENT IMPACT - poverty, homelessness BUSINESS IMPACT -closures / inability to pay bills / loss of staff STAFF IMPACT - increased travel / energy costs. Anxiety about cost of living.	25	↔	25	15
2 Cyber Security	20	↔	20	10
3 National / International Economic Downturn (SRCR001)	25	↔	25	12
4 Management of Major Capital Programmes (SRCR002)	15	↔	15	9
5 Pension fund (SRCR 0010)	12	↓	15	12
6 Impact of New Legislation / Welfare reform (SRCR 0013)	12	↔	12	12
7 Workforce (SRCR 0018)	16	↑	12	9
8 Information Assets (SRCR 0020)	16	↔	16	9
9 Corporate Resilience (SRCR 0020B)	15	↔	15	12
10 Person suffers significant harm, injury or death (SRCR 0023)	15	↔	15	12
11 Risks posed by unregistered schools and settings (SRCR 0027b)	16	↔	16	12
12 SEND funding (SRCR 0028)	25	↔	25	12
13 Pressures on Temporary Accommodation (SRCR31)	25	↔	20	12
14 Setting up Council owned companies (SRCR 0035)	12	↔	12	9
15 Insourcing (SRCR 0036)	12	↔	12	9
16 Universal Credit (SRCR 0037)	20	↔	20	12
17 Climate Change/Climate Emergency (SRCR 0039)	15	↔	15	8
18 Recruitment pressures	16	↔	16	12
19 Major Power Outage - (SRCR44)	10	↔	-	8
20 Reduction in the use of residential placements. (SRCR45)	16	↔	-	12
21 Surplus school places (SRCR46)	16	↔	-	12

- 2.2 The Scorecard provides a quarterly overview of the Council's Corporate risks. These are assessed in advance of each Audit Committee meeting and after being ratified by CLT, 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 16 red risks and 5 amber risks. Clearly, numerous external events and influences are having a considerable impact on the Council's objectives, notably the fragile economy and accompanying cost of living crisis, the continuing impact of the Coronavirus pandemic, along with the Cyberattack which although it occurred in October 2020, had a massive impact on Services. Areas like finances (with budget cuts, and especially current challenges like the volatile energy market and rapid increases in cost of living) were already problematic before the pandemic, and they have intensified now, and the Cyberattack has severely affected the effective operation of some Services. The current international instability following Russia's invasion of Ukraine has increased financial pressures, with multiple new risks being posed in the future regarding food, energy, supply chain and overall peace.

CLT have found it beneficial to look at some of the major, overarching risks (the primary example being the current cost of living crisis) from the perspective of not only Services in the Council and residents, but also businesses in the Borough as well as Council staff. The cost of living crisis can be clearly seen to be posing direct risks to all four of these categories. The Council's services themselves are handling a dramatic upsurge of work required to support the Borough in these challenging times whether in providing direct / advisory support, handling increased rent arrears, more vulnerable children in care, increased packages of care for adults or increasing homelessness. All these pressures on resources threaten effective service delivery. For residents, the risk of poverty leading to an array of problems (relating to physical and mental health, care, facilities) is very high. There are concerns from the internal perspective of staff encountering higher cost pressures from living in or travelling to London and this in turn may lead to future wage inflation pressures. For businesses, there are already examples of this crisis forcing companies to fold, with others demanding urgent support. This threatens the stability and cohesion of the wider community.

Two new risks appeared in January's iteration and remain in this version. The first relates to the potential of a power outage. The likelihood of this remains low however it has been on the radar of both central and local government, and some planning and preparation has occurred (even amidst the low likelihood.). The impact of this outage (more likely for a planned 3 hour regional outage, then a major failure) would be undoubtedly high for the community however. The risk relating to residential placements has been raised by Children's services and reflects the current financial pressures causing the numbers of residential placements having to be reduced. This ultimately impacts on vulnerable children and could challenge effective service delivery. A further risk has just been escalated in April 2023 by Hackney Education. This relates to the increasing risk of surplus school places and

the impact on the overall Estate Strategy of HE. The Education Sufficiency and Estate Strategy is clearly an important document in outlining the medium term approach to this.

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 economic uncertainty, the chances of this continuing remain very probable. However, even in the light of this continued red rating, the controls should still be able to provide assurance that the risk is being managed so far as is possible, and that the Council is taking appropriate action to best position itself in the light of challenging circumstances. The workforce risk rating has increased, reflecting the current pressures within the organisation concerning political uncertainty and change at senior leadership level. It was thought appropriate that the Pandemic risk now drops off the Corporate register, and this happened in April. Clearly further associated risks and controls remain, but in the main, business has returned to usual, as it was operating pre-March 2020. 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.

3. FUTURE REPORTING TO AUDIT COMMITTEE

- 3.1 The reporting of the Corporate risks to the 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 2024, so the full details on all risks will be provided then.

CAPITAL

This paper updates the Audit Committee following the Quarter 1 Capital Expenditure exercise for the financial year 2023/24. The actual year to date capital expenditure for the four months April 2023 to July 2023 is £12.3m and the forecast is currently **£244.7m, £113.2m** below the revised budget of **£357.9m**. This represents a forecast of 80% of the approved budget of £307m, approved by Cabinet in February 2023 (Council's Budget Report). 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. A total of £115m (phase 1 re-profiling) was transferred to future years agreed at the September 2023 Cabinet and a total of £37.4m budget from 2022/23 was brought into the current capital programme. 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.

Capital Programme 2023/24	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	To Re-Profile 2023/24	New Bids	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	2,310	2,767	0	576	(2,191)	0	(2,175)	158	749
Adults, Health & Integration	2,166	3,304	129	2,447	(857)	(119)	(738)	0	2,447
Children & Education	14,422	21,269	2,346	18,485	(2,784)	0	(2,636)	0	18,633
Finance & Corporate Resources	30,339	40,170	2,345	37,232	(2,937)	30	(1,120)	(750)	38,330
Mixed Use Development	63,113	63,800	(563)	34,915	(28,885)	0	(28,885)	0	34,915
Climate, Homes & Economy	37,093	52,367	3,006	37,895	(14,472)	(38)	(13,622)	494	39,201
Total Non-Housing	149,443	183,676	7,264	131,551	(52,126)	(127)	(49,176)	(98)	134,275
AMP Housing Schemes HRA	51,408	52,991	6,006	48,752	(4,240)	(0)	(4,240)	1,365	50,116
Council Schemes GF	2,621	3,738	846	6,524	2,785	0	(2,102)	4,250	5,886
Private Sector Housing	2,031	1,932	440	1,702	(230)	(150)	(80)	0	1,702
Estate Regeneration	55,713	60,486	409	26,174	(34,312)	(633)	(33,679)	0	26,174
Housing Supply Programme	33,048	42,835	410	21,153	(21,682)	0	(21,682)	0	21,153
New Homes	0	0	15	633	633	633	0	0	633
Woodberry Down Regeneration	12,772	12,239	(3,139)	8,178	(4,061)	0	(4,061)	0	8,178
Total Housing	157,593	174,222	4,988	113,115	(61,107)	(150)	(65,844)	5,615	113,842
Total Capital Budget	307,036	357,898	12,251	244,666	(113,232)	(277)	(115,020)	5,517	248,118

CHIEF EXECUTIVE'S

The current forecast for the overall Chief Executive's is £0.6m, £2.2m below the in-year revised budget of £2.8m. Below is a brief update on the main variance:

CX Directorate Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Libraries and Archives	2,310	2,767	0	576	(2,191)	Stoke Newington Library Refurb: The project has been re-planned to start the stakeholder engagement process. It is now envisaged that the main contract for repairs to the building will run from summer 2024, subject to the procurement process generating value for money tenders. Therefore the budget has been re-profiled to reflect the likely timeframe of the project.
Total	2,310	2,767	0	576	(2,191)	

ADULTS, HEALTH AND INTEGRATION

The overall forecast for Adults, Health and Integration is £2.5m, £0.9m below the respective in-year budget of £3.3m. Below is a brief update on the main variance:

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Adults, Health and Integration	2,166	3,304	129	2,447	(857)	Hackney Mortuary Refurb: £0.9m u/spend. The design and planning is complete. The two tenders are out; one for the building and one for the equipment (fridges etc) both due back September 2023. The award of the contract is due by Autumn 2023. The construction 'start on site' date is expected by Autumn 2024. U/spend has been re-profiled 2024/25.
Total	2,166	3,304	129	2,447	(857)	

CHILDREN AND EDUCATION

The current forecast is £18.5m, £2.8m below the in-year revised budget of £21.3m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Children & Family Services	0	327	0	152	(175)	Shoreditch Play Adventure: £175k u/spend. The contract award for project management is imminent. Once the team is appointed, they will re-tender the contract for the build. U/spend has been re-profiled to 2024/25.
Education Asset Management Plan	6,937	7,817	419	6,509	(1,309)	Benthal Primary School (Mitigation Work): £455k u/spend. Spend relates to the small cost for erecting school fences. AMP Contingency Budget: £517k u/spend. The forecast is based on the programme of works expected for this year. Berger Primary School (Comfort Cooling System): £277k u/spend. The project is in the procurement stage. The tenders are being validated by the procurement team and planned works will start in Quarter 3 once contractors have been appointed. Woodberry Down Primary School: £850k u/spend. The project is in the procurement stage. The Project Manager is looking to appoint the LEP for this procurement. U/spend has been re-profiled to 2024/25.
Education Sufficiency Strategy	0	48	0	5	(43)	No material variances.
SEND and Other Education	1,036	3,649	545	2,122	(1,527)	8 projects (Education SEND Strategy, Simon Marks, Nightingale, Sebright, Side by Side, Daniel House, The Bridge Academy & Comet CC) are in the early initial stages of feasibility and meetings are taking place to discuss the procurement stage. Therefore an overall total of £1.5m has been re-profiled to future years.
Primary School Programmes	4,121	6,110	940	7,036	926	Mandeville (Facades Work): £1.1m o/spend. The variation is as a result of additional health and safety works to the roof. This work was identified as likely to be required in May 2022. Inspections were undertaken by the contractors and specialist consultants following a local incident and it was determined that the entire roof exhibited similar defects and that all the stonework to this roof level would require urgent reactive maintenance. The o/spend has been funded by identified

						underspends across the programme.
Secondary School Programmes	2,328	3,318	442	2,662	(656)	Lifecycle Works (Early Failure/Reactive) Contingency Budget: £1.1m u/spend. Part of the budget has been used to fund identified o/spends across the programme and the remaining budget has been re-profiled to 2024/25 to support future works. Temporary Secondary School Audrey Street Site: £217k o/spend. The project to restore the grounds and park after dismantling the modular building is currently underway. The costs are coming in higher than originally estimated. Haggerston School Lifecycle (Roof & Boiler replacement): £214k o/spend. The works related to the ongoing roof replacement on site. The planned delivery of this contract will conclude in 2023/24.
TOTAL	14,422	21,269	2,346	18,485	(2,784)	

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £72.1m, £31.8m below the in-year respective budget of £104m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Property Services	19,211	21,456	1,917	20,032	(1,423)	Voluntary and Community Sector Fire Risk & Remedial Works (General Fund): £0.8m u/spend. The team is progressing with the schedules and consulting with the end users for the final program for each site. The majority of the work will commence in Autumn 2023. The variance will remain in this year's budget for now but will be reviewed next quarter.
ICT	1,383	3,445	118	2,366	(1,079)	ICT Resource: £1.1m u/spend. This is the main budget for all ICT capital projects. The u/spend is not being re-profiled as the team are working on imminent bids held for the Council's Education Device Refresh and Telephony Replacement. The variance will be reviewed next quarter.
Other Schemes	8,640	9,964	309	9,529	(435)	Building Access System: £430k u/spend. The project is estimated to start in December 2023. The plan is to spend £20k this year and the remaining next financial year. Therefore the variance has been re-profiled to the 2024/25 budget to reflect the actual spend of the project.
Temporary Accommodation	1,105	5,305	0	5,305	0	No material variances.

Total	30,339	40,170	2,345	37,232	(2,937)	
Mixed Use Development	63,113	63,800	(563)	34,915	(28,885)	The reason for the lower forecast is that the Britannia Phase 2b project (Residential Private & Social Housing) is later starting on site and the construction spend has been amended in line with the contractor's construction estimated cash flow now that the contractor has been appointed. The variance has been re-profiled to future years (again in line with the contractors forecast cash flow). The remaining budget for Phase 1a (new Leisure centre) and Phase 1b (CoLASP) is for retention payments, Britannia Masterplan contingency and Colville energy centre contribution.
TOTAL	93,452	103,970	1,782	72,147	(31,822)	

CLIMATE, HOMES AND ECONOMY

The overall forecast in Climate, Homes and Economy is £37.9m, £14.5m under the revised budget of £52.4m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at July 2023	Spend	Forecast	Variance	Explanation
	£000	£000	£000	£000	£000	
Leisure, Parks & Green Spaces	17,220	24,109	1,116	14,979	(9,130)	Kings Hall Leisure Centre (Refurbishment): £1.6m u/spend. This year's spend will be £1m to cover design team fees and PCSA for contractors and a £0.5m contingency budget to cover any emergency repairs that are needed. Essential Maintenance to Leisure Facilities: £1.3m u/spend. This is the budget held for reactive maintenance in the Council's leisure facilities. The u/spend will fund the London Fields Lido Teaching Pool project which is due to be completed in Autumn 2024. The remaining budget will be reprofiled to the 2024/25 budget to fund further maintenance and repair works to the Council's leisure facilities as and when required. London Fields Lido Teaching Pool: £3.3m u/spend. The project is at the design and planning stage with construction to commence in January 2024. West Reservoir Improvements: £1.9m u/spend. The consultation is complete. The team is in the process of submitting a planning application by September 2023. The construction will start in quarter 4. The variance has been re-profiled to the 2024/25 budget.
Streetscene	14,991	19,738	1,266	19,332	(406)	Dockless Bikes, EV Charging Points and Legible London Signing: £370k u/spend. The reduction in spend compared to budget is due to delays in the project due to long lead time in procurement and the consultation process. The variance has been re-profiled to the 2024/25 budget.

Environmental Operations & Other	1,287	1,606	0	706	(900)	Waste & Fleet Replacement: £0.9m u/spend. This forecast is based on the vehicles expected to be replaced this financial year. £99k will be used to cover two Parks electric vans and a £50k contingency will be held for any emergency replacements in the year. There is a long term plan to look at the Council's future fleet requirements and the desire to replace them with electric vehicles. The supply is not quite available on the market as yet but the Project Manager wants to progress a feasibility study later in the year. The variance has been re-profiled to the 2024/25 budget for the time being and reviewed as part of budget-setting.
Public Realms TfL Funded Schemes	0	0	422	0	0	No material variance. This is TfL grant funded schemes which LBH will be notified of the funding allocation mid year.
Parking & Market Schemes	1,457	1,304	0	926	(378)	Cycle Hangers project: £0.4m u/spend. The variance is due to delays in the project due to long lead time in procurement and consultation process. The remaining variance has been re-profiled to the 2024/25 budget to continue the roll out of this programme.
Community Safety, Enforcement & Business Regulations	670	924	61	696	(228)	Enforcement Strategy database: £20k u/spend. The spend this financial year will be on new laptops/tablets that are required for the new database compatibility. The remaining variance has been re-profiled to the 2024/25 budget to support future commitments.
Area Regeneration	1,468	4,686	142	1,256	(3,430)	Hackney Central Levelling Up Projects: £2.2m u/spend. The LuF funding has been re-profiled. All LuF funding is on track to be spent before the grant funding deadline
Total	37,093	52,367	3,006	37,895	(14,472)	

HOUSING

The overall forecast in Housing is £113.1m, £61.1m below the revised budget of £174.2m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Position at July 2023					Explanation
	Spend	Forecast	Variance			
	£000	£000	£000	£000	£000	
AMP Housing Schemes HRA	51,408	52,991	6,006	48,752	(4,240)	Main variance relates to Fire Risk Works - £2.3m u/spend. The forecast is part of a wider fire entrance door programme approved at £5.6m. September will see the rollout of stage 1 which consists of the installation of 1,400 doors at a cost of £2.8m. Green Initiatives- £1.2m u/spend. The

						programme is awaiting procurement of a mechanical contractor.
Council Schemes GF	2,621	3,738	846	6,524	2,785	Main variance relates to Purchase Leasehold Properties - £4.2m o/spend. 1 unit was completed in quarter 1 relating to the Local Space deal, with a further 4 expected to be completed in quarter 2 and the remaining 2 units to be completed before the end of the financial year. By Qtr2 £4.2m will be added to the budget (as per a previous cabinet agreement) and the remaining funds will be spent on buybacks to be used as general needs housing.
Private Sector Housing	2,031	1,932	440	1,702	(230)	Main variance relates to General Repairs Grant - £150k u/spend. The forecast is based on expected grant awards for this financial year.
Estate Regeneration	55,713	60,486	409	26,174	(34,312)	Main variance relates to Colville Phase 2C - £19.2m u/spend. The site is currently in a pre-construction services agreement (PCSA) phase with the preferred contractor. Demolition is due to take place in Spring 2023, however the actual works are not now due to start until March 2024, which is later than expected at the time of budget setting and this explains the underspend. The budget has been re-profiled to future years to reflect the updated cash flow forecast.
Housing Supply Programme	33,048	42,835	410	21,153	(21,682)	Main variance relates to Wimbourne Street and Buckland Street - £18.5m u/spend. The sites are now under contract and the works have started. The reduction in spend compared to budget is due to the project being behind schedule, owing to the delayed delivery of a major part of the building fabric. This delay has been caused by the contractor and therefore no financial liability sits with the Council. It will cause a delay to handover and Liquid Ascertained Damages (LAD's) will be applied to recover some of the loss where possible. The budget has been re-profiled to future years to reflect the updated cash flow forecast.
New Homes	0	0	15	633	633	There is £0.6m o/spend. The budget for these projects is currently held in the Asset Review Programme with the Estate Regeneration above and a virement has been done to move the budgets to cover the o/spend. The spend in this financial year relates to Architects and other Consultants fees relating to design development of the projects.
Woodberry Down Regeneration	12,772	12,239	-3,139	8,178	(4,061)	£4m u/spend. 37 'in phase' Buybacks are required to complete before July 2025. 16 Buybacks have been estimated to complete during this financial year. These costs will be reimbursed by Berkeley Homes as part of their Land Assembly charges and the remaining budget has been re-profiled to fund the buybacks in 2024/25 and 2025/26.
Total Housing	157,593	174,222	4,988	113,115	(61,107)	

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Title of Report	CHIEF EXECUTIVE'S DIRECTORATE RISK REGISTER - COVERING REPORT
For Consideration By	Audit Committee
Meeting Date	25th October 2023
Classification	Open
<u>Ward(s) Affected</u>	All Wards
<u>Group Director</u>	Dawn Carter-McDonald, Interim Chief Executive

1. CORPORATE DIRECTOR'S INTRODUCTION

- 1.1 This report advises the Committee of the key risks facing the Chief Executive's Directorate in 2023/24 and the actions being taken to reduce the likelihood and impact of those risks. This is all part of the Committee's role in overseeing Corporate Governance.
- 1.2 A review of the risk environment and management actions that the Directorate has lead responsibility for has been undertaken. This will inform the review of the highest level Corporate Risk Register which is presented to the Audit Committee at every other meeting and is next due at the first meeting of 2024.
- 1.3 Since the last update to the Audit Committee, this report now includes risks related to Human Resources and Organisational Development which now sits under the Chief Executive's Directorate following the appointment of a new Director of HR & OD.

2. RECOMMENDATION(S)

- 2.1 There are no specific recommendations arising from this report.
- 2.2 The Audit Committee is requested to note the contents of this report and the Chief Executive's Directorate Risk Register attached at Appendix 1, and provide any feedback on the management of those risks identified.

3. BACKGROUND

- 3.1 The Council is exposed to a wide number of risks in its ordinary activities. This report focuses on the key risks within the Chief Executive's Directorate, which includes the following service areas:

- Legal, Democratic and Electoral Services
- Policy and Strategic Delivery
- Human Resources and Organisational Development
- Communications and Engagement

3.2 The changing risk environment and progress in managing down risks have been assessed by the Chief Executive's Group Directorate Management Team at its annual review. The team each take individual responsibility for managing and reporting on their associated risks, in line with their overall remit within the Council and this work has informed the review.

4. SUMMARY OF KEY RISKS

4.1 Full details on the key risks facing the Chief Executive's Directorate and associated controls are detailed in Appendix 1.

Legal, Democratic and Electoral Services

4.2 The key risks facing the Legal and Governance Service remain ensuring that directorates seek timely legal advice and follow the advice received; that all decisions are made in a lawful and transparent manner; that key decisions are properly recorded on the Council's Forward Plan at the appropriate time; that the statutory publication dates are met for all agendas and reports; that meetings of the Council are conducted in accordance with the relevant procedure rules; and that the Legal & Governance Service have the requisite ICT software (legal case management and Mod.Gov) to undertake their roles in a timely and productive manner. Failure to manage these risks will have legal, financial and reputational risks to the Council.

4.3 The Elections Act 2022 has brought with it a new risk for the Council. Representing significant change to election legislation, the changes have been identified as very high risk by the Association of Electoral Administrators as they are both numerous and far reaching in terms of affected electors. Non-compliance with the Statutory Requirements for Elections may lead to invalid processes resulting in legal action and the need to re-hold elections incurring additional costs and reputational damage.

Policy and Strategic Delivery

4.4 Risks relating to the borough's Community Strategy 2018-2028 remain high due to the external context and continuing uncertainty around the ongoing Cost of Living Crisis. This Cost of Living crisis and financial pressures impact the Council and partners' ability to deliver services as well as their staff, and will put some organisations at risk. Nationally the policy environment is likely to lead to a continued move of resources away from London directly and indirectly.

- 4.5 Risks relating to the Council's strategic partnership working have risen due to the likely closure of VCS organisations. The Council cannot fully mitigate in these situations or have a rescue package each time an impactful organisation struggles. This remains a risk because of capacity - the pandemic has highlighted the importance of long term goals that promote fairness, equality and cohesion. Having a strategy and partnership in place has demonstrated that Hackney had a level of preparedness to respond to the pandemic and to develop our strategic response. Partners are therefore valuing this infrastructure and engaging with it, as a way to focus on cross cutting priorities, which ultimately will help us address the immediate demands on services and inequalities in communities.
- 4.6 The impact of the Cost of Living Crisis on the Chief Executive's Directorate remains a risk, particularly building on existing work on Poverty Reduction.

Communication and Engagement

- 4.7 The main risk to consultation and community engagement activity remains not providing relevant information and/or not reaching or getting feedback from a wide and diverse range of people in Hackney. Failure to take an inclusive approach, and without proper community engagement, the credibility of work undertaken is adversely affected. The organisation's reputation would also be damaged.

Human Resources and Organisational Development

- 4.8 There is a risk that after many years of austerity, the Council's workforce is not fit to deliver services effectively and provide the support that the community expects. If resources and ability are not in place or effectively supported, service delivery will suffer.
- 4.9 There is also a risk that the Council's workforce does not reflect the diverse community it serves. Risks relating to equality within the pay, grading and terms and conditions structure could lead to grievances and/or claims alleging equal pay, equal value and/or discrimination. This would damage the Council's reputation for valuing diversity and equality at the top of its agenda.
- 4.10 A new Organisational Development Strategy is under development alongside the HR & OD Delivery Programme. It is important that staff feel engaged and supported in developing these programmes and there is cohesion within hybrid teams. There is potential for there to be a disproportionate impact on some groups of staff, and there are existing perceived disparities between front line/field based and office/home based staff.

5. POLICY CONTEXT

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

6. EQUALITY IMPACT ASSESSMENT

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

7. SUSTAINABILITY

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

8. CONSULTATIONS

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

9. RISK ASSESSMENT

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

10. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

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

11. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND GOVERNANCE SERVICES

12.1 The Accounts and Audit Regulations 2015 require the Council to have a sound system of control which includes arrangements for the management of risk, as set-out in regulation 3. This Report fulfils this requirement and ensures that the appropriate controls are in place and fully effective.

12.2 Continuous review of the Risk Register and impending legislation referred to is key to ensuring that the Council remains in control of the management of risk.

APPENDICES

Appendix 1- Chief Executive's Directorate Risk Register (October 2023)

BACKGROUND PAPERS

None

Report Author	Lucy Cobb ☐020-8356 3022 lucy.cobb@hackney.gov.uk
Comments of the Interim Group Director, Finance	Jackie Moylan ☐020-8356 3032 jackie.moylan@hackney.gov.uk
Comments of the Acting Director of Legal, Democratic and Electoral Services	Louise Humphreys ☐020-8356 2029 louise.humphreys@hackney.gov.uk

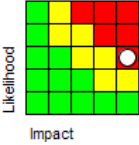

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Chief Executive's Directorate Risks October 2023



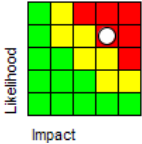

Report Type: Risks Report

POLICY AND STRATEGIC DELIVERY

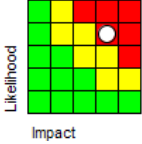

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 63</p> <p>CE DR 001 A range of key external factors that have the potential to undermine our ability to deliver against the priorities of our Community Strategy 2018-2028.</p>	<p>Due to the complexity of the wider environment, there are external factors which can 'blow off course' the delivery of the Community Strategy 2018-2028.</p> <p>The main external factors are:</p> <p>Ongoing impacts of the pandemic, population churn and change, economic uncertainty (particularly with the current cost of living crisis), growing and entrenching poverty and inequality, housing affordability, increased complexity of need in communities and eroded trust and confidence. There are a growing number of refugees and asylum seekers, including through planned schemes.</p> <p>This becomes more difficult, however, when reacting to growing demands and pressures and a growing budget gap to our core revenue grant and housing revenue. This is before we factor in inflation, fuel costs and a recession on the horizon. This cost of living crisis and recession will impact the Council and partners' ability to deliver services as well as their staff, and will put some organisations at risk. Nationally the policy environment is likely to lead to a continued move of resources away from London directly and indirectly.</p>	<p>Policy and Strategic Delivery</p>		 <p>Risk updated September 2023–Risk of impact high due to external context and continuing uncertainty around ongoing Cost of Living Crisis and capacity. Likelihood high without mitigation.</p> <p>Risk description updated in line with latest analysis in draft strategic plan 2022-26.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>CE DR 001a Analysis and proactive forward planning to support the management of the increased complexity of the external environment.</p> <p>Page 64</p>	<p>Adopt a suite of frameworks and strategies, and the corporate planning and delivery infrastructure needed to respond to uncertainty and complexity - helping us focus on long term goals, and maximising the benefits and mitigating the impacts as they arise.</p> <p>The Community Strategy was developed with extensive external and internal dialogue, and was approved by Council in 2018 along with a Single Equality Scheme.</p> <p>We continue to clearly articulate what is within local authority control and what we can deliver and what is outside our control and what we need to influence.</p> <p>We maintain an overview of community impacts and continue to progress our single equality scheme which sets out how we will tackle key equality and cohesion issues.</p> <p>We have also adopted a poverty reduction framework which is now in place.</p> <p>We are taking actions to shape a more inclusive economy as set out in our strategy adopted in November 2019.</p> <p>A new strategic plan will be presented to Cabinet in November 2022 which sets out the key risks to the community strategy vision and sets out priorities for the Council and partners for the next four years. This is based on refreshed analysis of data and impacts (including the latest Census and residents' survey data), takes account of the financial context and the political commitments of this administration.</p>	<p>Dawn Carter-McDonald</p>	<p>Sonia Khan</p>	<p>March 2024</p>	<p>May 2023</p> <p>Community Impact Assessment to identify direct and indirect impacts of pandemic- refreshed in Jan 2022 and now an underpinning tool to support the new strategic plan.</p> <p>Poverty reduction framework developed and in use.</p> <p>New strategic plan adopted in November 2022 takes on board key risks outlined in this register.</p>

<p>CE DR 001b Focus of CE support to manage the impact and opportunities associated with reduced resources.</p>	<p>The directorate capacity is closely aligned to supporting CLT to identify and deliver solutions to manage the impact of reduced funding.</p> <p>The establishment of Strategic Business Managers (SBM) within the Policy and Strategic Delivery Service has increased the capability of the Directorate to influence strategic programmes across the organisation. There is also an established CE directorate management team to corporately manage and monitor impacts and opportunities.</p>	<p>Dawn Carter-McDona Id</p>	<p>Sonia Khan</p>	<p>March 2023</p>	<p>Updated May 2023 Since February 2023, one Strategic Business Manager has been in post, working 50% of their time on a cross directorate brief, and 50% of their time to one specific directorate.</p> <p>This reduction reflects the fact that there is only permanent funding for one post; the other post was funded by directorates and their strategic support arrangements have changed. We also now have a Head of CE's office.</p>
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
<p>CE DR 002 Key LB Hackney partners' strategies and implementation plans diverge from the overall vision and strategy for Hackney - as articulated in the Community Strategy 2018-2028, undermining the cross cutting priorities which require partners to work collectively rather than institutionally.</p>	<p>LB Hackney partners' strategies and implementation plans diverge from the agreed approaches leading to:</p> <ul style="list-style-type: none"> a failure to deliver new cross cutting priorities in the Community Strategy that address the strategic risks and opportunities in Hackney an ineffective or misdirected use of resources, with individual partners approaching issues in a piecemeal or siloed way. short termism and a lack of join up around long term preventative strategies the value of Hackney's Voluntary and Community Sector (VCS) and their potential to leverage in external resources is not maximised Risk of partners not being able to progress with longer-term aspirations due to increased demands and costs etc. Potential closure of VCS orgs. 	<p>Policy and Strategic Delivery</p>		 <p>Updated September 2023 - Risk has risen with an increased likelihood due to the likely closure of VCS organisations. The Council cannot fully mitigate in these situations or have a rescue package each time an impactful organisation struggles. This is still a risk because of capacity -the pandemic has highlighted the importance of long term goals that promote fairness, equality and cohesion. Having a strategy and partnership in place has demonstrated that Hackney had a level of preparedness to respond to the pandemic and to develop our strategic response. Partners are therefore valuing this infrastructure and engaging with it, as a way to focus on cross cutting priorities, which ultimately will help us address the immediate demands on services and inequalities in communities.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>CE DR 002a Strategic partners own and drive cross cutting priorities identified in</p>	<p>Strategic Partnership working is under review and new arrangements will be in place early in 2023, in line with the Council's Strategic Plan and informed by partner plans and aspirations for partnership working.</p>	<p>Dawn Carter-McDonald</p>	<p>Sonia Khan</p>	<p>March 2023</p>	<p>May 2023 New arrangements under development</p>

the Community Strategy.					
<p>CE DR 002b The Council's partnership with the voluntary and community sector is underpinned by a shared strategy that defines how we will work together and our shared priorities, framed by the Community Strategy</p> <p>Page 66</p>	<p>The Voluntary and Community Sector Strategy sets out actions we will take over the next three years to support effective partnership working with the sector.</p>	<p>Dawn Carter-McDonald</p>	<p>Sonia Khan</p>	<p>March 2023</p>	<p>Updated May 2023 Voluntary Sector Strategy was adopted in March 2019 and is providing the frame for priorities which are now being progressed on: ways of working together investment property volunteering and community action</p> <p>This work has been accelerated by the pandemic, confirming that it was the right area to focus on.</p> <p>We have used this work to embed into longer term approaches to volunteering and community action and developing a new grants programme, lettings policy.</p> <p>Strategy should remain in place for next four years as the framework to inform partnership working.</p>
<p>CE DR 002c The Council's investment and support of the voluntary and community sector is framed by the current institutional and external contexts and ultimately supports the long term goals in the Community Strategy.</p>	<p>A review of grants and other investment in the voluntary and community sector has taken place. The key issues were identified in the Voluntary and Community Sector Strategy. The outcome of the review is informing future investment.</p>	<p>Mark Carroll</p>	<p>Sonia Khan</p>	<p>March 2023</p>	<p>May 2023 Review complete and informing investment from 2023 with new grants supporting community infrastructure, an increase proportion of grants going to advice, and a more detailed review of specialist grants underway. Changes to the way we invest and the processes used have also been implemented and have satisfied internal audit.</p> <p>A full review of investment in the VCS across the Council and by partners is under way.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
CE DR 003 Cost of Living.	<p>The current cost of living crisis continues to present risks which could impact on the Directorate in multiple ways, whether from the perspective of residents, services, businesses or partners. All of these will ultimately affect the overall cohesion and stability of the Borough.</p> <p>There is a risk of residents in private accommodation being unable to pay bills or keep up rent/mortgage payments as well as the most vulnerable households. This poverty could result in social problems and even civil unrest.</p> <p>Internally, staff experiencing poverty could impact on attendance levels (with possible increased sickness, or staff not able to afford travel) or result in potential industrial action</p> <p>Increased poverty is likely to increase demand on advice, food banks and other voluntary sector partner services. With increased costs for VCS partners - could lead to cutting of services and/or staff (could lead to job losses for local residents). Increased competition for council funding as well as funding generally. All of this would impact severely on overall service delivery.</p>	Policy and Strategic Delivery		 <p>September 2022 - There is an overarching Corporate risk on this, but this version focuses specifically on the challenges concerning the Chief Executive's Directorate with regards to this. The themes here are particularly building on existing work on Poverty Reduction</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 003a	<p>Most vulnerable residents are already under the scope of Poverty Reduction Framework: Responding to the cost of living crisis and worsening levels of poverty in Hackney. This will continue to be applied</p> <p>Cost of Living Resident Leaflets are going to be issued to those affected.</p> <p>Winter Fuel Poverty Action Plan is being developed</p> <p>Communications campaign to destigmatize benefits and explain how the council is in the best position to help residents maximise their benefits.</p> <p>Livestream with Senior leaders.</p> <p>Signposting to advice via internal comms channels</p> <p>Promote wellbeing offer, Employee Assistance Programme and hub of tools for staff to deal with crisis.</p>	Dawn Carter-McDonald	Assorted CEx Directors	March 2023	<p>May 2023</p> <p>These are a new range of controls being developed to tackle this assortment of financial problems.</p> <p>This includes £250k investment in developing longer term approach to poverty reduction. Responsibility for these lies amongst the various divisions of the Chief Executive Directorate. Clearly this risk spreads across the whole Council, but these actions focus on what lies under the CEx's control.</p>

COMMUNICATIONS AND ENGAGEMENT

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
CE DR 004 Involvement: uncertainty regarding residents feeling involved in Council key projects and view on achieving the goals of the community strategy.	<p>Consultation and community engagement activity not providing relevant information and/or not reaching or getting feedback from a wide and diverse range of people in Hackney. People do not feel listened to and cannot relate their views, priorities and interests to work being delivered to deliver the goals of the community strategy and do not feel that the local growth and change in the borough is benefiting them.</p> <p>The Covid pandemic exacerbated this risk as many people found it difficult to participate in digital engagement, but face to face participation opportunities were still limited. The events of the past 3 years have strengthened communities in some ways but have also served to create a number of divisive narratives which have led to some people feeling further excluded from participation and decision making.</p> <p>If the Council fails here, an inclusive approach will not have been achieved, and without proper community engagement, the credibility of work undertaken is adversely affected. The organisation's reputation would also be damaged.</p>	HR & OD - Comms & Engagement			
				Updated September 2023 – Risk is stable This risk is ongoing.	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CEDR 0004a Consultation and community engagement strategy and individual consultation and engagement plans	<p>Community Engagement is a key driver of the Communications Strategy alongside Council Corporate Plan; all consultation adheres to the standards of the Council's consultation charter and community engagement plans align with corporate priorities.</p> <p>Communications strategy is informed by a community insight gathering and engagement, which considers the priorities and interests of Hackney's diverse communities. This includes regular surveys and engagement work by the Council and with partners. Our resident's survey has been a major exercise to engage with local people about the key benefits and opportunities arising from growth and how these can be maximised. This exercise provides the basis for the council's long term engagement strategy.</p> <p>The Council had not carried out a full residents survey for more than two years. Covid had affected both the timing and the funding for</p>	Dawn Carter-McDonald	Martin Szybut	March 2023	Updated May 2023

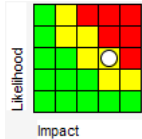

	<p>this. A survey was carried out in Summer 2022. The results of this have been shared with CLT, members and Senior Managers Network. Individual teams have engaged our Consultation and Engagement service to better understand the findings of their areas. The results of the survey are now used to inform communication and engagement campaigns.</p> <p>The Council continues to develop and implement an insight and engagement led approach to communications and to work across the Council to ensure that residents are given the chance to influence the decisions that most affect them. Matrix management has been established to strengthen links between the Tenant Participation Service in Housing, and the corporate team, to ensure we are effectively reaching and engaging residents in social housing.</p>				
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LEGAL, DEMOCRATIC & ELECTORAL SERVICES

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 69 CE DR 006 No Legal Advice Sought or Given	Directorates and services fail to seek timely advice on the right decision-making process and to seek legal advice on contracts or litigation resulting in adverse court rulings and increased costs or compensation. Clear reputational and financial risks.	Legal & Governance Services		<p>Risk remains static, regular client training, client liaison meetings and quarterly team updates will continue to provide mitigation. In addition, training is being delivered by the Governance Service around Constitutional matters.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 006a No Legal Advice Sought or Given	<p>Governance training for Legal Services and Directorates. Decision making procedure note prepared and provided to clients and staff; regular advice provided to clients on governance and decision making; close management and monitoring of decision making requests on urgent items.</p> <p>Consider and review team training, including reporting and authority limits and accuracy checks on high risk activities and briefings of arrangements to other directorates. Training on procurement procedures to mitigate the risk of service departments following the incorrect procedure. Also ensure</p>	Louise Humphreys	Juliet Babb	March 2024	The Governance Service has carried out, and continues to offer, training on the role of the Service and decision-making generally.

	<p>effective communication is carried out between teams, and effective templates are distributed by Legal Services.</p> <p>During the 2023/2024 financial year, work will commence on the creation of a 'knowledge hub' which will act as a single repository for information about governance processes as well as information relating to decision-making, challenges to decisions and 'self-service' guidance notes, training and legal documentation.</p>				
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE DR 007 Legal and Governance compliance	Failure of Lawyers and Governance Team to identify in a timely manner Legal and Governance Risks that arise in case management and non-compliance with Governance procedures, this also includes providing legal advice and governance support on matters instructed upon by clients and directorates. This would present legislative, reputational and financial risks to the Council.	Legal & Governance Services		 <p>Risk remains static, albeit that in some areas, such as childcare, litigation, procurement and housing there has been an increase in the volume of instruction in a non-timely manner.</p>

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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 007a Legal and Governance compliance	<p>Ensuring that appropriate authority for the legal action proposed is sought at the outset of instructions.</p> <p>Lawyers to review cases at commencement to identify potential risk.</p> <p>Matters and areas of concern relating to identified risks are escalated.</p> <p>Regular review of the Legal Risk Register by all lawyers and senior management.</p> <p>Monitor the submission timetable for reports in advance of the due dates.</p> <p>Monitor late submission to identify trends and escalate where necessary.</p>	Louise Humphreys	Juliet Babb	December 2023	<p>Workloads and cases are monitored closely by line managers via supervisions / check-ins / team meetings.</p> <p>Concerns are escalated to SMT where appropriate.</p> <p>The internal Legal Risk Register is carefully monitored</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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CE DR 008 Council Meetings	Conduct of Council meetings - lack of resources to support live streamed meetings and members may be in 'remote attendance', and issues with Town Hall infrastructure (i.e. microphones, ICT and other elements). Risk of reputational damage as result, or legal challenge due to meeting procedures not being followed correctly.	Legal & Governance Services			This continues to be a risk while stop-gap solutions are in place and resolutions being sought.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 008a Council Meetings	Regular meetings between ICT, Facilities and Governance Services to identify issues and solutions. Continued support for staff and Councillors in using ICT equipment for formal meetings.	Louise Humphreys	Juliet Babb	December 2023	Procurement of a permanent ICT solution is in progress.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 7 CE DR 009 Risk to Resources	Demand for Legal Services is greater than the service can deliver due to lack of sufficient resources (i.e. legal staff), leading to decrease in staff morale, higher workplace stress levels and associated risk of absence due to ill-health. Alternative service provision via external lawyers would place increased financial pressure upon the Council at a time when its budget is constrained.	Legal & Governance Services		 Updated September 2023 – Risk is stable This risk is ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 009a Risk to Resources	Early engagement with Legal Services should be encouraged to enable matters to be more effectively managed throughout and to enable advice to be provided which could obviate difficulties arising later on, such as avoidable legal proceedings. Client relationship meetings take place on a regular basis to ensure that, where possible, the Legal Service has an indication of likely future demand. Where pressures have been identified, business cases will be presented to client services where more resources are required.	Louise Humphreys	Juliet Babb	March 2023	Updated September 2023

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE DR 0010 Case Management System	<p>Following the cyber attack in October 2020, the legal case management system became unusable. An alternative system was in process of being implemented, which had to be accelerated even though the system was not fully functional and tests had not been completed. Despite the best efforts of everyone involved to secure the necessary improvements to the system over time, the system is not fit for the Council's requirements and issues continue to be experienced on a regular basis and the root causes of these issues are not easy to identify / fix swiftly.</p> <p>Impact on staff morale and productivity (e.g. time wasted having to manually import emails into the system rather than their being automatically imported).</p> <p>Risk of loss of Lexcel (Law Society) accreditation due to non-compliance with the Lexcel standards and being able to demonstrate to the Assessor that files are being appropriately managed (not a qualitative assessment of the work undertaken).</p>	Legal & Governance Services		<p>Updated May 2023 – Risk is increasing This risk is ongoing.</p>

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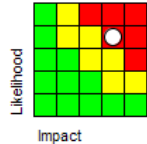
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 0010a Case Management System	<p>Discussions are underway with ICT about an alternative case management system, but only two providers have been identified who claim to be fully integrated with Google systems - one of whom is the current supplier.</p> <p>A trial of the second supplier's system has been delayed as there are a number of ICT issues that need to be resolved. A trial start date is still awaited and is becoming more critical as the year progresses due to the contract end date with the current supplier.</p> <p>A significantly greater number of options would be available if the Legal Service was permitted to utilise Windows / MS products.</p> <p>This continues to be a priority for the Legal Service.</p>	Louise Humphreys	Juliet Babb	November 2023	Risk ongoing- controls in place

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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CE DR 011 Breach of Statutory Requirements on Elections / Electoral Registration	Non-compliance with the Statutory Requirements for Elections may lead to invalid processes resulting in legal action and the need to re-hold elections incurring additional costs and reputational damage.	Chief Executive's		 Reviewed February 2023 - Any breaches or problems will impact severely on the authority and Returning Officer. Risk score remains static.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CE DR 011a Breach of Statutory Requirements on Elections and Electoral Registration	Electoral Services to monitor and maintain procedures for all Electoral Requirements to ensure compliance with new and existing processes using appropriate advice and guidance. Regular review of systems and infrastructure particularly with future legislative electoral changes in the next 3 years, particularly in relation to the annual canvass	Louise Humphreys	Bruce Devile	March 2024	Reviewed February 2023
CE DR 011b Breach of Statutory Requirements on Elections / Electoral Registration	Regular review of systems and infrastructure for both electoral registration and elections	Louise Humphreys	Bruce Devile	March 2024	Reviewed February 2023
CE DR 011c Breach of Statutory Requirements on Elections and Electoral Registration	Continue to review team resources to ensure continued accurate and consistent delivery of priorities.	Louise Humphreys	Bruce Devile	March 2024	The team successfully delivered elections in recent years, including the local elections in May 2022 which required additional Covid-19 requirements (although less than those in 2021). Additional staff will be brought in at election times.

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>CE DR 012 Delivery of elections in light of the requirements of the Elections Act 2022. next scheduled elections May 2024.</p>	<p>The Elections Act 2022 brings the biggest change to election legislation in a lifetime including the introduction of Photo ID at polling stations. These changes have been identified as very high risk by the Association of Electoral Administrators as they are both numerous and far reaching in terms of affected electors.</p>	<p>Chief Executive's</p>		<p>New risk</p>
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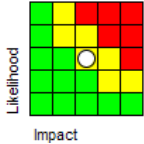

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
<p>CE DR 012a Staff training & knowledge</p>	<p>Working in detail with the Association of Electoral Administrators (AEA), Government and the Electoral Commission as well as London elections colleagues to ensure there is a detailed understanding of the new requirements of the act and implications. Core staff training and sessional staff training from the AEA.</p>	<p>Louise Humphreys</p>	<p>Bruce Devile</p>	<p>March 2024</p>	<p>Sept 2023 - control added</p>
<p>CE DR 012b Public awareness & knowledge</p>	<p>Public awareness to supplement that from the Government / Electoral Commission (lead responsibility) to ensure Hackney residents are aware of the Election Act changes - predominately this relates to the requirement of Voter ID in polling stations. Additional communications will take place nearer elections on other specific changes - eg Postal vote forms now required in polling stations.</p>	<p>Louise Humphreys</p>	<p>Bruce Devile</p>	<p>March 2024</p>	<p>Sept 2023 - control added</p>
<p>CE DR 012c Public engagement</p>	<p>To complement the public awareness, engagement work (visits/talks) will take place with community groups to raise awareness of voter ID requirements and what ID is acceptable and how to apply for Voter Authority Certificates for those who need them.</p>	<p>Louise Humphreys</p>	<p>Bruce Devile</p>	<p>March 2024</p>	<p>Sept 2023 - control added</p>

HUMAN RESOURCES & ORGANISATIONAL DEVELOPMENT

Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Risk LR HR 1920 004 Workforce / Equality	<p>There is a risk that after many years of austerity, the Council's workforce is less well equipped to deliver services effectively and provide the support that the community expects. If resources and ability are not in place or effectively supported, service delivery will suffer.</p> <p>There is also a risk that the Council's workforce does not reflect the diverse community that we serve.</p> <p>Also, risks relating to equality within the pay, grading and terms and conditions structure could lead to grievances and/or claims alleging equal pay, equal value and/or discrimination. This would damage the Council's reputation for valuing diversity and equality at the top of its agenda.</p>	Finance and Corporate Resources		<p>October 2023.</p> <p>HR & OD has recently moved from Finance and Corporate Resources to the Chief Executive's Directorate</p> <p>The HR & OD Service has been established as well as a restructure of the Service, and a new Director is now in place. The HR&OD Strategy is under development and the delivery programme will reflect mitigations in all areas of risk. The Strategy is expected to be signed off by the end of the year.</p>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
LR HR 1920 004 A Workforce Strategy	<p>A comprehensive workforce strategy addressing issues raised by Covid pandemic has been put into place and approved by CLT. Workforce is a regular monthly item on the CLT agenda (with the HR Director in attendance), where progress on the actions and controls outlined in this risk are discussed.</p>	Chief Executive	Sandra Farquharson	Dec 2023	<p>October 2023</p> <p>The new HR & OD Strategy is under development and the delivery programme will reflect mitigations in all areas of risk. The Strategy is expected to be signed off by the end of the year.</p>
LR HR 1920 004 B Inclusive Leadership Action Plan	<p>A specific and comprehensive action plan that addresses workforce diversity priorities and embeds and inclusive leadership culture to be put into place and delivered. Also, the Council undertook a local recruitment campaign in order to attract local people to work for the Council.</p>	Chief Executive	Sandra Farquharson	Dec 2023	<p>October 2023</p> <p>There has been a review of the OD Board Terms of Reference and membership will now include all staff network chairs to support delivery of the HR & OD Strategy and plans outlined above.</p>
LR HR 1920 004 C Enhanced Workforce Data	<p>Workforce analysis capability to be enhanced, including analysis of pay gaps and a review of the data provided in the workforce profile.</p>	Chief Executive	Sandra Farquharson	Mar 2024	<p>October 2023</p> <p>Gender and Equalities Pay Gap reports are submitted to full Council in January each year. Gender Pay Gap Report is then published on the Council's Website. Annual Pay Statement is also approved by Full Council in January each year. There is work underway to consider a wider data report which includes areas of</p>

					intersectionality. In addition the Service Redesign includes a specific Workforce Data Insight Officer proposal. We anticipate concluding the restructure by end of Oct 2023, subject to staff and TU consultation.
LR HR 1920 004 D Data monitoring of HR processes	Work to be undertaken to collect demographic data of employees within HR processes, starting with the Grievance process as a proof of concept. Also, there is a technology plan in place to ensure the technology we operate keeps pace with the way we need to deliver services.	Chief Executive	Sandra Farquharson	Mar 2024	October 2023 Because of the Cyber Attack ICT have not been able to focus resources on this. Work will be able to be moved forward once we have a proposed Workforce Data and Insight specialist within the Service.
LR HR 1920 005 E Agency Spend	The Chief executive tasked CLT with reducing agency spend in order to reduce the risk of an unstable workforce and excess spend	Chief Executive	Chief Executive	ongoing	October 2023 - this is ongoing and has been identified as a further opportunity for savings.
LR HR 1920 004 I Organisational Change Policy	There is a comprehensive and best practice organisational change policy and procedure in place to manage the changes that the Council needs to implement in the workforce.	Chief Executive	Sandra Farquharson	Mar 2024	October 2023 - There is a Policy Review project under development to ensure best practice and embedding the council's commitments in areas such as EDI. The Organisational Change Policy will be reviewed within the timeline being developed.
LR HR 1920 004 J Equalities in pay	The legal landscape and equality in the pay and grading structure continue to be monitored ongoing. Also, a control and monitoring system has been implemented for market supplements	Sandra Farquharson	Meryl Wade	Mar 2024	October 2023 - Plans for the review of the Housing Bonus Scheme is underway and areas related to equal pay will be explored as part of that project.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CE DR 0005: Organisational Development: risks to the workforce strategy aims of an engaged, motivated workforce, and inclusive workplace.	The new OD Strategy is under development alongside the HR OD Delivery Programme and an implementation timeline for our future workplace programmes. Whilst staff have returned to doing more office based work, the OD strategy needs to ensure that staff feel engaged and supported and there is cohesion within hybrid teams. There is potential for there to be a disproportionate impact on some groups of staff, and there are existing perceived disparities between front line/field based and office/home based staff	Finance and Corporate Resources		 Updated September 2023 – Risk is stable Approach to hybrid working is now under review. Work will commence with all staff groups, network and TUs to co-design the future hybrid ways of working which takes staff motivation and workforce inclusion into account. firmly embedded as a normal way of working across the Council. Challenges still remain in some services, in ensuring a widespread return to the office for all staff (even at only 1 / 2 days a week). Corporate communications have emphasised the importance of a

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CEDR 0005a Ongoing programme of staff engagement and insight, OD board focusing on emerging needs of workforce	The Council is piloting training for all managers with home/office staff to help them gain the skills to effectively manage a hybrid workforce. 65 took part in the pilot in Oct 21 with the aim to use their feedback to further adapt and tailor the course content for Hackney and deliver organisation wide. An organisation wide staff survey has been completed to test staff engagement/morale/informed levels. Data has been provided at directorate and dept level and support provided for Directors to shape action plans. Regular staff insight work was carried out throughout the pandemic and has shaped the organisational response and future workforce plans. The workforce strategy has been updated in the light of the pandemic.	Group Director	Sandra Farquharson	March 2024	The OD Board Membership and TORs are under review. The HR & OD Strategy under development will include proposals to ensure the training, development and succession plans of the council take into account the diverse and ageing workforce as well as succession planning in light of local and national hard to recruit skills.

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Title of Report	FINANCE AND CORPORATE RESOURCES RISK REGISTER - COVERING REPORT
For Consideration By	Audit Committee
Meeting Date	October 25th 2023
Classification	Open
<u>Ward(s) Affected</u>	All Wards
<u>Group Director</u>	Jackie Moylan, Interim Group Director, Finance

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 2023 (attached). It also identifies how risks within the Council are identified and managed throughout the financial year and our approach to embedding risk management.
- 1.2 This report assists the Committee in its role of overseeing corporate governance and is presented for information and comment.

2. RECOMMENDATION

Audit Committee is recommended:

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

3. REASONS FOR DECISION

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

The risk management process helps us to make such judgements, and as such it is important that Audit Committee is aware of this.

4. BACKGROUND

4.1 This current Directorate risk profile was reviewed by the Directorate Management Team in September 2023 in advance of it progressing to October's Audit Committee. The register has been 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). Numerous risks have changed or now exist in different circumstances compared to the last review, especially in light of the current cost of living crisis, the pandemic and the Cyberattack which the Council suffered.

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:

- Numerous external events and influences are having a considerable impact on the Council and this Directorate's objectives, notably the fragile economy and accompanying cost of living crisis, the continuing impact of the pandemic, along with the Cyberattack which although it occurred in October 2020, continues to have an impact on Services. Each of these areas impacts directly on Finance and Corporate Resources. Areas like finances (with budget cuts, and especially current challenges like the volatile energy market and rapid increases in cost of living) were already problematic during the pandemic, and they have seriously intensified now, and the Cyberattack has severely affected the operation of some Services. There are overarching risks on the Corporate register relating to this, and the cost of living crisis is featured throughout this iteration; from risks on budgets to those on temporary accommodation, supply chains and commercial rents. A distinct risk here is unnecessary as this theme permeates throughout the register.
- Even before the pandemic, the effects of economic uncertainty had been present for a considerable time, especially for the Council with the austerity measures of the last decade. In the last couple of years however, matters have tightened even further with the combined impacts of the pandemic, the cyberattack and Brexit. The current crisis concerns the rapidly rising cost of living which impacts both on the Council as an organisation, residents of the Borough, staff and local businesses. This is further adding to internal budgetary pressures and presenting additional external risks to the wider communities of Hackney, as high inflation causes increased poverty and overall deprivations. Again this is reflected in a broader economic risk on the Corporate register.
- There has been a new escalation to this register of a risk from the Pensions team relating to the potentially poor delivery of the overall service for scheme members. This is currently exacerbated by the required system upgrade to a new supplier, which increases the likelihood of inaccurate or late calculations,

processes and communications. The poor membership data risk has steadied compared to previous years, and the controls now provide more assurance that this risk is being managed more effectively.

- Audit and Anti-Fraud's overarching risk about a major fraud occurring now has some additional controls, including the recent creation of a new Council-wide Fraud Risk Register, which will soon be shared with all relevant parties
- The Temporary Accommodation risk has intensified over the last year and now poses serious challenges to the Council. As the detail within the risk description illustrates, the resources, funding and general availability of property is not sufficient to meet the demands, and this does not look likely to improve in the short or medium term.
- The Cyber Security risk has now been merged with the previous risk which related to the impacts of the Cyberattack and the organisation's increased vulnerabilities resulting from it.

6. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

- 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 ACTING DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES

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

APPENDICES

Appendix 1 - Finance and Resources Directorate Register

BACKGROUND PAPERS

None

Report Author	Matt Powell ☐020-8356 2624 matthew.powell@hackney.gov.uk
Comments of the Interim Group Director, Finance prepared b	Deirdre Worrell ☐020-8356 7350 deirdre.worrell@hackney.gov.uk
Comments of the Acting Director of Legal, Democratic and Electoral Services	Louise Humphreys ☐020-8356 2029 louise.humphreys@hackney.gov.uk

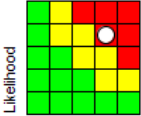

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Finance and Corporate Resources Directorate Risk Register

October 2023



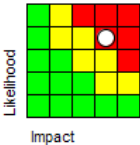

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Risk Title	Description of Risk	Directorate	Current Risk Matrix (score after mitigations)	Risk - Latest Note
<p>Page 85</p> <p>FR AC 001 Budget Setting - Budgetary stability in relation to both budget setting and budgetary control and medium term financial planning INTERNAL & EXTERNAL RISK FUTURE RISK</p>	<p>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..</p>	<p>Finance & Corporate Resources</p>		<p style="text-align: center;"></p> <p>Updated and amended September 2023.</p> <p>Continued demand pressures in social care, the absence of a long-term solution for the funding of Adults Social Care and the cost of living crisis (with inflation still at 6.7%) continues to have an extremely significant impact on the Council's finances both in terms of additional costs and income collection. This is further compounded by the continuing impacts of the pandemic and the criminal cyber attack of October 2020. Additionally, the 23/24 pay offer (yet to be accepted) will place a further strain on finances.</p> <p>The July OFP reported to Cabinet in September forecasts a net overspend of £13.7m for 2023/24 after the application of reserves but before the application of the set aside provisions as provided for in the budget. The application of provisions and the additional in-year savings reduces the overspend to £9.1m.</p> <p>The pending pay award for the current year will exceed the provision made for in the budget. The Corporate Leadership Team will continue to consider further measures to reduce spend and report back in</p>

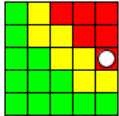

				<p>future OFPs. It is noted, for example, that specific measures have been identified in the high-spending areas of Adult's and Children's to bring down costs and the impacts will be factored into the forecast as and when then these materialise. Furthermore, additional one-off provisions were made as part of the budget setting process in relation to demand-led pressures and pressure on suppliers. At this stage these have not been applied in their entirety to the overspend position. Further consideration will be given to this as we get a better picture of the forecast as the year progresses</p> <p>The impending Fair Funding Review and a Business Rates Reset has over several years been reported as a risk to the finances of the Council as in its originally proposed form, it would almost certainly involve us in a loss to funding (possibly significant) which could in turn have a severe impact on overall service delivery and strategic objectives. It was originally planned to be introduced in April 2020 but postponed because of Covid. It was then planned to be introduced in 2021/22 but was again postponed and is now very unlikely to be introduced until 2025/26 at the earliest. Further it is not clear what impact a change of Government will have on its form and content. However, it must continue to be recognised as a longer term risk as any kind of Business Rates Reset will inevitably reduce our funding, all else being equal. 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.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AC 001A Accuracy of corporate financial planning	<p>A medium-term financial plan is maintained and planning assumptions regularly reviewed, updated and also tested through London-wide networks.</p> <p>The MTFP is reported to members as part of the annual budget report.</p> <p>An up to date Treasury Management Strategy is maintained and reported to members regularly through appropriate forums.</p>	Jackie Moylan	Mizanur Rahman	Ongoing	As at the end of July the Council's budget is forecast to be £9.1m overspent. Finance are working with the services to mitigate this pressure, however, a significant overspend is likely to remain and will impact on the Councils reserves.

	<p>An up-to-date capital programme is maintained with clear links through to the MTFP.</p> <p>A 30 year HRA business plan is in place and regularly reviewed.</p> <p>Senior financial managers ensure they are well informed on changes to key financial issues,</p>				
FR AC 001B Corporate savings delivery	The Directorate Finance Support team provide accurate information to budget holders to inform appropriate decision making around corporate savings requirement.	Jackie Moylan	Deirdre Worrell/ Mizanur Rahman	Ongoing	<p>Control updated Sept 2023</p> <p>Finance provides ongoing support to budget holders in developing budget proposals and are embedded in directorate management teams.</p>
Page 87 FR AC 001C Delivery of annual budget setting process	Corporate Accountancy manages and coordinates mechanics of budget setting process for the council, in conjunction with directorate finance teams, ensuring services are allocated budgets as agreed through full Council.	Jackie Moylan	Deirdre Worrell/ Mizanur Rahman	Ongoing	<p>Control updated Sept 2023</p> <p>The budget setting process for 2024/25 is well underway . This includes significant increases in budget in some areas to meet demand pressures. Budget proposals to meet the Gap for 2024/25 are in train and focus is also on the medium term where a significant gap remains. Inevitably the Council will have difficult decisions to make.</p>
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)	Jackie Moylan	Deirdre Worrell/ Mizanur Rahman	Ongoing	<p>Control updated Sept 2023.</p> <p>Monthly reports to Cabinet (the OFP). Regular catch up meetings held between the S151 officer and the Mayor and the Lead Member for Finance as well as routine finance updates to Scrutiny and the Audit Committee.</p> <p>Overview of all budgets provided by Group Directors to Scrutiny Panel in July 2023 in advance of budget scrutiny by individual commissions.</p>

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, the FM Code & MRP Guidance.	Jackie Moylan	Deirdre/Worrell/Mizanur Rahman	Ongoing	Control updated Sept 2023. Key officers are aware of changes to guidance and these are reflected in financial planning and the statutory accounts. Members are also kept informed throughout the Capital Asset Steering Board.
FR AC 001E Council reserves in respect of the General Fund & the HRA are adequate to provide financial resilience.	The adequacy of reserves are formally reviewed and reported on by the S151 officer as part of the annual budget report. Earmarked reserves are held to mitigate against specific risks. Reserves are reviewed on an ongoing basis throughout the financial year in the context of emerging pressures.	Jackie Moylan	Deirdre Worrell/Mizanur	Ongoing	New control added Oct 2023 This year unearmarked General Fund reserve was increased from £15m to £17m. A deep dive on the Council's reserves were reported to Audit Committee in April 2023 which noted comparative picture and use of reserves as a result of the cyber attack and demand pressures.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR AC 003 Accounts Closure INTERNAL RISK FUTURE RISK	The risk that accounts are produced late, and the subsequent management of the audit then results in late publication of the Council's accounts. If accounts are not closed on time, it would have legislative and reputational consequences. Risk also applies to the (external) auditors not meeting their own challenging deadline at the end of September, with additional regulatory scrutiny adding to the pressure.	Finance & Corporate Resources		 <p>Risk score has stabilised after the likelihood having risen at the last review.</p> <p>Reviewed September 2023 - control ongoing. In the light of COVID-19, deadlines were relaxed for 2019/20, 2020/21 and 2021/22. The Accounts were produced late for 2020/21 due to the cyber attack. The 2020/21 audit has been successfully completed, and we have been issued with an unqualified opinion</p> <p>The draft accounts for 2021/22 were published in line with the statutory deadline of the end of July 2022. The Audit is substantially complete, and the main area outstanding is</p>

					<p>further testing on the assets and liabilities in relation to the Pension Fund, a requirement which has been entirely driven by delays to the audit.</p> <p>The draft accounts for 2022/23 were published in line with the statutory deadline of the end of May 2023. The audit for 2022/23 has commenced in July. However, the audit opinion will not be given by the end of September deadline due to issues in the external audit market.</p>
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR AC 003A Annual statement of accounts process meets new, shorter statutory deadlines (31 May for publication of draft accounts and 30 Sep 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 tasks 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. 	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2023- Statutory deadline for publication was met for 2022/23. Risk remains re the audit as set out above.
FR AC 003C Annual statement of Accounts meet latest CIPFA accounting code guidance	The Central Accountancy function keeps up to date with CIPFA codes through subscription to the latest version, liaison with external audit and peers.	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2023 Note, no significant issues raised with the 2021/22 audit to date, other than sector-wide pensions liability issue.
FR AC 003D Production of wholly owned subsidiary accounts and group accounts	<p>Relevant officers given appropriate training. Professional advice sought as necessary.</p> <p>Appropriate accounting and audit processes, across LBH and subsidiaries are arranged well in advance of closing period, with any issues resolved in time.</p> <p>Relevant processes and interactions built into closing timetable.</p>	Jackie Moylan	Mizanur Rahman	Ongoing	Controls updated September 2023 Note, no significant issues raised with 2021/22 audit to date, other than sector-wide pensions liability issue.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>TCR 0002 Management of Capital Programmes / Schemes EXTERNAL RISK 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 low external debt position and becomes more vulnerable to changes in the market (interest rates, 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 and Education; Adults, Health and Integration; Finance & Corporate Resources; Neighbourhoods & Housing</p>		<p style="text-align: center;"></p> <p>September 2023 - This risk is ongoing in light of the quantity of high level programmes across the Council and increases in interest rates. 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 revised capital programme for 2023/24 is currently £250.0m (non-Housing schemes totalling £136.2m and Housing schemes totalling £113.8m). A commitment to building affordable homes is part of the Mayor's priorities, so multiple building projects will be required to achieve this.</p> <p>There are detailed separate risk registers for major projects such as Britannia. Britannia has a commercial lead and has contracted construction specialist cost advice and financial viability advice for the project. This has meant that phase one (the school and leisure centre) have been delivered on budget. This approach will continue for phase two of the project, enabling more informed decision making by the Officer Steering Group and Project Board established to govern it. This risk has remained the same since the last period as there are no major changes to the project profile.</p>

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 the capital budget monitoring process which is reported through to Cabinet and also reviewed by Audit Committee on a quarterly basis.	Jackie Moylan	Mizanur Rahman	Feb -2024	September 2023 - The capital budget for 2023/24 is £248.1m (Non-Housing budget £134.3m and Housing budget £113.8m). Following the Capital Management Review, the Capital Asset Steering Board (CASB), is now in place and will strengthen monitoring of the overall capital programme at Cabinet member and Chief Officer level (see SRCR 0002C below). Thematic and area-based reporting formats in terms of outcomes and costs are being developed and timetabled for implementation in the current financial year.
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.	Jackie Moylan	Mizanur Rahman	Feb - 2024	September 2023 - Governance for major projects include next step gateway processes which ensure affordability of projects are subject to periodic review which is a significant risk in a time of high construction inflation.
SRCR 0002C Management of Major Capital Schemes	Following the completion of a capital management review the Capital Asset Steering Board (CASB), a joint Cabinet member and Chief Officer board is now in place and has oversight of the capital programme as a whole. The purpose of the board includes to review new project proposals, including their affordability and make recommendations to Cabinet on their inclusion on the Capital Programme & monitoring the delivery and development of the Capital Programme, Strategic Asset Management Strategy and the HRA Asset Management Plan.	Jackie Moylan	Mizanur Rahman	Mar - 2024	September 2023 -The CASB was established in October 2022 and to date has input into the capital strategy approved as part of the budget report and reviewed and recommended new capital investment to go forward to Cabinet. In the current financial year, as well as the enhanced monitoring arrangements referred to at SRCR 0002A above the CASB will also oversee the development of a 10 year capital programme (currently three) linked into the MTFP.
SRCR 0002D Management of Major Capital Schemes	The Council has a Treasury Management Strategy (TMS) in place which incorporates the authorised borrowing limit and borrowing strategy. The TMS is reviewed by Audit Committee and approved by Full Council on an annual basis with the Audit Committee receiving quarterly updates on treasury management activities including any new borrowings. The Council also has treasury management advisors in place who support us in making borrowing and investment decisions.	Jackie Moylan	Mizanur Rahman	May 2024	September 2023 - This is not a new control but is now recorded on the risk register in relation to Major Capital Schemes due to increased borrowing requirement and heightened interest rates.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR DR 0002 Failure and Poor Performance of Suppliers and Contractors / Partnerships INTERNAL RISK CURRENT RISK Page 92	<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 negatively impact the services LBH can deliver.</p> <p>This could also result in notable financial losses for the Council (with additional resources spent on rectification of areas of non-compliance); also there would be high costs associated with re-letting contract if re-tender required. There is also the potential for there to be legal challenges from contractors dissatisfied with Council processes and decisions. All these risks are serious for the Council as it is supported by many of these bodies, or it is implicitly responsible for their financial soundness.</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. If these contracting and / or partnering arrangements fail, it could have serious impacts re cost, service delivery, and reputation.</p> <p>The risk intensified during the pandemic, as supply chains were threatened by some organisations having to temporarily cease work or furlough staff. This could have led to an impact on service delivery for areas that are reliant on external contractors.</p>	Finance & Corporate Resources			
September 2023 - The risk remains stable, but liable to change due to challenging and continuing external events (notably the cost of living crisis). 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. The Council is continuing the delivery of its plan to insource and bring more services back in-house, as a Manifesto commitment put forward by the Mayor in 2022. Council services worth nearly £12 million every year have been reclaimed from private companies as part of a new strategy to deliver better, more reliable public services in-house rather than outsourcing them. Hundreds of cleaning, maintenance and parking enforcement staff were transferred to Council employment between January 2020 and March 2022, under a plan to bring in services from for-profit companies approved by the Council's Cabinet. This included over 130 parking wardens being brought back "in house" after previously having to contract for an external company (APCOA). This reduces risks related to external reliances. Brexit and COVID-19 has had an impact on the workforce availability to deliver our procurement activities and we have continued to adapt to the changing market to ensure that we effectively resource our procurement function. We have continued to work with Key suppliers to improve service delivery and achieve savings particularly to contribute to the Council's savings targets. Contracts registers have been updated and reviewed by all, with training /support provided. Use of the UK Government Digital Marketplace and Technology Code of Practice continues to open up the Council's supplier base.					
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.	Rotimi Ajilore	Service Managers	Ongoing	September 2023- : no further update or significant change - this is part of BAU. . Adoption of Technology Code of Practice provides a clear basis for assessment of future technology providers.

	This will be an ongoing activity (no fixed end date).				
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	Service Managers	30 Oct 2024	September 2023- : 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	Service Managers	Ongoing	Ongoing – continues as business as usual. September 2023. 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)	Jackie Moylan	Deirdre Worrell	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR 0015 B Contracting / partnering	Monitoring of financial position by Section 151 Officer and Director (Fin Man)	Jackie Moylan	Jackie Moylan	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR 0015 C Contracting / partnering	Post-implementation reviews carried out. Also a new Insourcing Guidance paper drafted.	Jackie Moylan	Rotimi Ajilore	30 Oct 2024	Reviewed September 2023- ongoing. Substantial progress made across the Council at insourcing more services.
FRDR 0015 D Contracting / partnering	Compliance with Contract Standing Orders.	Jackie Moylan	Rotimi Ajilore	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR 0015 E Contracting / partnering	Substantial Legal Services input into contract formulation and on-going advice.	Jackie Moylan	Rotimi Ajilore; Legal services	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR 0015 H Contracting / partnering	Improve and open information flows between the Council and its partners.	Jackie Moylan	Rotimi Ajilore	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR 0015 I Contracting / partnering	Additional training on contract negotiation skills, contract management.	Jackie Moylan	Rotimi Ajilore	30 Oct 2024	Reviewed September 2023- ongoing.
FRDR0015J - Immediate Coronavirus response - but continued good practice 2 years later.	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	Jackie Moylan; Rotimi Ajilore	All Contract Managers	30 Oct 2024	Reviewed September 2023- 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 Page 94	<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. This has not happened previously but it continues to be a risk we must guard against.</p> <p>Regarding the impact to the Council, any of the above could result in financial loss, severe reputational damage and an avoidable drain on resources through taking action to fix the problem.</p> <p>A failure to investigate a case in compliance with the prescribed legislation and Anti-Fraud & Corruption Policy could lead to damaging accusations against the Anti-Fraud Service and the possible prosecution of innocent parties or failure to prosecute fraudsters, which would negatively impact on the Council's reputation.</p>	Finance & Corporate Resources and Cross Council		<div style="text-align: center;">↔</div> <p>September 2023</p> <p>The response to the cost of living crisis and cyber attack resulted in new services being delivered at short notice and existing services being delivered in new ways. It is widely acknowledged that fraud is likely to increase at times of rapid change, as a result the likelihood score remains at a 3, although the fraud response arrangements are considered to be effective and have been enhanced since the risk register was last updated.</p> <p>New business systems have been introduced following the cyber attack, resulting in new processes and ways of working. Despite this progress there continue to be some legacy data issues which impact on multiple services, including AAF.</p> <p>AAF continues to provide advice to services about sensible precautions and adjustments to procedures to ensure 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 is supported by good working arrangements between other organisations, including the police, local authorities, Cabinet Office (NFI), Borders Agency, HMRC etc.	Cross Council / Partnerships	All relevant managers	Ongoing	September 2023 – ongoing.

	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.				
FR AAF 015B – Robust Policy framework	<p>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:</p> <ul style="list-style-type: none"> • Anti-Fraud and Corruption Strategy • Whistleblowing Policy • Codes of Conduct (staff and members) • Anti-Money-Laundering Policy • Surveillance and Communications Data 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>	Jackie Moylan	Michael Sheffield	Ongoing	<p>September 2023 - Recommendations arising from fraud reports are tracked in the same way as those arising from audit reviews, so that progress toward rectifying any areas of concern that are identified can be monitored.</p> <p>The Anti-Fraud & Corruption Policy and the Surveillance and Communications Data Policy and Procedures have both been updated during summer 2023 and will be presented to the Audit Committee to approve in October. Following this they will be re-advertised to all relevant staff.</p>
FR AAF 015C – Communication and awareness	<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. If procedural issues are identified through AAF reviews, they are reported as widely as necessary within Hackney. Staff induction stresses the requirement to comply with the Code of Conduct.</p> <p>Particularly close links are maintained between investigators and service areas that are targets for fraudsters, for example, parking, housing, NRPF, contracts, etc. Specific high risk areas have received bespoke training.</p> <p>Notable investigation successes are reported to the Audit Committee and are advertised through the Comms team.</p>	Jackie Moylan	Michael Sheffield	Ongoing	<p>September 2023</p> <p>AAF regularly works with services where change is happening to advise on sensible precautions and adjustments to procedures to minimise the risk of fraud. Fraud intelligence is shared with service departments to raise awareness and identify issues at the earliest opportunity.</p> <p>High profile casework that has been publicised in-year includes the recovery of the 1,000th misused housing tenancy and proceeds of crime act powers to recover criminal benefit following unlawful development.</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</p>	Jackie Moylan	Michael Sheffield	Ongoing	<p>September 2023</p> <p>A new case management system was introduced in April 2022 following the cyber attack, providing greater capacity to interrogate investigation data and improved case management.</p> <p>Audit Investigation Team procedures have been comprehensively updated in recent months.</p>

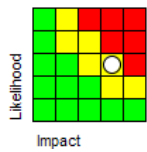

	members of the team. Additional training is provided if a need is identified.				Training has been provided to all investigators in-year covering interview skills and surveillance and communications data powers.
NEW AAF 015E - Proactive Anti-Fraud Plan	A proactive anti-fraud plan has been developed and was introduced in April 2023. This identifies council operations which may be at higher risk of fraud and targets counter-fraud resources proactively to establish if the perceived threat is real, and to take preventative action if it is.	Jackie Moylan	Michael Sheffield	Ongoing	Sept 2023 - The proactive plan has been agreed and proactive investigations are taking place.
NEW AAF 015F - Fraud Risk Register	A risk register which identifies the Council's fraud risks has been developed and will be consulted on with service areas shortly. This will inform future proactive counter-fraud work and the audit planning process, and will also help service areas to improve their consideration of these types of risk.	Jackie Moylan	Michael Sheffield	March 2024	Sept 2023 - The register has been developed and consultation with investigation and audit stakeholders has been completed.

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 incidents with severe financial or reputational impacts.	Finance & Corporate Resources		<p>September 2023 – Risk reviewed by Strategic Property Services Management team. An important development is that Stoke Newington Town Hall and Municipal Offices are now beyond reasonable repair and urgent refurbishment is needed. Discussions are underway to move remaining current occupiers to alternative locations, whilst full surveying and solutions are carried out. Full surveying is due to be completed in the next month. Analysis and recommendations will follow. It is important that no further bookings for this building should be taken.</p>	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRDR 001 A: Building Availability	Rolling programme of building surveys initiated to identify condition and risks.	Jackie Moylan	Chris Pritchard; Karon West-Clarke	31 August 2023	September 2023 - 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. As the above update shows, Stoke Newington Town Hall's building risks have been identified.
FRDR 001 B: Building Availability	Funding for reactive maintenance included in the Capital Programme.	Jackie Moylan	Chris Pritchard; Karon West-Clarke	31 August 2023	September 2023 - 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.	Jackie Moylan	Chris Pritchard; Karon West-Clarke	31 August 2023	Ongoing September 2023 - 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	
Page 97 FR DR 0004 Commercial Rental Income INTERNAL RISK FUTURE RISK	As a result of a worsening economy and challenging economic conditions (particularly from the pandemic, and now cost of living crisis), 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		 Sept 2023 - Risk reviewed by the Acting Head of Commercial Estates. The commercial property market remains vulnerable while wider economic challenges and the impact of global developments persist. The office and retail sectors, which comprise a large proportion of the Council's portfolio, face particular difficulties with high office vacancy rates and the continued decline of retail due to online shopping. Void costs are also increasing, such as utilities and security; as are pre-letting costs with increasing MEES requirements kicking in prior to letting. The government has launched a consultation about Empty Property Rates Relied, which would further increase the financial burden of void assets. Once new occupiers are identified, tenants are expecting much longer rent free periods and incentives; rent-free packages that are currently available in the marketplace generally equate to two months' rent free per year term certain. All of this increases the necessity for landlords to consider rent reductions and deferrals in order to retain tenants in some circumstances. Against this backdrop, the identified risk remains applicable to the Council's estate.	
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	David Rice-Oxley	30-March-2024	Sept 2023 - this remains ongoing. The Council is continuing to chase historic debts and write off those considered as unrecoverable.
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	David Rice-Oxley	30-March-2024	Sept 2023 - ongoing. We are continuing to chase debt as an ongoing function of commercial property management. Numerous rent concessions were agreed as part of our pandemic support for tenants. In some cases rent was deferred and was then monitored through the debt recovery process. Cost of living crisis is further having to be considered within this now.
FRDR 004 C Rental Income (Commercial)	Regular reporting as part of the OFP on income levels and historic debt.	Chris Pritchard	David Rice-Oxley	30-March-2024	Sept 2023 - There is regular reporting of commercial property income and debt to the Head of Finance and this is reported periodically as part of the OFP.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
Page 98 FR FSV 0040 Pensions - Assets Risk EXTERNAL RISK FUTURE & CURRENT RISK	Asset risks (which would be the failure to meet overall objectives through poor asset performance) 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 Pooling risk - that pooling prevents the Fund achieving its objectives. Excessive cost in the transition might contribute to this, as well as the potential of an excessive concentration of assets amongst relatively few large institutions. Also Central Government changes could destabilise things.	Finance & Corporate Resources		 Reviewed September 2023 - ongoing. Asset risk includes a number of significant threats to the financial health of the fund. Likelihood reduced slightly, although conditions for investment markets over the long term remain uncertain. Impact remains high, given the potential threat to the Fund’s ability to pay benefits as they fall due if any of these events did occur. Asset risks are covered in more detail in the Fund’s Investment Strategy Statement.	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note

FR FSV 0040 A Investment in a range of asset classes	<ul style="list-style-type: none"> . The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes . Rebalancing arrangements in place to ensure the Fund's "actual allocation" does not deviate substantially from its target - The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. 	Jackie Moylan	Rachel Cowburn	31-Mar-2024	Reviewed September 2023 - ongoing.
FR FSV 0040 B Regular cash flow monitoring	<ul style="list-style-type: none"> . Investment across a range of assets, including liquid quoted equities and bonds, as well as property . Majority of the Fund's assets realisable at short notice . Medium term future cash flow position assessed at least triennially to indicate likely future income requirements. - Actual cash flows monitored on a regular (quarterly) basis to provide early warning of any insufficient funds 	Jackie Moylan	Rachel Cowburn	31-Mar-2024	Reviewed September 2023 - ongoing.
FR FSV 0040 C Currency hedging	<ul style="list-style-type: none"> . Investment in a range of overseas markets, providing a diversified approach to currency markets. - Maintenance of a currency hedged equity mandate (USD, EUR and JPY) - this is due to be reviewed reviewed following the investment strategy review. 	Jackie Moylan	Rachel Cowburn	31-Mar-2024	Reviewed September 2023 - ongoing.
FR FSV 0040 D ESG Policy	The Fund has an RI policy in place and is currently reviewing its engagement approach. More detail on the management of carbon specific ESG risks is provided in the 'Climate Change' risk section.	Jackie Moylan	Rachel Cowburn	31-Mar-2024	Reviewed September 2023 - ongoing. Work on new engagement framework now underway.
FR FSV 0040 E Multiple Managers & Performance assessment	<ul style="list-style-type: none"> . 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. <p>With Asset Pooling, the Council needs to monitor development / respond to consultations - responding where appropriate to influence outcomes. Also relationship management is key with the Fund being fully aware of developments at the pool level, and the pool being aware of and responding to the Fund's strategic requirements.</p>	Jackie Moylan	Rachel Cowburn	31-Mar-2024	Reviewed September 2023- ongoing.

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	<p>Inaccurate payroll data supplied to the Hackney Pension Fund results in poor membership data.</p> <p>This poor administration (or inaccurate provision of data) could result in inaccurate data giving rise to financial and reputational</p>	Finance & Corporate Resources		<p style="text-align: center;"></p> <p>Reviewed September 2023 – No substantive change. The introduction of the Council's automated interface file has significantly improved the reliability of data collection,</p>



Partnership (LGPS)/Teachers Pensions INTERNAL RISK CURRENT RISK	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. Inaccurate data could be submitted for valuation, and there could be inaccurate McCloud reconciliation. Data provided late also impacts on the Fund's ability to pay correct benefits and set accurate contribution rates. There also remains the risk of enforcement action against the Council by the Pensions Regulator. A related risk lies with the reliance on external systems. That the Fund's assets, systems or data are compromised including financial / data loss or systems downtime. Finally, other external factors (including regulatory changes) could impact the administration of the Fund - eg - changes from the McCloud case could impact the quality / timeliness of administration of the Fund.				although some issues remain around submission of timely leaver information to confirm membership status changes. The risk rating has not been adjusted at present due to the likely impact of the McCloud programme and associated increase in administrative work required to maintain good quality data.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0043 A Monitoring of membership data	Annual monitoring of membership records, valuation checks, external data validations.	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-2024	Reviewed September 2023
FRTP 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers are paying across correct contributions along with membership data being supplied (done by a third party).	Jackie Moylan;	Rachel Cowburn; Morgan Williams	31-Mar-2024	Reviewed September 2023 - Good communication with payroll, as accurate data is very important.
FRTP 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for substandard performance.	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-2024	Reviewed September 2023 -enhanced monitoring etc with implementation of new contract
FRTP 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 support with iTrent processes and ensure these are maintained. The Council's payroll supplies data for the vast majority of the Fund – the Fund's involvement helps ensure the importance of good quality pension reporting is recognised.	Jackie Moylan; Sandra Farquharson	Rachel Cowburn; Lucy Patchell; Jacqueline King	31-Mar-2024	September 2023 - development of the employer portal continues with intention of being rolled out to all employees. Also ensuring that Equiniti roll out the employer strategy in line with the contract.

FRTP 0043 E Payroll data service	Single source interface from iTrent to deliver automated payroll data	Jackie Moylan; Sandra Farquharson	Rachel Cowburn; Lucy Patchell	31-Mar-2024	September 2023 - Development project completed- now BAU for payroll. Ongoing monitoring needed to ensure issues resolved e.g. provision of leaver info and failures to address exceptions.
FRTP 0043 F - Reliance on external systems	All teams complete a Business Impact Analysis to assess timescales and impact of system failure. Also, the Pension Investments and Pensions Administration Business Continuity detail actions to take in the event of a system failure. Finally, assurances of system security are sought from third parties, along with suitable firewalls.	Jackie Moylan	Rachel Cowburn	31-Mar-2024	September 2023 - this is ongoing.
FRTP 0043 G - McCloud Programme management	1 - Programme management - Programme planning for McCloud has will continue until end of project 2 - Employers engaged with and data collection commenced 3 - engaging with Equiniti re dashboard reporting	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-2024	Reviewed September 2023

Page 101	Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
	FR FSV 0053 Pension Funding Experience Risk EXTERNAL RISK FUTURE RISK	<p>Funding risks to the Council's finances 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. 	Finance & Corporate Resources			
					Reviewed September 2023– Asset liability modelling shows likelihood of meeting objectives of 74% as at 2022 valuation.	
	Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
	FRFSV 0053B Pension - Valuation Monitoring	<ul style="list-style-type: none"> 1 - Asset liability modelling shows low likelihood of not meeting objectives 2 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations 3 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 4 - Actuary sets evidence-based assumptions using analysis of experience 	Jackie Moylan	Rachel Cowburn	31-Mar-24	Reviewed September 2023 – ongoing.

FRFSV 0053C Diversified Portfolio	The Fund seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading. 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.	Jackie Moylan	Rachel Cowburn	31-Mar-24	Reviewed September 2023 – ongoing.
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Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
FR FSV 0054 Pension - Poor Delivery of administration Service (NEW DR) EXTERNAL RISK FUTURE RISK	Poor member experience and/or breaches of legislation including inaccurate payments and failing to meet Service Level Agreements. Risk currently exacerbated by required system upgrade to Compendia Touch, which increases the likelihood of inaccurate or late calculations, processes and communications	Finance & Corporate Resources		NEW Directorate risk - added September 2023	
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0054a Pension - Poor Delivery of administration Service	Strict service standards and SLAs in place 2 - 3 - Expert contract management team in place 4 - Regular service review meetings 5 - Pensions Administration Strategy sets out expected service levels	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023
FR FSV 0054b Pension - Poor Delivery of administration Service	Appointment through robust procurement exercise	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023
FR FSV 0054c Pension - Poor Delivery of administration Service	Expert contract management team in place	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023
FR FSV 0054d Pension - Poor Delivery of administration Service	Regular service review meetings	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023
FR FSV 0054e Pension - Poor Delivery of administration Service	Pensions Administration Strategy sets out expected service levels	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023
FR FSV 0054f Pension - Poor Delivery of administration Service	1- Revised contract covers Compendia Touch migration 2- Project team within Equiniti to manage the deliverables including implementation timeframes	Jackie Moylan	Rachel Cowburn; Lucy Patchell	31-Mar-24	NEW - added September 2023

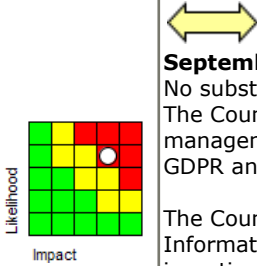
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 03</p> <p>SACR 0030 Pressures on Temporary Accommodation INTERNAL RISK CURRENT RISK</p>	<p>The demand on temporary accommodation (TA) for homeless households exceeds the supply of property suitable for use, and 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 produces financial, reputational and legislative (in terms of abiding by the Homelessness Reduction Act) risks. The risk is currently heightened by high numbers of homeless singles with multiple, complex and high risk needs, and often a dual diagnosis with no suitable accommodation offer of housing with support.</p>	<p>Finance and Corporate Resources</p>		 <p>October 2023 Context</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.</p> <p>The number of households seeking advice and support with homelessness in the borough has risen by 52% since March 2018 and the introduction of the Homeless Reduction Act. The YTD figure shows that for 2022/23 the total number of approaches is up by 2% on the previous year, which was at an all time high.</p> <p>Overall for 2022/23 we have seen successful homelessness and relief outcomes achieved by the Council fall by 22%, this has been exacerbated by the cost of living crisis, shrinking of the private rented sector and the lack of affordable housing.</p> <p>Family and friend exclusions are still the highest reason for approaches accounting for 40% of all approaches, followed by end of private tenant tenancy at 22%, with those fleeing from domestic abuse being the third highest reason for approaches at 8%.</p> <p>Update</p> <p>London Local Authorities have made it very clear that we are now experiencing a temporary accommodation crisis as well as a housing crisis.</p> <p>The amount of temporary accommodation needed to fulfil demand for homeless households in Hackney continues to increase. Currently 3020 households are placed in TA, with 1000 placed outside the borough despite the use of all void regeneration properties, the creation of a number of new TA hostels and RTB buy back programmes to boost social housing availability. Despite c.2000 temporary accommodation units within the borough, demand far outstrips supply.</p>

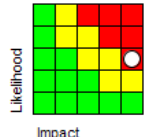
			<p>We can reasonably predict that the demand for temporary accommodation will grow at around 8% per year in the short to medium term; The council will potentially need to place 1440+ households over the next 12 months, 1550+ in 2023-24, 1670+ in 2024-25, and 1810+ in 2025-26.</p> <p>We have seen major changes this quarter:</p> <ol style="list-style-type: none"> 1. We have been forced to utilise bed and breakfast hotels for families to accommodate them. We currently have eight families in this type of accommodation with nowhere to move them to. 2. The number of households that are waiting for temporary accommodation continues to grow, with c.25 households awaiting a placement to be found. 3. Homeless households are still presenting on the day and are placed where there is accommodation available, currently Leicester. 4. Approaches from people with successful asylum applications who have been asked to leave Home Office hotels and are now homeless have started to increase with nine households in the last month. 5. Temporary Accommodation providers are leaving the market with currently 207 properties requested back from the Council. This has increased from 147 properties since the last update. There is no alternative temporary accommodation available to move these families into and therefore the Council is being pursued legally for these properties to be returned. 6. The number of children living in TA continues to grow, with 4000 children currently housed. <p>The Temporary Accommodation Delivery Group continue to look at ways to boost more affordable temporary housing in borough by pursuing lease and purchase deals with landlords, as well as exploring the possibility of development. To date 1x 3 bed unit is progressing to purchase and 1 x 3 bed unit has been found amongst the Councils portfolio and is undergoing works.</p> <p>However, this programme is no longer enough and an urgent injection of stable temporary accommodation is needed. Purchasing of properties and negotiations with investment companies is progressing. Alternatively, investment in supported accommodation schemes would free up temporary accommodation and return it to its original purpose.</p> <p>The sheer volume of TA units, the increasing rates of providers, an increase in utilities and repairs and maintenance costs means that temporary accommodation expenditure will continue to rise this year and next. The score has now risen to the maximum reflecting the intense pressures.</p>
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Control Title	Control Description	Lead Responsible Officer(s)	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.	Jackie Moylan	Jennifer Wynter	Sept 2023	September 2023- The Benefits and Housing Needs Service continues to utilise all Council owned regeneration void properties as temporary accommodation wherever possible and affordable to do so. The current figure is c.634 units. There are no further regeneration voids available as the surplus that were unusable for TA were brought into use for the Council Afghanistan refugees programme. Additionally, Phase 4 of the WDE regeneration project means the rehousing of 100+ TA households in the next year to provide for demolition.
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.	Jackie Moylan	Jennifer Wynter	Sept 2023	<p>September 2023 - The Benefits and Housing Needs Service has formally discharged the Councils housing duty by securing tenancies for 175 households into the private rented sector for 2022/23.</p> <p>For the first time we are starting to see the constriction of the private rented sector in Hackney and the ability to secure affordable rented properties is virtually impossible.</p> <p>The number of private rented sector (PRS) lets achievable are dependant on three variables:</p> <ul style="list-style-type: none"> • Resident willingness to move into the PRS • Number of staff available with the right tools, including finance, to support the individual and the landlord with a move • rental market buoyancy. • <p>The number of staff and tools to support residents moving has been boosted by the creation of a new team, Prevention to PRS (funded by Homeless Prevention Grant monies) to assist residents during the prevention stage of the statutory duty to move into the PRS and thereby avoid the usage of costly TA.</p> <p>Capital Letters (pan London provider of PRS properties) is also struggling to secure properties and Central Government has reduced their procurement targets from 4000 units pa to 1000 pa in recognition of the tough market and they have now allowed them to pursue out of London procurement for Privately Rented Properties.</p> <p>Capital Letters are averaging the provision of two properties per month to the Council.</p> <p>Previous out turn is below: 2018-19 = 88 2019-20 = 118 2020-21 = 466 2021-22 = 391 2022-23= 175 2023-24= 65 YTD</p>

<p>SRCR 0030c Observe pan London cap on nightly paid accommodation procurement</p>	<p>Maintain influence on the rental market by continued observation and no breaches (except emergency disabled accommodation) of the agreed Pan London TA rent cap.</p>	<p>Jackie Moylan</p>	<p>Jennifer Wynter</p>	<p>Sept 2023</p>	<p>September 2023 - The Inter Borough Area Agreement has been in place for more than a decade. Data is collected and shared on a quarterly basis to all London Boroughs. Due to the level of breaches of the cap, this has been revised and an allowance of up to a 10% increase granted. This has enabled Hackney to retain some providers of TA and is negotiated on an individual property and landlord basis.</p>
<p>SRCR 0030d Provide appropriate accommodation with support for mental and physical needs</p> <p>Page 106</p>	<p>C.40% of all single homeless residents that approach for help have a support need and 19% of these have multiple and complex needs. Large supported schemes, rough sleeping pathway, general needs housing do not work for this client group and do nothing to mitigate the risk of further deterioration and suicide and in some cases increase the risk. Look to provide a housing option and support that suits mental, physical and behavioural needs - ie dual diagnosis specialist schemes and additional housing first. First chance, last chance saloon assessment model needed in addition.</p>	<p>Jackie Moylan</p>	<p>Jennifer Wynter</p>	<p>Sept 2023</p>	<p>September 2023 - This function has now transferred to the Benefits and Housing Needs Service from Adult Social Care on 27/08/23.</p> <p>Demand modelling undertaken shows a need for 451 units of supported accommodation split across a number of schemes. Ranging from small schemes to large ones. Differing levels of need to cater for complex needs and risk with a variety of providers delivering support, including culturally specific, gender specific, and psychologically informed. A suggested pathway model to satisfy demand is shown below:</p> <ul style="list-style-type: none"> • Stages 1,3 and 4: 'Generic' Complex Needs (including holding/EBS beds) • Stage 2 Specialist: Continued Use - SMU/Complex Needs • Stage 2 Specialist: VCN - High level complex needs (multiply excluded) • Stage 2 Specialist: Women with high level complex needs • Stage 2 Specialist: Older RS (alcohol - longer term) • Stage 2 Specialist: Culturally specific high level complex needs • Stage 2 Specialist: Housing First (longer term) <p>Costing work is underway to inform decision making.</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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FR IT 0001 Information Assets INTERNAL RISK FUTURE RISK	<p>The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the General Data Protection Regulation (which came into effect from May 2018). Failure to do this creates serious regulatory / legislative risks for the Council.</p> <p>It is also essential that the Council is able to use these information assets effectively to commission and deliver high quality services, reduce costs and work in partnership with other agencies and providers.</p>	Finance and Corporate Resources		<p>September 2023 No substantive change to the risk. The Council continues to work to apply its information management policies and follow the requirements of the GDPR and other regulatory / partner requirements.</p> <p>The Council is continuing to work closely with the Information Commissioner’s Office to support their investigation into the criminal cyberattack on the Council in October 2020. With the emergence of Generative AI technologies over the last few years, detailed guidance has been issued on the Council’s approach to this.</p>	
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
Page 17 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>	Rob Miller	All Officers	May 2024	<p>September 2023 The Council continues to work to apply its information management policies and follow the requirements of the GDPR and other regulatory / partner requirements. With regards to Generative AI, clear Guidance has been issued to all staff that any sensitive or personal information should never be submitted to these tools (as they are not private).</p>
FR IT 0001d Third party information sharing	<p>Ensure that we can do business efficiently and seamlessly by having appropriate data sharing agreements in place.</p> <p>It will be critical to ensure that control requirements are assessed and the implications for Hackney users are clear and proportionate (eg. some third parties require controls that would excessively restrict the Council’s use of systems and buildings etc, and these may be barriers to information sharing).</p> <p>This is an ongoing activity (no fixed end date).</p>	Rob Miller	All Officers	May 2024	<p>September 2023 Responsibility for appropriate information sharing is the responsibility of Information Asset Owners, supported by the Information Management Team who provide advice on the application of the relevant Council policies to services’ information sharing arrangements.</p>

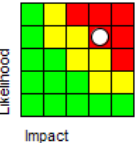
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0021 Cyber / Information Security INTERNAL /EXTERNAL RISK FUTURE RISK	<p>Cyber threats continue to rise rapidly, with a growing number of large businesses and public sector organisations experiencing cyberattacks similar to the criminal cyberattack on the Council in October 2020.</p> <p>Recent victims include the Post Office, Capita, the system provider for NHS 111 (Advanced), schools, care providers and a wide range of other organisations.</p> <p>There are direct risks to the systems used by the Council's services, including those which are externally hosted, and also risks relating to data that the Council is responsible for which is processed by third parties contracted by the Council or other partners.</p> <p>There is also ongoing risk relating to data stolen in cyberattacks ('exfiltration' of data). This can remain in the possession of cyberattackers and beyond the control of the Council.</p> <p>Whilst AI presents some positive opportunities for the Council, it also needs to be used legally, responsibly, ethically and safely. Anything which jeopardises this will be a risk.</p>	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		<p>↔ September 2023</p> <p>Recovery of systems and data affected by the cyberattack is ongoing, with the majority of services now operating normally. Some workaround processes remain while recovery / rebuild of systems and clearing of backlogs caused by the cyberattack continues, and there are also services where some functionality is not yet fully recovered and ongoing service impacts continue.</p> <p>The overall recovery (from the Cyberattack) is in line with our pre-existing plans for migration to modern, cloud services and provides the best possible cyber protections for the Council's systems and data. Our recovery is consistent with the Council's pre-existing technology strategy, through which we have removed a number of underlying risk factors (e.g. replacement of Windows PCs with Chrome OS devices for almost all users).</p> <p>Work is continuing to respond to the publication of stolen data in January 2021. The Council is continuing to cooperate closely with the Information Commissioner's Office to support their investigation into the attack.</p> <p>The Council has also responded where needed following cyberattacks on partners which might present a risk to data processed on behalf of the Council.</p>

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note

<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 good security practice is reflected in the Council's technical architecture and operational practices, including annual PSN Code of Connection compliance assessment (supported by IT health check).</p> <p>This will be an ongoing annual activity (no fixed end date).</p>	Rob Miller	ICT Officers	April 2024	<p>September 2023 The Council has a current PSN compliance certificate, valid to February 2024.</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>	Rob Miller	ICT Officers	April 2024	<p>September 2023 The Council's Data Awareness Training continues to be managed as a Business As Usual process for all users (including Members). Users are required to complete the training and access is removed if it is not completed.</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 effectively so that the Council's systems remain supported. This will be an ongoing activity (no fixed end date).</p>	Rob Miller	ICT Officers	April 2024	<p>September 2023 Our security assurance workstream is establishing our policies and processes for ongoing management and assurance of our systems and data. This includes compliance with NCSC guidance and other required standards. by the Council's Information Governance Group.</p>
<p>SRCR 0041a Modern cloud services</p>	<p>Continued use of the most modern cloud services available, underpinned by the 'web first' and 'zero trust' security model.</p>	Rob Miller	ICT Officers	April 2024	<p>September 2023 The overall recovery (from the Cyberattack) is in line with our pre-existing plans for migration to modern, cloud services and provides the best possible cyber protections for the Council's systems and data. Our recovery is consistent with the Council's pre-existing technology strategy, through which we have removed a number of underlying risk factors (eg replacement of Windows PCs with Chrome OS devices for almost all users).</p>
<p>SRCR 0041a Recovering data</p>	<p>The cyber attack resulted in all internally hosted legacy systems being unavailable. The recovery work for this has been complex and extensive, so priority needed to be given in line with the Gold priorities. This work has continued over the last year with significant progress being made.</p>	Rob Miller	ICT Officers	April 2024	<p>September 2023 Recovery work has continued, including go live of Mosaic for adults' social care at the end of 2022. Some workaround processes remain while recovery / rebuild of systems and clearing of backlogs caused by the cyberattack continues, and there are also services where some functionality is not yet fully recovered and ongoing service impacts continue.</p>
<p>SRCR 0041b Service continuity</p>	<p>The systems that have been impacted by the cyber attack are essential for the delivery of many of the Council's critical services including: social care;</p>	Rob Miller	Aled Richards / James Groom	April 2024	<p>September 2023</p>

	<p>housing benefits; Council Tax and Business Rates; land charges; and housing services.</p> <p>These systems and data sets being unavailable has a major impact on those services and business continuity and contingency arrangements will be essential to delivery of the most critical parts of those services.</p>				Coordination of service continuity and recovery continues and is led by the Corporate Leadership Team / directorate leadership teams.
<p>SRCR 0041c Maximising existing tools</p>	<p>While primary services systems are unavailable it is essential to explore alternative interim tools that can be made available to support service continuity arrangements. The Council has a number of tools it can deploy to provide this, including tools developed using the Amazon Web Services cloud platform and Google Workplace.</p>	Rob Miller	ICT Officers	April 2024	<p>September 2023 Where practical the Council's existing investments have continued to be used to provide interim solutions for service continuity and longer term migration of data and services to the cloud.</p>
<p>SRCR 0041d Communication to residents and staff</p>	<p>Many services that residents depend on were impacted by the attack, and would equally be affected by any future attack</p>	Rob Miller	Comms team	April 2024	<p>September 2023 Services are continuing to maintain updated information about the recovery of their services on the Council website. Progress updates have been provided to Members and the Council is continuing to engage positively with media enquiries about the continued impacts of the attack.</p>
<p>SRCR 0041e Guidance for safely using Generative AI at work.</p>	<p>Corporate ICT have issued clear guidance on the Council's approach towards AI. It has been made very clear that staff must never give personal or sensitive information to these tools, as they are ultimately not private. Also, answers returned by Generative AI must always be checked and verified to mitigate against the risk of 'fake news', erroneous information and bias.</p>	Rob Miller	Council Officers	April 2024	<p>September 2023 This guidance was issued to all staff via the weekly newsletter and is also being supported by some information sessions (for all to attend) to ensure staff have the correct understanding about AI, its risks and potential benefits. An update will also be provided to the Senior Manager Network in September 2023 and the review of the Council's Data Awareness Training that is in progress will include adding content relating to this guidance</p>

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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<p>SRCR 0043 Recruitment and Retention / Workforce. EXTERNAL / INTERNAL RISK CURRENT RISK</p>	<p>Within a competitive market, numerous Service Areas (particularly ICT) are struggling to successfully recruit for important positions, and seeing a high turnover adding to recruitment pressures. Failure to successfully tackle this could seriously impact 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>September 2023 This remains on the Corporate register, reflecting its severity. Previously, it had been recorded as a risk at Service level but was taken off this register following the successful completion of the ICT restructure in 2020.</p> <p>Significant market pressures and demand for digital skills, with high turnover within the Council (particularly at Senior level) and other employers who need similar skills, have necessitated its inclusion again. There are also similar pressures in other areas such as social work, highway engineers, school nurses and auditors.</p>	
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
<p>SRCR 0043a Recruitment and Retention (ICT)</p>	<p>The ICT service will 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. 	<p>Rob Miller</p>	<p>ICT Managers</p>	<p>31-March-2024</p>	<p>September 2023 The ICT restructure has completed and is in the final stages of implementation. This has included benchmarking of roles against the market and comparator councils and continuing the Council's substantial commitment to apprenticeships and career progression.</p> <p>The Council is continuing to work with the London Office of Technology & Innovation to develop a pan-London approach to developing digital skills and teams, including collaborative recruitment (https://loti.london/jobs/) and shared approaches to service development and career progression (https://loti.london/resources/jd-library/).</p> <p>Recruitment to vacant roles following the completion</p>

					of the restructure is anticipated in late spring / early summer.
SRCR 0043b 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.</p> <p>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>	Group Directors	All managers	31-March-2024	<p>September 2023</p> <p>Staff training and development needs will be assessed as part of the work to deliver and embed the new service structure for ICT.</p>



1.

Title of Report	AUDIT AND ANTI-FRAUD PROGRESS REPORT TO MARCH 2023
For Consideration By	Audit Committee
Meeting Date	25 October 2023
Classification	Open
<u>Ward(s) Affected</u>	All
<u>Group Director</u>	Jackie Moylan, Interim Group Director, Finance

INTRODUCTION

- 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 2023 (Appendices 1 - 4). A summary of the draft recommendations affecting the Internal Audit service that have resulted from a recent external assessment are attached for information at Appendix 7.
- 2.2 The Audit Committee is asked to approve the updated (a) Anti-Fraud and Corruption Policy; and (b) Surveillance and Communications Data Policy and Procedures at Appendices 5 and 6.

3. REASONS FOR DECISION

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers. These Standards were updated in April 2016 and again in April 2017.
- 3.2 The PSIAS requires the Chief Audit Executive (or equivalent) to report functionally to a board and to communicate the internal audit service's performance relative to its plan and other matters. For the purposes of the PSIAS the Audit Committee has been designated the 'board'.

4. BACKGROUND

4.1 The Audit Committee approved the 2023/24 Annual Audit Plan on 19 April 2023 and this report notes the progress against that plan and progress against high and medium priority recommendations.

4.2 The 2023/24 Annual Audit Plan focuses resources on the areas that will provide the necessary evidence to support the Head of Internal Audit & Risk Management's annual assurance statement.

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 2023
- Implementation of high and medium audit recommendations
- School audits

Details of progress with planned audits are provided in Appendix 2

Definitions of the assurance levels used are provided in Appendix 3

4.4 A statistical summary of the work undertaken by the Audit Investigation Service for the period April to September 2023 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	£967,900
No Recourse to Public Funds	£665,916
Blue Badge/Parking	£6,135
Covid business grants	£10,000
Proceeds of Crime Act	£311,200
Total	£1,961,151

The revised draft Anti-Fraud and Corruption Policy (Appendix 5) and the Surveillance and Communications Data Policy and Procedures (Appendix 6) are presented with the substantive updates highlighted to assist readers.

4.5 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.

4.6 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.

4.7 Sustainability

Not applicable

4.8 Consultations

Consultation on the proposed changes to the corporate policies (Appendix 5 'Anti-Fraud and Corruption Strategy' and Appendix 6 'Surveillance and Communications Data Policy') has taken place with other enforcement teams, Human Resources and Legal. All comments received have been incorporated into the draft documents that are presented with this report.

4.9 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 INTERIM GROUP DIRECTOR, FINANCE

- 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 impact on the Council's finances.

6. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 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 31 March 2023

Appendix 2 - Progress with planned audits 2022/23

Appendix 3 - Definitions of audit assurance levels

Appendix 4 - Audit Investigation Service statistics to 31 March 2023

Appendix 5 - Anti-Fraud and Corruption Policy (October 2023 update)

Appendix 6 - Surveillance and Communications Data Policy and Procedures (October 2023 update)

Appendix 7 - External Quality Assessment Draft findings related to Internal Audit

BACKGROUND DOCUMENTS

None

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Comments for the Interim Group Director, Finance	Jackie Moylan Director, Financial Management Jackie.moylan@hackney.gov.uk 0208 356 3032
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Audit & Anti-Fraud Progress Report

1 April 2023 - 30 September 2023

1. INTRODUCTION

- 1.1 The purpose of this report is to present the performance of the Audit & Anti-Fraud Service for the period 1 April 2023 to 30 September 2023. 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 contributes toward meeting these requirements.

2. INTERNAL AUDIT RESOURCES AVAILABLE

- 2.1 The Internal Audit function is an in-house service supplemented by specialist IT skills from an external provider. Internal Audit also supports the Council's CIPFA trainee programme. Internal Audit relies upon the co-operation of directorates and service level management to enable us to undertake the planned reviews.
- 2.2 The Internal Audit Team is fully staffed, including one post that is being covered by a Fixed Contract. We are focusing our resources on the areas that management has agreed can take place and will provide the necessary evidence to support the Corporate Head of Audit, Anti-Fraud & Risk Management's annual assurance statement.
- 2.3 The 2023/24 Audit Plan consisted of 65 audits (of which 12 are schools/children's centres), 6 audits have been postponed, cancelled or combined, and two have been added since the plan was agreed.

3. INTERNAL AUDIT KEY PERFORMANCE INDICATORS

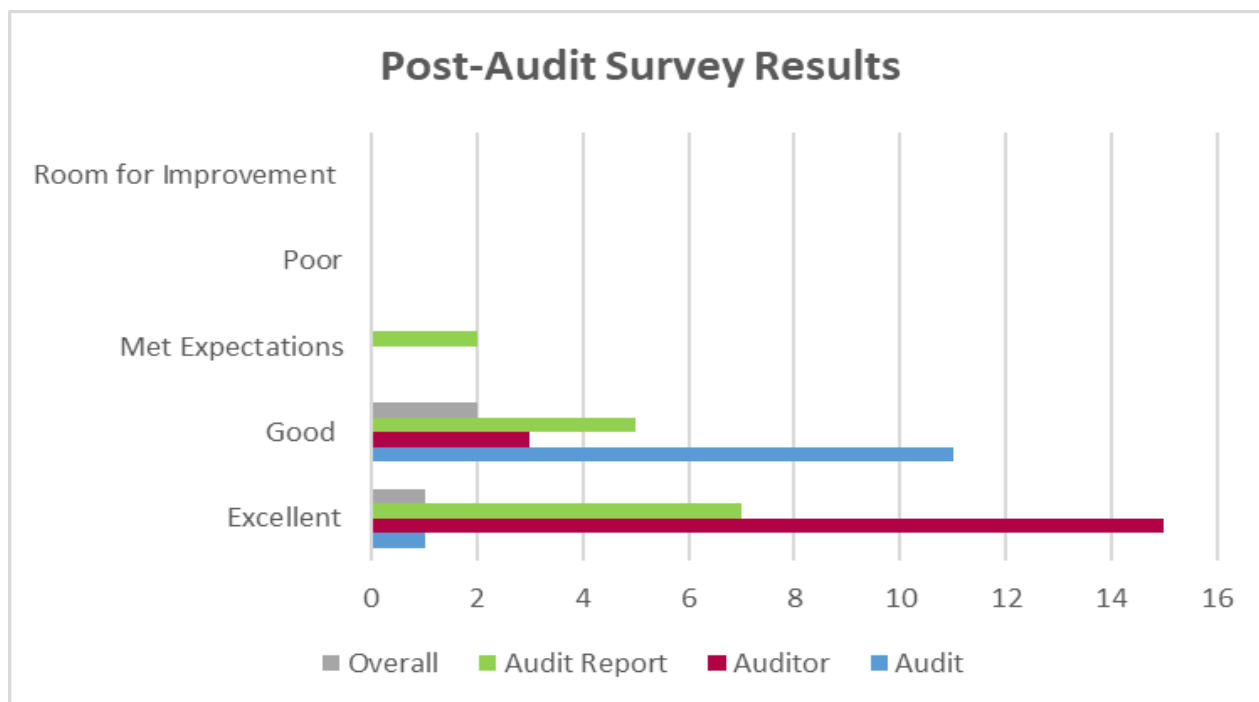
- 3.1 Internal Audit's performance for 2023/23 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.3.

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) 18% complete or at draft report stage 2) 7 days
Quality <i>To ensure recommendations made by the service are agreed and implemented</i>	1) Percentage of high and medium recommendations made which are agreed 2) Percentage of agreed high and medium priority recommendations which are implemented	1) 100% 2) 90%	1) 100% 2) 62% - fully implemented** 13% - partially implemented
Client Satisfaction <i>To ensure that clients are satisfied with the service and consider it to be good quality</i>	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) No. of Complaints / Compliments	1) Responses meeting or exceeding expectations 2) Satisfactory 3) Actual numbers reported	1) 100% met expectations (96% exceeded expectations or excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

- 3.2 As at 30 September 2023 a total of 18 internal audit reviews have been started from the 2023/24 Plan, 9 have been completed and a further three are at draft report stage. In addition 8 reviews carried forward from the 2022/23 annual plan were finalised.
- 3.3 Post-Audit Survey results from 1 April 2023 to 30 September 2023 continue to show that overall expectations of auditees are met or exceeded with 96% responding that expectations were exceeded, see bar chart below.



4. SUMMARY OF INTERNAL AUDIT WORK

- 4.1 Progress with 2023/24 planned audits is summarised in Table 2 below and detailed in Appendix 2.

2023/24 Audit Plan Stage of Audit Activity	Number of assignments	Percentage of revised plan
Scoping/TOR agreed	13	21
Fieldwork in progress	6	10
Draft report issued	3	5
Completed	9	14
Total work completed and in progress	31	50%
Original Plan	65	
Additional requests	2	
Cancelled or Postponed	5	
Total Revised Plan	62	

Table 2

- 4.2 The table shows 50% of the planned assignments have been completed, scoped/terms of reference agreed, or are work in progress.

- 4.3 Details of changes to the original audit plan are shown in Table 3 below. It is expected that there will be a degree of change to the audit plan that is agreed in April as the financial year progresses and priorities and risks change. There are also some deferral requests that in themselves raise concerns about the local control environment, for example, where the reason relates to the absence of systems due to the cyber attack or other cause, the absence of key staff due to organisational change or repeated deferral requests. Additional information will be provided to future Audit Committee meetings once consultation with management has been completed.

Cancelled reviews	Reason for Cancellation
Energy & Carbon Management - Hackney Schools	A reevaluation by Internal Audit & the Auditee has identified that the risks to the process are not significant and therefore the audit is not relevant at this time.
Integrated Learning Disabilities Service, ILDS	A recent independent review carried out. Action plan of review has led to an ongoing 3 year Transformation programme. Transformation Board Action Plan to be shared with Internal Audit
Postponed reviews	Reason for Deferral
Leasehold major works debt recovery	System availability and resource constraints
Procurement of Homecare	The audit has been deferred since 2021/22 pending progression of the procurement tender process.
Elections	Recent announcements. Resources/ Capacity and the timing of the implementation of new legislation
Additional reviews	Reason for Addition
The Garden School	Hackney Education Request
Changing Places Fund Grant	Management Request. Grant Usage Validation & Certification

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 8 carried forward from the 2022/23 plan, the assurance levels are set out in Table 4.

Assurance Level	2023/24	2022/23	2021/22
No	0	0	1
Limited	2	0	0
Reasonable	7	7	8
Significant	6	17	5
Not Applicable	0	0	0
Total	15	24	14

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 2023 are shown in Table 5.

Categorisation of Risk	Definition	Number 2023/24 Plan	Number 2022/23 Plan not previously reported
High	Major issues that we consider need to be brought to the attention of senior management.	2	3
Medium	Important issues which should be addressed by management in their areas of responsibility.	16	17
Total		18	20

Table 5

5. SCHOOLS

- 5.1 The results of schools' audits are reported to Hackney Education (HE) within the Children's and Education Directorate. In addition, progress with the implementation of agreed recommendations from 2018/19 to the current date are regularly followed up and reported.
- 5.2 The schools audit programme focuses on the existence of, and compliance with key financial controls and the adequacy of governance arrangements.

6. IMPLEMENTATION OF RECOMMENDATIONS

- 6.1 In order to track the Council's response to improving the control environment, progress with implementation of agreed internal audit recommendations is tracked. The results of this work for the 'High' priority recommendations from audits undertaken from 2020/21 that were due to be implemented by 30 September 2023 are presented in Table 6.

Directorate	Implemented/ No longer relevant	Partially Implemented	Not implemented /No response	Not Yet Due	Total*
AHI	1	0	0	0	1
Children & Education	0	0	0	0	0
Climate, Homes & Economy	8	2	4	2	14
Finance & Corporate Resources	0	0	0	0	0
ICT	0	0	0	1	0
Chief Executive's	0	0	0	0	0
Corporate	1	0	0	0	1
Total number	10	2	4	3	16
Percentage (%)*	62%	13%	25%	n/a	100%

* Does not include "Not Yet Due"

Table 6

- 6.2 The Council's target for 2023/24 is 90% of 'High' priority recommendations should be implemented in accordance with agreed timescale. Audit followed up 16 'High' priority recommendations, the implementation rate currently stands at 62% fully implemented, with a further 13% partially implemented.

- 6.3 Of the 90 'Medium' priority recommendations followed up 54% were assessed as implemented and 20% partially implemented. Details are shown in Table 7.

Directorate	Implemented /No longer relevant	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Adults, Health & Integration	7	2	0	0	9
Children & Education	1	0	1	2	2
Climate, Homes & Economy	32	3	13	6	48
Finance & Corporate Resources	0	7	4	4	11
ICT	0	0	0	7	0
Chief Executive's	7	0	0	0	7
Corporate	2	6	5	0	13
Total number	49	18	23	9	90
Percentage (%)	54%	20%	26%	n/a	100%

* Does not include "Not Yet Due"

Table 7

- 6.4 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	1	1	1	1	3
Medium	60	6	28	6	94
Total Number	61	7	29	7	97
Percentage (%)	63%	7%	30%	n/a	100%

* Does not include "Not Yet Due"

Table 8

7. DEVELOPMENTS WITHIN INTERNAL AUDIT

- 7.1 The Audit & Anti Fraud Service has substantially recovered from the cyber attack and the Covid-19 pandemic. The ongoing effects of these exceptional events does continue to impact the ability to audit some Council services, as set out at paragraph 4.3 of this report.
- 7.2 The delivery of the planned ICT audits is now progressing after significant interruption due to the necessary response to the cyber attack in October 2020. One audit from the 2022/23 plan has been completed, audit fieldwork is progressing on other reviews and terms of reference are in place.

- 7.3 Internal Audit activity must be carried out in accordance with the Public Sector Internal Audit Standards (PSIAS). These include a requirement to undertake a regular internal assessment of the service, and a periodic External Quality Assessment (EQA), which should take place at least every 5 years. The most recent EQA review was undertaken in August 2023, it was overdue because of the pandemic and then the cyber attack. The report is in the process of being finalised and can be shared with the Audit Committee membership when it is available. Because the timing of the EQA report does not coincide with the Audit Committee timetable a summary of the issues that have been raised at draft stage are attached to this report as Appendix 7.

The status of the 10 recommendations that have been raised for Internal Audit to consider at the draft report stage are as follows:

- 4 recommendations have been implemented and are complete;
- 2 recommendations are advisory and will not be implemented;
- 2 recommendations have been agreed and will be implemented by 31 March 2024;
- One recommendation has been agreed and is in the process of being implemented;
- One recommendation is subject to further consideration before the draft report is agreed.

The actions arising from the EQA will be added to the Internal Audit Quality and Improvement Plan to ensure that the service continues to meet the highest standards.

8. ANTI FRAUD SERVICE

- 8.1 Investigation activity has been fully resumed following the disruption caused by the pandemic, which severely curtailed some areas of work. Some impacts continue to be felt following the cyber attack and, more significantly, from backlogs that have built up in the criminal justice system since early 2020.
- 8.2 Statistical information relating to the work of the Anti-Fraud Teams is shown at 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 A greater level of audit resource than usual continues to be focussed on reviews that have been deferred from previous years due to the cyber attack and the pandemic, and those that will provide evidence to support the Corporate Head of Audit, Anti-Fraud & Risk Management's annual assurance statement.

Internal Audit Annual Plan Progress to 30 September 2023 (including 2022/23 audits completed in the current year)					
Code	Description	High Priority	Medium Priority	Audit Assurance	Status
2022/23 Audits					
Corporate / Cross Cutting					
2232LBH01	AGS Co-ordination 2023/24	N/A	N/A	Reasonable	Final Report
ADULTS, HEALTH & INTEGRATION					
2223AHI04	Safeguarding Adults	0	4	Reasonable	Final Report
CHILDREN & EDUCATION					
Children & Families					
2223CE01	LAC Incidentals				Draft Report
2223CE04	No Recourse to Public Funds	0	2	Significant	Final Report
FINANCE & CORPORATE RESOURCES					
Financial Management					
2223FCR05	Pensions	0	3	Significant	Final Report
Revenues & Benefits					
2223FCR10	NNDR/Business Rates	0	2	Significant	Final Report
ICT					
22233ICT04	Homeworking Support	0	3	Reasonable	Final Report
CLIMATE, HOMES & ECONOMY					
Housing					
2223CHE01	Cranston TMO	3	5	Limited	Final Report

Code	Description	High Priority Recs	Medium Priority Recs	Audit Assurance	Status
2023/24 Audits					
Corporate / Cross Cutting					
2324LBH01	AGS Co-ordination 2024/25				Q4
2324LBH02	Climate Change/Zero Tolerance				WiP
2324LBH03	Organisational Culture				Q4
2324LBH04	Equal Pay				WiP
2324LBH05	Gifts & Hospitality	1	1	Reasonable	Final Report
2324LBH06	Public Interest Reports (PIRs) Lessons Learnt				Q4/Pending Scrutiny Deep Dive
Chief Executive's					
2324CEX01	Recent Election Act				Deferred
2324CEX02	Internal Communications - Google Contacts				Draft Report
2324CEX03	Matrix ICT Contract (Digital Market Place)				Q3/ToR
Adults, Health & Integration					
Adult Services/Public Health					
2324AHI01	Integrated Learning Disabilities Service (ILDS)				Cancelled
2324AHI02	Procurement of Homecare				Deferred
2324AHI03	Public Health Commissioned Services - Substance Misuse				Q3
2324AHI04	Direct Payments Financial Assessment Process				Q3
2324AHI05	Residential Care				Q3
2324AHI06	Mortuary				Q4
2324AHI07	Supporting Families Programme Grant	0	0	Reasonable	Quarterly
2324AHI08	DLUHC Changing	0	0	Reasonable	Quarterly

	Places Fund Grant				
Children & Education					
Children & Families					
23243CE01	Development of Children & Family Hubs (Advisory)				Ongoing
2324CE02	Joint Agency Funding - Children with Complex Needs				Q3/Scoping
2324CE03	Foster Care Payments				Q3
2223CE04	CFS Residential Placements - LAC				Q3
Education & Schools					
2324CE05	Schools Overview Report 2019/20 - 2022/23	0	0	Significant	Final Report
2324CE06	Cost of Children in Alternative Provision				WiP
2324CE07	Falling School Roll Numbers				Q3/ToR
2324CE08	Traded Services				Q3/ToR
2324CE09	Unregistered Settings				Q4
Schools					
Primary Schools & Children's Centres					
2324SCH01	Colvestone Primary				WiP
2324SCH02	New Wave Federation	0	3	Significant	Final Report
2324SCH03	Viridis Federation				Q3/ToR
2324SCH04	Jubilee Primary & Fernbank Nursery School	0	2	Reasonable	Final Report
2324SCH05	Shoreditch Primary School (Formerly Whitmore Primary)				Q3
2324SCH06	Baden Powell Primary School				WiP
2324SCH07	Simon Marks Primary School				Q3/ToR
2324SCH08	Benthal Primary School				Draft Report
2324SCH09	St.Pauls with St.				Q4

	Michaels Primary School				
Secondary Schools					
2324SCH10	Cardinal Pole Secondary	1	8	Limited	Final Report
2324SCH11	The Urswick Secondary				WiP
2324SCH12	Clapton Girls Academy - Scrutiny	0	1	Significant	Final Report
2324SCH13	The Garden School				Q4
FINANCE & CORPORATE RESOURCES					
Financial Management					
2324FCR01	Risk Management				Q4
2324FCR02	Main Accounting System				Q3/ToR
23243FCR03	Accounts Payable				Q3/ToR
2324FCR04	Pensions				Q3/ToR
2324FCR05	VAT Compliance on Income				Q3/ToR
2324FCR06	Service Payroll				Q/4
2324FCR07	Fleet Management				Draft Report
Procurement					
2324FCR09	Reprocurement of Expiring Contracts				WiP
2324FCR10	Energy & Carbon Management in Hackney Schools				Cancelled
Revenues & Benefits					
2324FCR11	Money Hub				WiP
Strategic Property					
2324FCR12	Commercial Property Income				Q3/ToR
ICT					
2324ICT01	3 year ANA				n/a
2324ICT02	ICT Governance				Q4
2324ICT03	ICT Asset Management				ToR

2324ICT04	Key IT Systems & their Functionality Post Cyber Attack				Q/4
2324ICT05	Cloud Platform				WIP
2324ICT06	FOI				Q4/ToR
2324ICT07	Follow-up of Recommendations				Q/4
2324ICT08	Assurance on New Systems, Repairs, Asset Management & Community Safety				Q4
Climate, Homes & Economy					
Housing					
2324CHE01	Rent Arrears - Incl. Effect of UC on Tenant Arrears				Q4
2324CHE02	Complaints Handling - Housing				Q3
2324CHE03	Right to Buy Scheme				Q3
2324CHE04	Leasehold Major Works- Debt Recovery				Deferred
2324CHE05	Wenlock Barn TMO				ToR
2324CHE06	Downs TMO				Q4
Public Realm					
2324CHE07	Use of Infrastructure Levy/Section 106				ToR
2324CHE08	Planning Enforcement				Q3/ToR
Regeneration					
2324CHE10	Business Grants Review - Additional Restrictions Grant (ARG)	0	1	Significant	Final Report

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).

* The overall assurance provided on reviews of Hackney Schools and Tenant Management Organisations (TMOs) differs slightly to the above (Appendix 3). To conclude an overall significant assurance rating requires three or less medium-rated issues, this is due to the wide coverage of risk and control areas during School & TMO reviews.

Anti-Fraud Service:

Statistical Information 1 April 2023 to 31 March 2023

1. Investigations Referred

The Anti-Fraud service has received 249 referrals during the 2023/24 year to date, which is broadly comparable with the rate of referrals during the previous 12 month period.

Group	Department	Number of Cases Referred in Period	Number of Cases Closed in Period	Cases Currently Under Investigation	Referrals 2023/24 YTD	Referrals 2022/23
Climate, Homes & Economy (CHE)	Climate, Homes & Economy	6	7	10	6	23
	Tenancy Fraud	119	99	400	119	278
	Parking	43	69	40	43	142
Children's & Education	Children's	2	2	0	2	5
	No Recourse to Public Funds (NRPF)	67	69	29	67	64
	Hackney Education	3	2	5	3	2
Adults, Health & Integration	Adults, Health & Integration	3	2	3	3	4
Finance & Corporate Resources (F&CR)	Finance & Resources	4	1	8	4	5
	Covid19 Business Grants	0	1	0	0	2
Chief Executive's Directorate	Chief Executive's Directorate	2	1	1	2	2
Total		249	253	489	249	527

Table 1

Note 1: Fraud reporting is provided at Group Directorate level, with additional detail being provided for areas that have been the subject of a dedicated counter-fraud response (Tenancy, Parking, Covid grants 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. AAF no longer provides a dedicated service to DWP to support their investigations, but an alternative mechanism has been made available to DWP which does not have a resource cost for Hackney.

Source	Number of Cases Referred in period	Number of Cases Closed in period	Cases Currently Under Investigation	Referrals 2023/24 YTD	Referrals 2022/23
Internal	16	17	0	16	19
Other Local Authority / Housing Association	61	63	0	61	65
HMRC	14	15	0	14	6
Police	22	24	0	22	21
Immigration	8	8	0	8	2
DWP	9	9	0	9	4
Other	7	8	0	7	5
Total	137	144	0	137	122

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 2023 (with the Council Tax matches being received a little later). Matches are investigated by various LBH teams over the 2 year cycle, AAF investigates some matches and coordinates 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 NFI2022/23	Number Matches Cleared NFI2020/21
Payroll	68	13	22	22
Housing Benefit	1008	3	814	32
Housing Tenants	1151	54	565	79
Right to Buy	506	0	65	0
Housing Waiting List	n/a	n/a	n/a	n/a
Concessionary travel / parking	825	3	625	292
Creditors	7180	0	43	8
Pensions	268	33	134	220
Council Tax (SPD)	13,134	212	881	n/a
Council Tax Reduction Scheme	n/a	n/a	n/a	n/a
Covid19 business grants	n/a	n/a	n/a	105
Other	26	1	15	n/a
Total	24,166	319	3,164	758

Table 3

Hackney has been able to participate more fully in the 2022/23 NFI matching than was possible in 2020/21 following recovery from the cyber attack in October 2020, although a lower level of disruption has persisted (hence the absence of some match categories from the table above).

Responsibility for investigating Housing Benefit matches passed to the DWP in 2014, Hackney has enabled DWP officers to directly access our Housing Benefit records, this has reduced the financial and resource burden on the Council.

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	2023/24 YTD	2022/23
Disciplinary action	0	0	1
Resigned as a result of the investigation	3	3	2
Referred to Police or other external body	1	1	3
Prosecution	5	5	3
Referred to Legal Services	9	2	8
Investigation Report/ Management Letter issued	4	4	7
Council service or discount cancelled	33	33	75
Covid business grants cancelled	1	1	3
Blue Badges recovered	20	20	66
Other fraudulent parking permit recovered	3	3	18
Parking misuse warnings issued	13	13	61
Penalty Charge Notice (PCN) issued	19	19	91
Vehicle removed for parking fraud	13	13	56
Recovery of tenancy	20	20	49
Housing application cancelled or downgraded	0	0	2
Right to Buy application withdrawn or cancelled	1	1	11

Table 4

The 5 prosecution outcomes listed above all relate to parking investigations. Three cases involved the use of a stolen Blue Badge and two cases involved the use of fraudulent visitor vouchers.

The Audit Investigation Team have been involved in 2 planning cases where criminal convictions had already been obtained but our follow up Proceeds of Crime work resulted in the award of confiscation orders totalling £311,200.31.

The investigations which led to the 3 staff resignations concerned 2 cases of misuse of a parking permit and one case involving irregularities in time recording.

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 external benchmarking data to provide a realistic estimation of the cost of the irregularity:

5.1 Tenancy Fraud Team (TFT)

During the period April 2023 to September 2023 a total of 20 tenancies have been recovered by the TFT. Using the recognised measure for the estimated cost of each misused tenancy of £42,000 pa, this equates to a value of £840,000.

During this period one Right to Buy (RTB) applications was cancelled following investigation. Each RTB represents a discount of £127,900 on the sale of a Council asset, so the value of this work is a saving of £127,900 to the public purse.

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 2023, 33 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £12,771 per week, if these had been paid for the full financial year it would have cost Hackney approximately £665,916

It is expected that more packages will be cancelled as a result of investigations carried out during this reporting period, once cases have been thoroughly evaluated.

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 23 Blue Badges or other parking permits, which equates to £2,300, and enforcement charges of £3,835 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.

5.4 Covid19 Business Grants

The investigations team has worked closely with the grant administration teams since March 2020 to assist with the grant verification process. This has identified multiple grant applications which were inaccurate, resulting in payment being withheld, and further cases where action is underway to recover payments that have already been made. One grant overpayment of £10,000 was resolved during this reporting period.

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. One fraud referral was received via the hotline in the reporting period.

7. Regulation of Investigatory Powers Act (RIPA) Authorisations

RIPA is the legislation that regulates the use of surveillance by public bodies. Surveillance is one tool that may be used to obtain evidence in support of an investigation, where it can be

demonstrated to be proportionate to the seriousness of the matter concerned, and where there is no other less intrusive means of obtaining the same information.

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

8. Proceeds of Crime Act (POCA) Investigations

POCA investigations can only be undertaken by accredited officers, as are currently employed by AAF. 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	Authorised in period	2022/23 YTD	2022/23
Production	6	6	3
Restraint	0	0	0
Compensation	0	0	0
Confiscation	1	1	0
Total	7	7	3

Table 5

The POCA incentivisation scheme splits the proceeds from orders between investigation, prosecution and judicial authorities, and the HM Treasury - so the amount reported here represents a part of the total benefit to the public purse arising from this work. It should be noted that funds awarded from successful POCA investigations can often be received some time after the investigation is reported.

9. Proactive counter-fraud plan for 2023/24

The content of the 2023/24 proactive counter fraud plan was reported in April, since when the following reviews have been started:

- Allocation of specific parking permits - terms of reference has been prepared;
- Entitlements to specific new grant programmes - work in progress
- Compliance with leave arrangements - work in progress

Delivery of the proactive counter-fraud plan is determined in part by the number and complexity of reactive investigations that are received.



Anti-Fraud and Corruption Policy

Audit & Anti-Fraud Division
October 2023

Anti-Fraud and Corruption Policy

1. Introduction

- 1.1 The London Borough of Hackney employs over 4000 staff and has gross expenditure in the region of £1.2 billion. As with all large organisations, the size and nature of our services puts us at risk of loss due to fraud, corruption and irregularity both from within and outside the Council.¹
- 1.2 The Council is committed to tackling fraud, corruption and irregularity and making sure that the opportunity for these to occur is reduced to the lowest possible level. Where there is the possibility of fraud, corruption or other irregularities, we will deal with such matters as outlined in the following paragraphs.
- 1.3 The Council has maintained its' anti-fraud capabilities in recent years and this has enabled the ongoing effective detection of, and response to, fraud and corruption. Dedicated teams are in place to tackle the highest priority issues. As a result Hackney has achieved significant savings and recovery of funds and assets, which contributed to the Council's reputation for sound internal control.
- 1.4 An important part of this approach is having an established anti-fraud and corruption policy, which is used to advise and guide Members, staff and persons working for/with the Council on our approach to the serious issues of fraud and corruption. This document provides an overview of the Council's approach in this matter and includes a 'Fraud Response Plan' which provides more detailed guidance on how to deal with fraud and corruption (see Appendix 1).
- 1.5 The main message is that the Council expects all Members, employees and workers to be fair and honest, and to give Audit and Anti Fraud service any all-reasonable help, information and support that is needed to deal with fraud and corruption. Employees in this context relates to direct employees as well as other 'workers', including agency and contract staff, consultants, staff employed in Hackney maintained educational establishments, volunteers, etc.
- 1.6 This Anti-Fraud & Corruption Policy and supporting documents apply to the whole of the Council, including Hackney Education and schools and nurseries maintained by the London Borough of Hackney.
- 1.7 This policy supersedes all previously published Anti-Fraud and Corruption Strategies and will take immediate effect. It is the responsibility of the Audit and Anti-Fraud Service to make sure that this document is reviewed regularly to ensure it remains effective. Any enquiries about this policy should be directed to the Corporate Head of Audit, Anti-Fraud and Risk Management. Future revisions to this policy should be approved by the Council's Audit Committee.

¹ For the purposes of this document 'fraud & corruption' is an all encompassing term which should also be taken to include, dishonest financial irregularity/misappropriation, theft, etc.

2. Approach

2.1 The Council's approach to minimising the risk of loss due to fraud, corruption and irregularity is: -

- a) to develop and maintain a culture of honesty and openness, and to oppose fraud, corruption and irregularity within the Council and in its relationship with outside individuals and organisations; and
- b) to have a series of comprehensive and inter-related procedures and arrangements in place designed to prevent, frustrate and deter fraud, corruption and irregularity or, where they occur, to detect and take effective action against any attempted or actual fraud, corruption or irregularity affecting the Council.

2.2 The Audit and Anti Fraud Service will investigate cases of fraud and corruption. Employees are expected to comply with the spirit as well as the letter of the laws and regulations that are relevant to their Council duties. Those who commit fraudulent and corrupt actions are liable to face disciplinary action which may result in dismissal for gross misconduct. We may also refer such matters to the police and will support criminal prosecutions where this is appropriate.

3. Culture

3.1 The Council believes that the maintenance of a culture of honesty and openness is an important component in tackling fraud, corruption and irregularity.

3.2 To be effective, the Anti-Fraud and Corruption Policy and supporting arrangements set out in Section 4, need to apply within an overall culture within the Council which positively promotes the highest standards expected of those who represent it and makes it absolutely clear that the Council will not tolerate dishonesty on the part of any of its Members or employees or any persons/organisations involved in any way with the Council.

3.3 To encourage this culture the Council has adopted a range of interrelated policies, codes, arrangements and procedures which ensures all Members, employees or any persons/organisations involved in any way with the Council are

- fully aware of our cultural and ethical values and the conduct that is expected;
- required to comply with these standards when working for the Council, and also away from work to the extent that their actions may compromise the Council's values, including the aim of minimising fraud and corruption. ~~and in agreement with, the culture the Council seeks to maintain, the values and conduct expected of persons working for or involved with the Council, including the Council's aim of keeping fraud & corruption to the lowest possible level~~

3.4 Responsibility for the creation of an anti-fraud culture rests jointly with all those involved in the Council in providing political direction, determining policy, and providing management and supervision. The Council expects that Members and

employees at all levels will actively promote an anti-fraud and corruption culture through:

- Endorsing and publicising the Council's Anti-Fraud and Corruption Policy,
- Being an example to others by ensuring adherence to legal requirements and the Council's internal rules and regulations, (e.g. Codes of Conduct, Financial Procedure Rules, Contract Standing Orders, Using Systems & Data Policy, etc.)
- Organising effective induction and training which should include briefings regarding expected standards of conduct, and references to anti-fraud and corruption arrangements
- Encouraging the reporting of any suspicions of fraud, corruption or deliberate irregularity by Members, employees, the public or any other third party with whom the Council works in providing services
- Treating seriously any suspicions reported to them and dealing sensitively with the person reporting the information
- Dealing swiftly and robustly with those who defraud the Council or who act corruptly
- Raising any concerns they may have regarding fraudulent or corrupt activity and maintaining effective internal control arrangements designed to combat fraud, corruption and irregularity.

4. Our Written Rules

4.1 The Council has in place a number of rules, codes of conduct and policies to ensure that financial, operational and organisational procedures are properly controlled. These are an important part of our internal control process, and it is important that all Members, employees and workers know about them.

4.2 The most important of these are as follows: -

- Constitution
- Financial Procedure Rules
- Financial Standing Orders
- Contract Standing Orders
- Code of Conduct for Council Employees
- Code of Conduct for Schools & Educational Settings
- Code of Conduct for Members
- Gifts & Hospitality Procedure
- Anti-Fraud & Corruption Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Whistleblowing Policy
- Using Systems and Data Policy
- Information Sharing Policy
- Records Management Policy
- Scheme for Financing Schools and Schools Financial Procedures Manual

- 4.3 Individual departments have also introduced their own measures, which are designed to control their activities. Examples include schemes of delegation, accounting control procedures and procedural/operational manuals.
- 4.4 Managers in the individual departments must ensure that all employees and other workers have access to these procedures/manuals and receive suitable training.
- 4.5 Members, employees and workers must make sure that they read and understand the rules, code of conduct and policies that apply to them, and act in line with them.
- 4.6 Any Member, employee or worker who does not adhere to the rules, codes of conduct or policies may be subject to formal action, including disciplinary or legal action.

5. Expected Behaviour

- 5.1 All people and organisations that are in any way associated with Hackney Council are expected to be honest and fair in their dealings not only with the Council, its clients and customers but also in their dealings outside of the Council.
- 5.2 The Council expects Members and employees to lead by example in these matters.
- 5.3 The Code of Conduct for Council Employees forms part of the contract of employment, and it requires employees and workers to always work in accordance with the Anti-Fraud and Corruption Policy.
- 5.4 Council employees have an important part to play in combating fraud and corruption and they are expected to warn and provide information to Audit and Anti Fraud service if they suspect a case of fraud or corruption. Guidance on reporting such matters is available in the Council's Fraud Response Plan attached as Appendix 1. The Council's Constitution sets out that it is the responsibility of all Council officers to provide a full explanation and any information or document under their control, or access to any premises, facilities or systems, which is required for the purposes of an Internal Audit investigation. This expectation applies to not only the Council, but also associated bodies and partners including: -
 - i. organisations to which the Council has given grants;
 - ii. organisations with whom the Council contracts; and
 - iii. partner organisations in any scheme for which the Council has responsibility as lead body.

There is a requirement to include these access arrangements in written agreements with external partners.

- 5.5 The Audit and Anti Fraud service will deal with all referrals fairly and confidentially and as far as possible we will not reveal the names of the people who reported the matter to us. However, confidentiality cannot be guaranteed under all circumstances. For example, if an investigation leads to a prosecution and the person who reported the matter is required to give evidence in court. Section 6 below and the Council's Fraud Response Plan attached at Appendix 1 gives more advice on this issue for

both managers and staff. Our Anti Bribery Policy (Appendix 2) sets out the Council's approach to minimising the risk of corruption and bribery.

- 5.6 The Nolan Committee sets out the seven guiding principles that apply to people who serve the public. The Council has developed its working culture with these principles in mind. These principles are set out in Appendix 3.
- 5.7 Managers are expected to deal fairly and quickly with anyone who has or is suspected of committing fraud or acting corruptly. We may refer such matters to the police if we reasonably believe that a criminal offence has taken place.

6. Preventing Fraud and Corruption

- 6.1 The Council's approach is that steps should be taken to minimise the threat of ~~beat~~ fraud and corruption, we must prevent it from happening in the first place. It is essential that there are clear rules and procedures, within which Members, employees, consultants and contractors can work. These include the main rules, codes of conduct and policies set out in Section 4.2 above.
- 6.2 We will regularly review and update our written rules.
- 6.3 Managers are responsible for ensuring that suitable levels of internal check are included in working procedures, particularly financial procedures. It is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system.
- 6.4 Managers, in consultation with Human Resources, are responsible for ensuring that pre-employment screening checks appropriate to the nature of the post are carried out. These should include checks on identity, previous employment and permission to work in the UK, and may also include checks on qualifications, credit status and Disclosure & Barring Service checks. This applies to both permanent and temporary staff.
- 6.5 The Council is committed to working and co-operating with other organisations to prevent organised fraud and corruption. This may include being prepared to help and exchange information with other councils and organisations. This will be subject to any legal restrictions and the Council's own policies/procedures regarding the exchange of information.
- 6.6 The exchange of personal information will be properly controlled in line with appropriate legislation. The Audit & Anti-Fraud Service will adhere to and only exchange personal information in accordance with the Council's Information Sharing Policy and the Data Protection Act (DPA).
- 6.7 Confidential facilities are available for people to report fraud or corruption or give us information that may prevent the same. These include telephone hotlines, which members of the public as well as staff can use to give us information about specific services.

7. Whistleblowing

- 7.1 This section should be read in conjunction with the Council's [Whistleblowing Policy](#), which sets out the types of concern that can be reported and is available on the intranet.
- 7.2 Although employees are expected to report their concerns, the Council recognises that this can be a difficult decision to make. If you report a concern in good faith you will have nothing to fear because you will be doing a service to the public and to the Council.
- 7.3 The Council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith. Any investigation into allegations that you raise of potential malpractice or wrongdoing will not influence or be influenced by any disciplinary, capability, redeployment or redundancy procedures that might separately apply to you.
- 7.4 The Council maintains an independent Whistleblower Hotline for staff provided by Navex that can be used if an individual feels unable to follow the standard reporting process set out at section 3.3 of the Fraud response Plan. To report a concern via the Whistleblowing Hotline please use this [link](#) or call **0800 890 011, followed at the prompt by the code 833 558 1923**. Contact details are also available from the Whistleblowing page on the Council's Intranet.
- 7.5 Concerns that are expressed anonymously will be considered, however, in our experience there is a greater likelihood of a successful investigation if the Audit and Anti Fraud Service are able to communicate directly with those who raise a concern.
- 7.6 Factors taken into account when deciding on appropriate investigation action would include: -
- The nature and seriousness of the issue raised
 - The credibility of the concern
 - The likelihood of confirming the allegation from attributable sources
- 7.7 If you make an allegation or raise a suspicion in good faith, but it is not confirmed by the investigations, no action will be taken against you. However, if during the investigation it is found that you made an allegation/raised a suspicion frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

8. Detecting and investigating fraud and corruption

- 8.1 The Council's approach to detecting and investigating fraud and corruption is set out in the Council's Fraud Response Plan attached at Appendix 1. This also sets out the responsibilities upon all employees/workers to report their concerns, and what actions should be taken by employees/workers, managers and investigators.
- 8.2 The Council will take all steps available to us to recover any monies misappropriated from the Council.

- 8.3 The Audit and Anti Fraud service will communicate the outcomes of our investigations where appropriate (e.g. via internal bulletins and the press).
- 8.4 The External Auditor also has powers to investigate fraud and corruption.

9. Suspicions of Money Laundering

- 9.1 This section should be read in conjunction with the Council's Anti-Money Laundering Policy.
- 9.2 Money laundering is essentially the process by which the proceeds of crime and the true ownership of those proceeds are changed so that they appear to come from a legitimate source.
- 9.3 All employees have a clear obligation under the Terrorism Act 2000, the Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2007 to report suspicions of money laundering and there can be severe penalties for individuals who fail to act in accordance with the legislation.
- 9.4 Employees must report any suspicions of money laundering to the Money Laundering Reporting Officer (MLRO) or Deputy Money Laundering Reporting Officer (DMLRO) (contact details at Appendix 1). Reporting suspicions in this way is essential to ensure that: -
- Suspected instances of money laundering are investigated properly
 - There is a standard process for dealing with suspected cases of money laundering
 - Individual's and the Council's interests are protected.
- 9.5 The MLRO or DMLRO will ensure that legislative requirements for investigating and reporting suspicions of money laundering are followed.
- 9.6 It is essential that employees do not do anything that could result in the suspect being alerted to the fact there is a suspicion regarding their activity or that the matter has been reported.

10. Fraud Awareness & Training

- 10.1 The Council recognises that the key to the continuing success of our anti-fraud culture depends upon maintaining a high level of fraud awareness among employees, workers and those who work with us.
- 10.2 The Council will provide training to support employees who use or manage internal control systems.
- 10.3 The Council will seek to ensure that the stance on fraud and corruption is widely publicised both internally and externally. All Members, employees, workers and other associated bodies/persons with whom the Council conducts its business will be

appropriately informed of this policy and the supporting framework as outlined in Section 4 above.

- 10.4 The Audit and Anti fraud service is committed to training and developing its staff who are involved in investigating fraud and corruption.

Document and version control

Document and version control	
Title of document	London Borough of Hackney Anti-Fraud & Corruption Strategy
Owner	Michael Sheffield
Job title of owner	Corporate Head of Audit, Anti-Fraud & Risk Management
Directorate	Finance and Corporate Resources
Approved by	Audit Committee
Publication date	tbc
For use by	All staff
Why issued	Corporate Policy
Review date	July 2025 (normal review will be biennial as minimum, with ad hoc review as necessary)

Version control details				
Version No.	Author / editor	Version date	Approval date	Overview of changes
V1.0	Michael Sheffield	1 June 2019	June 2019	
V2.0	Michael Sheffield	October 2023	tbc	Inclusion of officer and partner responsibilities as set out in the Constitution; Updated WB contact details; Clarity that staff can raise concerns with a more senior manager in the first instance if that is appropriate, and that managers must report concerns to AAF; Clarity on maintained school investigation remits.



Fraud Response Plan

1. Introduction

- 1.1 It is important that we do all we can to prevent and detect fraud to make sure that we can provide value for money services to residents and businesses within the Borough of Hackney honestly, efficiently.
- 1.2 Our Anti-Fraud and Corruption Policy sets out the principles we are committed to in relation to preventing, reporting, detecting and managing fraud/corruption and money laundering.
- 1.3 This fraud response plan sets out what employees and managers should do if they suspect fraud, corruption or money laundering.
- 1.4 It is the responsibility of the Audit & Anti-Fraud Service to investigate suspicions of fraud and corruption.

2. Definitions

Fraud:

The Fraud Act 2006 created an offence of fraud which can be committed in three separate ways: -

- (i) False representation
A fraud will be committed if a person dishonestly makes a false representation and when doing so intends to make a gain or cause loss (or a risk of loss) to another.
- (ii) Failing to disclose information
A fraud will be committed if a person dishonestly fails to disclose information where there is a legal obligation to do so and when doing so intends to make a gain or cause loss (or a risk of loss) to another.
- (iii) Abuse of position
A person will commit fraud if they occupy a position in which they are expected to safeguard, or not act against, the financial interests of another person and they dishonestly abuse that position; and in doing so intend to make a gain or cause loss (or a risk of loss) to another.

Corruption:

The Bribery Act 2011 introduces three principle corruption offences:

- (i) Bribing another person
An individual commits an offence if a financial or other advantage is offered, promised or given to another person for the improper performance of a function;
- (ii) Being bribed
An individual commits an offence if a financial or other advantage is requested, agreed or received for the improper performance of a function;

(iii) Failure to prevent bribery

A corporate offence whereby the Council can be liable for the actions of those associated with it, if it has not taken reasonable steps to mitigate against this (see the Bribery Act Policy at Appendix 2 for details).

Money Laundering:

Money laundering, as defined in the Proceeds of Crime Act 2002 (POCA), is: -

- (i) Concealing, disguising, converting or transferring criminal property, or removing it from the UK;
- (ii) Entering into or becoming concerned in an arrangement which you know or should reasonably suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- (iii) Acquiring, using or possessing criminal property.

3. Procedures for Reporting Suspected Fraud and Corruption

- 3.1 We rely on our staff to help us to prevent and detect fraud and corruption or suspicions of money laundering. It is often members of staff who are in a position to spot any possible cases of fraud, corruption or money laundering at an early stage.
- 3.2 We require staff to tell us if they suspect fraud, corruption or money laundering.
- 3.3 We have specific reporting lines for fraud and corruption. You should first report the matter to your line manager or a more senior manager in your service area. If this is not appropriate, you should inform the Corporate Head of Audit, Anti-Fraud & Risk Management.
- 3.2 We also subscribe to an independent whistleblowers telephone hotline, which is run for us by an independent organisation, Navex. This allows concerns to be raised where the reporting person does not have confidence in the Council's internal arrangements for any reason. You can contact the whistleblowers hotline if you have information about a suspected case of fraud, corruption, money laundering and/or other irregularity but you do not feel able to follow the normal reporting procedures. Contact details are provided at Section 10 of this Fraud Response Plan.
- 3.3 The action that you take when you first find out about a suspected case of fraud, corruption, money laundering or irregularity might be vital to the success of any investigation that follows, so it is important that your actions are in line with the information given in this document.

4. Action by Employees

- 4.1 Under our Code of Conduct for Employees and Financial Procedure Rules, employees must report any suspected cases of fraud and corruption to their direct line manager, a more senior manager in your reporting line or, if that is not appropriate, to the

Corporate Head of Audit, Anti-Fraud and Risk Management. Reporting cases in this way ensures that: -

- Suspected cases of fraud and corruption are investigated properly;
- The Fraud Response Plan is carried out properly;
- There is a standard process for dealing with all suspected cases of fraud, corruption (including bribery) and money laundering;
- There is a corporate process for dealing with surveillance activity; and
- Individuals and the Council's interests are protected.

4.2 You should ensure that you are familiar with all of the rules, regulations, policies and procedures that are in place to assist you with your duties. You must not participate in fraudulent or corrupt acts.

4.3 If you suspect fraud, corruption or money laundering anywhere within the Council, you should do the following:

- (i) Write down your concerns immediately. Make a note of all relevant details, such as what was said in phone or other conversations, the date, the time and the names of anyone involved.
- (ii) In cases of suspected fraud or corruption, you must report the matter immediately to your line manager, a more senior manager in your chain of command or the Corporate Head of Audit, Anti-Fraud and Risk Management. Give that officer any notes you have made or any evidence you have gathered. Don't tell anyone else about your suspicions.
- (iii) In cases of suspected money laundering, immediately advise the Corporate Head of Audit, Anti-Fraud and Risk Management, who is the Council's designated Money Laundering Reporting Officer (MLRO), or the Audit Investigation Manager (Deputy Money Laundering Reporting Officer, DMLRO). (See contact details at section 10 of this response plan.)
- (iv) Help Audit & Anti-Fraud or another authorised organisations in any investigation.

4.3 Under **no circumstances** should you try to carry out an investigation yourself. This may damage any Audit & Anti-Fraud or subsequent investigation.

5. Action by Managers

5.1 If you find out about suspected fraud, corruption or money laundering in your work area, you should do the following: -

- (i) Listen to the concerns of your staff and treat every report you receive seriously and sensitively. Staff should be encouraged to raise any concerns they have with their manager.
- (ii) Make sure that all staff concerns are given a fair hearing. You should also reassure staff that they will not suffer victimisation because they have told you of their suspicions.

- (iii) Get as much information as possible from the member of staff, including any notes and any evidence they have that may support the allegation. Do not interfere with any evidence and make sure it is kept in a safe place.
 - (i) Assess whether the suspicions are justified before you take the matter further.
- 5.2 **Do not** try to carry out an investigation yourself. This may damage any Audit & Anti-Fraud or subsequent investigation.
- 5.3 Report the matter immediately to the Corporate Head of Audit, Anti-Fraud and Risk Management. Do not tell anyone else about your suspicions.
- 5.4 Help Audit & Anti-Fraud or another authorised organisations in any investigation.

6. Audit & Anti-Fraud

- 6.1 Audit & Anti-Fraud is normally the appropriate unit to investigate cases of suspected fraud or corruption, so it is important that every suspicion is reported to the Corporate Head of Audit, Anti-Fraud and Risk Management.
- 6.2 The Corporate Head of Audit, Anti-Fraud and Risk Management, the Audit Investigation Manager and Investigators will work with managers to decide on the type and course of the investigation. This will include referring cases to the police where necessary. Where appropriate we will press for the prosecution of offenders.
- 6.3 If an investigation is likely to result in both a Police investigation and action under the Council's Disciplinary Policy & Procedure, then advice should be sought from the Corporate Head of Audit, Anti-Fraud and Risk Management and the Director of Human Resources & Organisational Development.
- 6.4 We will carefully consider investigate all referrals received to determine that the matters involved are appropriate for investigation, and to consider the potential for our enquiries to identify evidence and allow further action to be considered. Anonymous referrals will be assessed in the same way but they are often much harder to pursue so we would encourage anyone with concerns to refer the matter directly to the Corporate Head of Audit, Anti-Fraud and Risk Management if they do not feel they can raise the matter with their manager.
- 6.5 Experienced audit staff will manage fraud and corruption investigations. Any investigation that Audit & Anti-Fraud carries out will be in line with our procedures and legislation that applies to the conduct of these enquiries, including the Criminal Procedures and Investigations Act (CPIA) and the Police and Criminal Evidence Act (PACE).
- 6.6 Should surveillance be considered necessary during the course of an investigation this must be conducted in line with the Regulation of Investigatory Powers Act 2000 (RIPA) and the Council's own Surveillance and Communications Data policy. Failure to follow this policy could have severe consequences for the Council and only officers trained in this specialist area of investigations should carry out this activity. The Corporate Head

of Audit, Anti-Fraud and Risk Management is responsible for maintaining the Council's central record of RIPA authorisations.

- 6.7 Audit & Anti-Fraud will liaise with managers about the results of any investigation, and advise them what action they need to take.
- 6.8 If appropriate, feedback will also be provided to the person who initially raised the concerns.

7. Responsibilities if you are a worker who is the subject of an Audit & Anti-Fraud investigation

- 7.1 There is a responsibility on all officers of the Council, associated bodies or partner organisations (including organisations that the Council has provided grants to or contracted with) to provide any information, explanation or document under their control, or access to any premises, facilities or systems which is required in connection with any Audit & Anti-Fraud investigation.
- 7.2 Audit & Anti-Fraud investigations will be carried out in line with Divisional procedures and established best practice, and workers are required to cooperate with these arrangements.
- 7.3 Interviews with investigation subjects will ordinarily be audibly recorded, at the discretion of Audit & Anti-Fraud and in accordance with best practice and team procedures.

8. Actions Arising from Investigation

- 8.1 The Council's Anti-Fraud and Corruption Policy provides that dishonesty on the part of any Members, employees or any person or organisations involved in any way with the delivery of services to or on behalf of the Council will not be tolerated. Where fraud, corruption or irregularity is detected the Council will rigorously pursue appropriate action against the persons concerned including legal and/or disciplinary action, and wherever possible and deemed appropriate, we will take action to recover any losses suffered.

9. Schools

- 9.1 Hackney Council funds maintained schools and is also the ultimate employer of maintained school staff, even though staff are directly employed by the school governing body. The Council retains the right to investigate concerns of staff fraud, corruption and irregularity, the outcomes of these enquiries will be reported and it will be the responsibility of the school governing body to determine whether suspension, disciplinary or dismissal action in respect of their staff is appropriate.

10. Tenant Management Organisations (TMOs)

- 10.1 The Councils' statutory responsibility to properly administer its' financial affairs extends to the provision of housing services, including those provided by TMOs under the Right to Manage. Hackney retains its statutory obligations to ensure proper financial

administration including through provision of regular internal audit reviews and investigatory work if required.

11. Contact Details

Contact	Details
Council	
Corporate Head of Audit, Anti-Fraud and Risk Management (Money Laundering Reporting Officer) Michael Sheffield	Hackney Town Hall, Mare Street, London E8 1EA Tel: 020 8356 2505 Email: michael.sheffield@hackney.gov.uk
Audit Investigation Manager (Deputy Money Laundering Reporting Officer) Vinny Walsh	Hackney Town Hall, Mare Street, London E8 1EA Tel: 020 8356 2536 Email: vinny.walsh@hackney.gov.uk
External	
Navex Whistleblowing Hotline (Council's external hotline provider)	Tel: 0800 890 011, then at the prompt, 833-558-1923; alternatively reports can be made online by clicking here .
Protect (the whistleblowing charity)	The Green House 244-254 Cambridge Heath Road London E2 9DA Tel: 020 3117 2520 Website: https://protect-advice.org.uk/contact-protect-advice-line/

Anti Bribery Policy

Offences

The following offences were introduced as part of the Bribery Act 2011:

- (i) **Section 1 - Bribing another person**
An individual commits an offence if a financial or other advantage is offered, promised or given to another person for the improper performance of a function;
- (ii) **Section 2 - Being bribed**
An individual commits an offence if a financial or other advantage is requested, agreed or received for the improper performance of a function;
- (iii) **Section 7 - Failure to prevent bribery**
The Council will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business or an advantage in the conduct of business for the Council. Organisations are liable to an unlimited fine if convicted for this offence.

Council position

The Council has a zero tolerance approach to all forms of fraud and corruption, including bribery. We expect all people working for the Council (permanent and fixed term employees, agency workers and contractors) and other organisations that carry out functions on our behalf to act honestly and with integrity, and comply with the spirit as well as the letter of the laws and regulations that are applicable to their work.

Corporate Responsibilities

The Council can demonstrate a commitment to preventing bribery by following government advice based around six key principles. Adherence to these principles will provide a full organisational defence to any Section 7 offence in the event that a case of bribery does take place. The six principles are as follows:

1. Proportionate procedures
This policy sets out the Council's stance on bribery. Our Financial Procedure Rules, Contract Standing Orders, Code of Conduct, Anti-Fraud and Corruption Policy and Gifts and Hospitality Guidance set out the standards and detailed procedures that workers should follow. These procedures are proportionate with the bribery risks that the Council faces and the nature, scale and complexity of the activities that we undertake.
2. Top level commitment
The Council's senior management are committed to preventing bribery by persons associated with it. Honesty and integrity is one of the seven principles of working at Hackney, we require that anyone working for the Council does not place themselves in a position where their honesty and integrity can be questioned, must avoid conflicts of

interest, and must make decisions fairly (including the award of contracts and when making appointments).

3. Risk Assessment

The Council is committed to on-going risk assessment of potential external and internal risks, including bribery, financial irregularity and other events that would damage its reputation

4. Due diligence

The Council applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the council, in order to mitigate identified bribery risks.

5. Communication (including training)

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation, and that training will be provided which is proportionate to the Council's risk of exposure to bribery.

6. Monitoring and review

All Council procedures that relate to the prevention of bribery will be monitored and reviewed, and improved where necessary.

Gifts and hospitality

This policy is consistent with the Council's gifts and hospitality procedures. These require that the offer of gifts and hospitality must always be recorded and the offer will ordinarily be refused unless it is of token value. The Gifts and Hospitality procedure sets out the very limited circumstances where an offer may be accepted and the process that has to be followed. The procedure also sets out that even the restricted circumstances that could lead to an offer being accepted will never apply if the entity offering the gift or hospitality is a potential Council supplier or employee, or is seeking planning permission from the Council.

Facilitation payments

These are small bribes paid to facilitate routine government action. Facilitation payments are not acceptable under the Council's Anti-Fraud and Corruption arrangements.

The Seven Principles of Public Life

Selflessness

Holders of Public office should take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contract, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Note

These principles are a direct extract from the Nolan Committee report

Surveillance and Communications Data Policy and Procedures



Audit & Anti-Fraud Division
October 2023

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INTRODUCTION

Hackney Council is committed to making the Borough a place for everyone, this involves building a fair and safe community.

The aim of this policy document is to: -

- explain the scope of the Regulations of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act (IPA) 2016 in so far as they apply to work undertaken by London Borough of Hackney;
- provide guidance on the authorisation procedures to be followed;
- provide a framework for carrying out surveillance both within and outside RIPA; and
- ensure that all the legal obligations on the Council are met, in particular the Human Rights Act 1998

Officers will be clear about the purpose of the monitoring and be satisfied that the particular method of surveillance chosen is justified.

This policy document is based upon the requirements of RIPA and the Home Office Code's of Practice on Covert Surveillance and Covert Human Intelligence Sources. The Council's use of surveillance powers and Covert Human Intelligence Sources is governed by RIPA 2000, our ability to obtain communication data falls under the IPA 2016. All Hackney officers (or its agents) are required to understand and follow this policy when involved in any of the above activities. Links to the following Home Office Codes of Practice are available [here](#), these include -

- Surveillance COP
- Communications Data COP
- Covert Human Intelligence

If any officer is unsure about any aspect of this policy document or surveillance in general they should contact the council's Corporate Head of Audit, Anti-Fraud and Risk Management at the earliest possible opportunity, for advice and guidance.

Audit & Anti-Fraud regularly coordinate training for officers who may need to use or approve surveillance powers. Any person wishing to apply for, or authorise, activity under RIPA must have completed the most recent training, and anyone who attends court to seek judicial approval for surveillance activity must be authorised to do so under section 223 of the Local Government Act 1972. Any use of the powers to obtain communications data under the IPA 2016 must be carried out through the National Anti-Fraud Network (NAFN), applicants must have completed the NAFN training and follow the requirements set out at Part 3 of this Policy.

All investigations that involve covert surveillance or requests for information relating to communications data are open to inspection and scrutiny by the Investigatory Powers Commissioners Office (IPCO) and are subject to review. The reviews will highlight inconsistencies and any necessary improvements needed to comply with the

legislation. It is essential, therefore, that all surveillance is appropriately authorised in accordance with this policy document.

RIPA regulates the use of a range of covert techniques by public authorities including local authorities. The more intrusive techniques such as interception can only be used by law enforcement and intelligence agencies.

Local authorities are only able to use the least intrusive types of investigatory techniques set out by RIPA and IPA, these include:

- directed surveillance e.g. covert surveillance in public places
- covert human intelligence sources e.g. informants, undercover officers, and
- acquisition of communications data.

Local authorities may only use these powers for preventing or detecting crimes which attract a maximum custodial sentence of 6 months or more or criminal offences relating to the underage sale of alcohol or tobacco.

The above techniques are described in more detail later in this policy document.

REGULATION OF INVESTIGATORY POWERS ACT 2000

PART 1 – DIRECTED SURVEILLANCE

1.1 What is Surveillance

Surveillance can involve monitoring, observing or listening to people. This includes their movements, conversations, activities or other communications or recording anything with a surveillance device.

Overt Surveillance takes place where the surveillance is not hidden, such as alerting the public to the use of CCTV in a public place. Overt surveillance does not require authorisation.

Covert Surveillance is where the person or people under observation are not aware that surveillance is taking place.

Directed Surveillance is covert in nature but is not intrusive. It shall also be undertaken for a specific investigation/operation, which is likely to result in private information about a person being obtained.

All directed surveillance carried out by Hackney officers must be authorised.

Intrusive Surveillance is covert surveillance which is carried out in relation to anything taking place on any residential premises or in a private vehicle and involves the presence of an individual on the premises, on the vehicle or is carried out by means of a surveillance device.

NB – Councils are not permitted to authorise intrusive surveillance. Hackney officers can only conduct intrusive surveillance if they are involved in surveillance with other enforcement agencies with higher authorisation powers (e.g. Police, HM Revenue & Customs, etc) in which case the authorisation would be obtained by the other agency.

In cases of surveillance on members of the public, it is clear that the Council is acting as a public authority. This means that the Human Rights Act and RIPA apply. In cases where an employee is under investigation, the Council's role is that of an employer and not a public authority. RIPA does not apply in these cases, although we will still follow the principles established by the legislation when undertaking surveillance for this reason. It is likely that any tribunal hearing employee cases involving surveillance will consider human rights issues when making decisions. Furthermore, if the employee is under investigation for a criminal offence, the Council will be able to obtain a RIPA authorisation for covert surveillance if it is necessary and proportionate.

Covert surveillance can only be justified where other investigation methods would not obtain the necessary evidence.

Who is Authorised to Conduct Surveillance?

The Council has been empowered by statute to enforce various offences within its borough. Such powers are exercised by officers on behalf of the Council.

Undertaking surveillance is incidental to the enforcement of such powers and therefore authorised under Section 111 of the Local Government Act 1972.

Officers of the Council, however, would need to ensure that any covert surveillance has been properly authorised as laid out in this policy document.

The authorisation, renewal and cancellation procedures detailed below should be followed and the standard Home Office RIPA forms that have been adapted for Hackney are to be utilised for these purposes. All forms are available via the Council's RIPA Co-ordinator.

If contractors and/or agents of the Council are authorised to undertake public functions on behalf of the Council an authorisation under RIPA may be required for the purposes of the work they do for the Council if it involves covert surveillance. Therefore, the authorisation procedures below must be followed prior to any covert surveillance being conducted by them.

1.2 Seeking Authorisation

In all instances Investigating Officers (IO) should contact the RIPA Co-ordinator to obtain the relevant form and Unique Reference Number (URN) at the start of the application process (see section 4.2). The URN must be written on the form.

The IO must always consider if there is a less intrusive way to gather information that is required to progress their investigation. If the IO considers it necessary to undertake surveillance as part of an investigation, they must complete an Application for Authority for Directed Surveillance Form.

The form must record why the IO considers surveillance necessary and proportionate to what is hoped to be achieved. When considering an application officers need to be aware of the following requirements: -

Necessity - covert surveillance shall only be undertaken where it is designed to achieve a legitimate objective. The only ground for which directed surveillance can be authorised by the Council under RIPA is to prevent or detect crime

Proportionality - the use and extent of covert surveillance shall not be excessive i.e. it shall be in proportion to what the investigation seeks to achieve. It must be specific and not designed to cover a wide range of situations. The IO shall make an assessment of the duration of the surveillance or each stage of the surveillance and the resources to be applied.

The IO must show that consideration of the size and scope of the operation against the gravity and extent of the perceived criminality mischief has taken place. They must also explain how and why the methods to be adopted will cause the least possible intrusion on the target and others, that the activity is an appropriate use of

the legislation and that it is the only reasonable way (having considered all others) of obtaining the desired result. The application should include details of other methods considered and why they were not implemented.

Collateral Intrusion - reasonable steps shall be taken to minimise the intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation being carried out. The officer shall also consider how any third party information obtained will be handled. The IO should record any collateral intrusion that might occur. Collateral intrusion occurs when individuals who are not part of the surveillance are unintentionally included in the course of the surveillance. For example, where photographing a target at a specific location includes members of the public being photographed.

Subsidiarity – the surveillance must cause no greater invasion of the right to privacy than is absolutely necessary to achieve its objective. All other means must be considered prior to surveillance being deemed necessary.

Confidential Information – confidential personal information (such as medical records or spiritual counselling), confidential journalistic material, confidential discussions between Members of Parliament and their constituents, or matters subject to legal privilege.

Special consideration must be given to authorisations that involve confidential personal information. Where such material has been acquired and retained the matter should be reported to the relevant Commissioner or Inspector during their next inspection and the material made available if requested

NB. Where there is a likelihood that information acquired will be Confidential Information, then the authorisation must be from the Head of Paid Service or, in their absence, a Group Director nominated by the Head of Paid Service to deputise for them.

Serious Crime Threshold – Local Authorities can only grant an authorisation under RIPA for the use of directed surveillance to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol or tobacco. Local authorities can no longer authorise the use of RIPA to investigate disorder that does not involve a criminal offence below this serious threshold which may include, for example, littering or dog control.

If during the investigation it becomes clear that the activity being investigated does not amount to a criminal offence or that it would be a less serious offence that does not meet the threshold, the use of directed surveillance should cease. If a directed surveillance authorisation is already in force it should be cancelled.

1.3 Role of the Authorising Officer (AO)

AOs must ensure that they are satisfied that the covert surveillance is necessary and proportionate.

An AO should consider all information provided on the Application for Authority for Directed Surveillance and if necessary ask for further information from the IO. When authorising the application the AO should write down exactly what they are authorising; i.e., who, what, where, when and how. All authorities must be signed, showing the date and time the authority was granted.

The AO should return the completed form to the IO who should keep a copy on the investigation file.

The original form will need to be presented at the judicial approval hearing prior to being forwarded to the RIPA Co-ordinator marked 'private and confidential' for filing on the central file. (see para 1.5 below)

1.4 Applying for Judicial Approval

The Protection of Freedom Act 2012 amended RIPA to require judicial approval following local authority authorisation. Following authorisation by the AO the IO should contact Thames Magistrate Court, 58 Bow Road, London E3 4DJ on telephone number 020 8271 1203 to arrange a date and time for a hearing.

The IO or another appropriate officer of the Council (e.g. RIPA Co-ordinator) will need to attend the court in person to apply for judicial approval. When attending court the IO must provide the following documents to the Magistrate/Justice of the Peace (JP): -

- the original RIPA authorisation and any supporting documents setting out the case – this will need to be shown to the JP but will be retained by the IO to file in the Council's central record on return from the hearing;
- a copy of the original RIPA authorisation and any supporting documents setting out the case for retention by the JP;
- two copies of the partially completed Judicial Application/Order Form.

The order section of this form will be completed by the JP and is the official record of the JP's decision. The JP will retain one copy of this form and the other is returned to the IO to be retained on the Council's central record.

The judicial approval of the authorisation will only be given if the Magistrate/JP is satisfied that:

1. There were reasonable grounds for the Authorising Officer approving the application to believe that the covert directed surveillance or deployment of CHIS (covert human intelligence source, see Part 2 of this Procedure) was necessary and proportionate and that there remain reasonable grounds for believing so.
2. The Authorising Officer was of the correct seniority within the organisation i.e. Director, Head of Service, Service Manager or equivalent as per the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010/521).
3. The granting of the authorisation was for the prescribed purpose, as set out in the 2010 order, i.e. preventing or detecting crime and satisfies the newly introduced 'Serious Offence Test' for directed surveillance. In addition, where

the authorisation is for the deployment of a CHIS, the Magistrate must be satisfied that:

- a. Provisions of S29(5) have been complied with. This requires the local authority to ensure that there are officers in place to carry out roles relating to the handling and management of the CHIS and the keeping of records.
- b. Where a CHIS is under 16 or 18 years old, the requirements of the Regulation of Investigatory Powers (Juveniles) Order 2000 have been satisfied. This sets out the rules about parental consent, meetings, risk assessments and the duration of the authorisation.
- c. Where the application is for the renewal of a CHIS authorisation, a review has been carried out by the local authority and the Magistrate has considered the results of the review.

NB. Judicial approval is required for all applications and renewals; there is no requirement for the JP to consider either cancellations or internal reviews.

1.5 Out of Hours Authorisations

In exceptional circumstances a JP may consider an authorisation out of hours. If the authorisation is urgent and cannot be handled the next working day then the IO should first obtain authorisation from the AO before phoning the court's out of hours HMCTS legal staff contact. You will need to provide basic facts and explain the urgency. If urgency is agreed arrangements will be made to see a suitable JP. As with the normal JP approval process the IO will need to provide two copies of both the authorised RIPA application form and the accompanying judicial application/order form.

Local authorities are no longer able to orally authorise the use of RIPA as all authorisations require judicial approval which must be made in writing. The authorisation cannot commence until this has been obtained.

1.6 Training

The role of an AO carries great responsibilities for the AO as well as the staff involved in the surveillance operation, the Council and members of the public. In order to protect the Council from the risk of misuse of the powers under RIPA no one will be permitted to carry out the role of an AO without having first undergone approved training. All AO's will be expected to undertake refresher training. The Corporate Head of Audit, Anti-Fraud and Risk Management should be contacted for further information.

1.7 Length of Authorisation

A written authorisation will last for up to three months unless cancelled or renewed. In all cases regular reviews should be carried out and an authorisation should be renewed or cancelled before the expiry of the original authorisation.

1.8 Surveillance Equipment – Control/Inventory

The Council will maintain a central inventory of all technical equipment capable of being used for covert surveillance. The central inventory will be maintained by the RIPA Co-ordinator as part of the Council's central records. It is the responsibility of the Service Head to ensure the issue and use of any equipment held by the service for the purpose of conducting covert directed surveillance (e.g. radios, cameras, etc) is correctly recorded and usage is subject to audit.

NB. The use of such equipment should be specified in the authorisation.

1.9 Use of CCTV Control Room

The provisions of RIPA do not cover the use of overt CCTV surveillance systems. Members of the public are aware that such systems are in use, for their own protection, and to prevent crime. However, if the CCTV becomes 'directed' in any way as part of a covert operation towards an individual, authorisation must be obtained. In some circumstances police officers may ask for our cameras to be targeted at individuals or buildings, as part of their operations. In these circumstances the officer directing the CCTV should satisfy him/herself that the police have obtained proper authorisation. CCTV surveillance carried out as an immediate response to an event does not require authorisation.

If an LBH directed surveillance operation is to include the use of CCTV equipment then the Hackney IO must obtain a RIPA authorisation in the usual way. If CCTV is required for a Police directed surveillance operation they must complete Form 5429. This document is the unified protocol in which RIPA authorised use of CCTV for Directed Surveillance activity will be passed to the Public Space Surveillance Team. It must be Shared with the Public Space Surveillance Manager. In all cases only one form is required for the duration of an operation. To book the CCTV Centre for a pre-planned operation, IOs can contact 020 8356 2323 or cctv.leader@hackney.gov.uk, in advance. The Police (unlike local authorities) are able to undertake directed surveillance on the basis of a verbal authorisation in some circumstances. In the event of an urgent verbal authorisation to utilise CCTV Service cameras, this must be followed up with Form 5429.

1.10 Internet and Social Media Investigations

Information obtained from the internet must comply with all the normal rules and guidance applicable to any type of enquiry conducted within a criminal investigation, such as, the Data Protection Act (DPA), Criminal Procedures Investigations Act (CPIA) and RIPA. The use of the internet to gather information prior to and/or during an operation may amount to directed surveillance. Any activity likely to interfere with an individual's Article 8 rights should only be used when necessary and proportionate to meet the objectives of a specific case. Where it is considered that private information is likely to be obtained, an authorisation (combined or separate) must be sought as set out in this procedure. Where an investigator may need to communicate covertly online, for example, contacting individuals using social media websites, a CHIS authorisation should be considered.

Where privacy settings are available but have not been applied the data available

on social networking sites may be considered 'open source' and an authorisation is not usually required.

Repeat viewing of 'open source' sites, however, may constitute directed surveillance and this should be borne in mind e.g. if someone is being monitored through, for example, their Facebook profile for a period of time and a record of the information is kept for later analysis, this is likely to require a RIPA authorisation for directed surveillance.

1.11 Reviews

The AO should ensure that they review the authorisation at least monthly in order to satisfy themselves that authority should continue. Evidence of this review should be completed on the Review of Directed Surveillance Form.

1.12 Renewals

There may be circumstances where the investigation requires surveillance to take place for a period longer than 3 months. In such cases, it will be necessary for the IO to obtain a renewal of authority from the AO and the JP.

The IO should submit a renewal form with a copy of the original Application for Authority for Directed Surveillance to the AO. The AO must review both documents to ensure that there is continuing justification for surveillance. A copy of the renewal form should be placed on the investigation file.

The IO must arrange a hearing with the JP for judicial approval. All authorisations must be renewed prior to the expiry date of the original authorisation but will run from the expiry date and time of the original authorisation. Applications for renewal should be made shortly before the original authorisation period is due to expire. IO's must take account of factors which may delay the renewal process (e.g. weekends or the availability of the AO and JP to grant approval).

The original renewal form will need to be presented at the judicial approval hearing prior to being forwarded to the RIPA Co-ordinator marked 'private and confidential' for filing on the central file.

1.13 Cancellations

Surveillance should be no longer than necessary to gather the required information. The AO must cancel the authorisation if satisfied that the directed surveillance is no longer required.

The IO should complete a Cancellation of Directed Surveillance Form providing information which should include a record of the date and time (if at all) that surveillance took place and when the order was made to cease the activity and the reason for the cancellation. The completed form should be passed to the AO who should ensure when countersigning the form that surveillance equipment has been removed, any property interfered with or persons subjected to surveillance since the last review or renewal is properly recorded and that a record is made of the value of the surveillance (i.e. whether the objectives as set in the authorisation were met).

The AO must make reference on the cancellation form to the handling, storage and destruction of any material obtained from the directed surveillance. The AO must ensure compliance with the Data Protection Act and the Council's own corporate retention policy.

A copy of the cancellation form should be placed on the investigation file and the original sent marked 'private and confidential' to the RIPA Co-ordinator to place on the central file.

1.14 When Authorisation is Not Required

Test Purchases

When enforcement staff undertake general observations as part of their everyday functions, this low level activity will not usually be regulated under the provisions of RIPA. For example, Trading Standards might observe and then visit a shop as part of their enforcement function to verify the supply or level of supply of goods or services that may be liable to a restriction or tax. A CHIS authorisation is unlikely to be necessary because the purchase activity does not normally constitute a relationship, but if a number of visits are undertaken to the same business to encourage familiarity then a relationship may be established and a CHIS might be appropriate.

Such observation may involve the use of equipment to merely reinforce normal sensory perception, such as binoculars, or the use of cameras, but not amount to systematic surveillance of an individual. If covert technical equipment is worn by the test purchaser, or an adult is observing the test purchase, authorisation for directed surveillance is required.

Automatic Number Plate Recognition (ANPR)

Automatic Number Plate Recognition (ANPR) is primarily used for the purposes of managing traffic, road safety and enforcement - this overt use does not require RIPA approval. However, ANPR can be used as a surveillance tool if it is targeted at suspected offending and the use is planned in advance, for example, to establish the circumstances under which a fraudulent blue badge is being used. If ANPR is used to monitor vehicles in this way then a directed surveillance authorisation should be requested.

Non-RIPA Surveillance

A RIPA authorisation can only be granted where the serious crime threshold is met (see section 1.2 above). Local authorities undertake many types of investigation which do not meet this threshold, but where surveillance may be necessary to establish the facts of the case, for example:

- Staff disciplinary investigations (undertaken in accordance with the ICO Employment Practices Code);
- Anti-social behaviour disorder which does not attract a maximum custodial sentence of at least six months imprisonment;
- Safeguarding vulnerable people;

- Planning enforcement prior to the serving of a notice or to establish whether a notice has been breached.

Surveillance for these purposes may still impact people's HRA article 8 right to privacy, so the surveillance activity must consider necessity and proportionality. The approval process for non-RIPA surveillance requires that a non-RIPA application form is completed and authorised, to the same standard as would be expected for a standard RIPA case. The non-RIPA application form must be obtained from the RIPA monitoring Officer to ensure that the Council maintains a single central record of all surveillance activity.

The RIPA codes also provide guidance that authorisation under RIPA is not required for the following types of activity:

- General observations as per section 3.33 in the codes of practice that do not involve the systematic surveillance of an individual or a group of people and should an incident be witnessed the officer will overtly respond to the situation.
- Surveillance where no private information is likely to be obtained.
- Surveillance undertaken as an immediate response to events.
- The covert recording of noise where the recording is of decibels only or constitutes non-verbal noise (such as music, machinery or an alarm), or the recording of verbal content is made at a level which does not exceed that which can be heard from the street outside or adjoining property with the naked ear. In the latter circumstance, the perpetrator would normally be regarded as having forfeited any claim to privacy. In either circumstance this is outside of RIPA.

PART 2 – COVERT HUMAN INTELLIGENCE SOURCE (CHIS)

This is a sensitive area of activity and as a general rule the Council will not undertake surveillance that relies upon the use of a CHIS. Furthermore, there are special provisions for the use of vulnerable and juvenile sources (i.e. under the age of 18). Advice should be sought from the Corporate Head of Audit, Anti-Fraud and Risk Management and Legal Services prior to any authorisations being requested.

In some instances, the tasking given to a person will not require the CHIS to establish a personal or other relationship for a covert purpose. For example a CHIS may be tasked with finding out purely factual information about the layout of commercial premises. Alternatively, a trading standards officer may be involved in the test purchase of items that have been labelled misleadingly or are unfit for consumption. In such cases, it is for the IO and AO to determine where, and in what circumstances, such activity may require authorisation.

2.1 Use of a Covert Human Intelligence Source

A CHIS may be an undercover officer or informant carrying out enquiries on behalf of the Council

Under Section 26(8) of the Act a person is a CHIS if they:-

1. establish or maintain a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (ii) or (iii) below;
2. covertly uses such a relationship to obtain information or to provide access to any information to another person; or
3. covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A relationship is established or maintained for covert purposes if and only if it is conducted in a way that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

All operations involving a CHIS must be approved, prior to a request for authorisation, in principle by the Team Leader or Investigation Manager. The purpose of this in principle approval is to ensure that officers handling and controlling the CHIS are doing so with proper authorisation and training. After initial approval the IO must complete an Application for Authorisation for the Use or Conduct of a CHIS. This form must be authorised by an Authorising Officer.

There is no need to seek authority where the information source is a member of the public who freely provides information that has come to them during their normal activities, for example where we ask a neighbour to keep a nuisance or harassment diary while going about their normal daily activities. However, authority must be obtained if the IO directs the CHIS activities.

2.2 Public Authority Responsibilities

Public authorities should ensure that arrangements are in place for the proper oversight and management of CHIS's, including appointing individual officers as defined in the Act for each CHIS.

The Act terms this person a Handler, they will have day to day responsibility for: -

- dealing with the CHIS on behalf of the authority concerned;
- directing the day to day activities of the CHIS;
- recording the information supplied by the CHIS; and
- monitoring the CHIS's security and welfare;

The person referred to in the Act as a Controller will be responsible for the general oversight of the use of the CHIS.

Controllers should not normally be the AO. Handlers will normally be at least one management tier below the Controller. This may or may not be the IO.

In cases where the authorisation is for the use or conduct of a source whose activities benefit more than a single public authority, responsibilities for the management and oversight of that source may be taken up by one authority or can be split between the authorities; in either case record keeping will be required.

Records relating to each CHIS must be maintained that are compliant with Statutory Instrument 2725. A link to this can be found [here](#).

2.3 Security and Welfare

Any public authority deploying a CHIS should take into account their safety and welfare when carrying out actions in relation to an authorisation or tasking, and any foreseeable consequences to others of that tasking. Before authorising the use or conduct of a CHIS, the AO should ensure that a risk assessment is carried out to determine the risk to the CHIS of any tasking, and the likely consequences should the role of the CHIS become known. The ongoing security and welfare of the CHIS after the cancellation of the authorisation should also be considered.

The Handler is responsible for bringing to the attention of the Controller any concerns about the personal circumstances of the CHIS, insofar as they might affect: -

- the validity of the risk assessment
- the conduct of the CHIS, and
- the safety and welfare of the CHIS.

Where deemed appropriate, concerns about such matters must be considered by the AO, and a decision taken on whether or not to allow the authorisation to continue.

2.4 Authorising the use of a CHIS

The decision on whether or not to authorise the CHIS rests with the AO followed by judicial approval by a Magistrate/Justice of the Peace (JP). Full details must be included in the authorisation form of the reason for the use of CHIS and outcomes which the CHIS activity is intended to produce. Officers must give significant thought to collateral intrusion (i.e. those who are unconnected with the subject, who may be affected by the CHIS and what private information may be obtained about them). The authorisation request should be accompanied by a risk assessment form detailing how the CHIS is going to be handled and the arrangements which are in place for ensuring that there is at all times a person with the responsibility for maintaining a record of the use made of the source.

The use of the CHIS must be proportionate to the offence being committed. It should also be used only when other methods of less intrusive investigation have been attempted or ruled out. The application form must include details of the resources to be applied, the anticipated start date and duration of the CHIS activity, if necessary broken down over stages. CHIS authorisation forms should include enough detail for the AO to make an assessment of necessity and

proportionality (see Section 1.2). Each request should detail the nature of the source activity and the tasking which is to be given.

The original form will need to be presented at the judicial approval hearing prior to being forwarded to the RIPA Co-ordinator marked 'private and confidential' for filing on the central file. (see para 2.7 below)

NB. Where the CHIS is a juvenile or a vulnerable person, then the authorisation must be from the Head of Paid Service or, in their absence, a Group Director nominated by the Head of Paid Service to deputise for them.

2.5 Tasking a CHIS

Each CHIS will be managed through a system of tasking and review. Tasking is the assignment given to the CHIS by either the Handler or Controller. The task could be asking the CHIS to obtain information, to provide access to information or to otherwise act for the benefit of the Council. The Handler is responsible for dealing with the CHIS on a day to day basis, tasking them, recording the information provided by the CHIS and monitoring the CHIS's security and welfare. The Controller will have general oversight of these functions.

A CHIS may wear or carry a surveillance device for the purpose of recording information. The CHIS may not leave devices on the premises after they have departed, as this would constitute intrusive surveillance.

It is not the intention that authorisations be drawn so narrowly that a separate authorisation is required each time the CHIS is tasked. Rather, an authorisation might cover, in broad terms, the nature of the CHIS's task. If this changes, then a new authorisation may need to be sought.

It is difficult to predict exactly what might occur each time a meeting with a CHIS takes place, or the CHIS meets the subject of an investigation. There may be occasions when unforeseen actions or undertakings occur. When this happens, the occurrence must be recorded as soon as practicable after the event and, if the existing authorisation is insufficient it should either be updated and re-authorised (for minor amendments only) or it should be cancelled and a new authorisation obtained before any further such action is carried out.

Similarly where it is intended to task a CHIS in a new way or significantly greater way than previously identified, the persons defined as the Handler or Controller must refer the proposed tasking to the AO, who should consider whether a separate authorisation is required. This should be done in advance of any tasking and the details of such referrals must be recorded.

2.6 Length of Authorisation

Written CHIS authorisations last for 12 months (four ~~one~~ months if the CHIS is under 18). They may be renewed prior to expiry for additional 12 month increments (four months if the CHIS is under 18). Activity should be cancelled as soon as it is no longer required. CHIS authorisations should not be left in place once cancellation becomes appropriate.

In all cases regular reviews should be carried out and a renewal or cancellation must be undertaken no more than one month from the date of the original authorisation.

2.7 Applying for Judicial Approval

Following authorisation by the AO the IO should contact Thames Magistrate Court, 58

Bow Road, London, E3 4DJ on telephone number 020 8271 1203 to arrange a date and time for a hearing.

The IO (or another appropriate officer of the Council, e.g. the RIPA Co-ordinator) will need to attend the court in person to apply for judicial approval. When attending court the IO must provide the following documents to the Magistrate/Justice of the Peace (JP): -

- The original RIPA CHIS authorisation and any supporting documents setting out the case – this will need to be shown to the JP but will be retained by the IO to file in the Council's central record on return from the hearing;
- A copy of the original RIPA CHIS authorisation and any supporting documents setting out the case for retention by the JP;
- Two copies of the partially completed Judicial Application/Order Form. The order section of this form will be completed by the JP and is the official record of the JP's decision. The JP will retain one copy of this form and the other is returned to the IO to be retained on the Council's central record.
- There is no need for the JP to know the true identity of the CHIS. Extreme caution needs to be taken with any documentation that reveals the true identity of the CHIS.

NB. Judicial approval is required for all applications and renewals; there is no requirement for the JP to consider either cancellations or internal reviews.

2.8 Reviews

The AO should ensure that they review the authorisation on a regular basis in order to satisfy themselves that authority should continue. Each operation should be reviewed after the key stages have been completed. The responsibility for the review rests with the AO. Details of the review should be recorded on an appropriate form and retained with the original authorisation held by the RIPA Co-ordinator, a copy should also be held on the investigation file. Cases should be reviewed at no more than one-month intervals. Evidence of this review should be completed on the Review of the Use of a CHIS Form.

2.8 Renewals

There may be circumstances where the investigation requires a CHIS for a period longer than 12 months. In such cases, it will be necessary for the IO to obtain a renewal of authority from the AO.

The IO should submit a renewal form with a copy of the original Application for Authorisation of the Use or Conduct of a CHIS to the AO. The AO must review both

documents to ensure that there is continuing justification for surveillance.

The IO must arrange a hearing with the JP for judicial approval. All authorisations must be renewed prior to the expiry date of the original authorisation but will run from the expiry date and time of the original authorisation. Applications for renewal should be made shortly before the original authorisation period is due to expire. IO's must take account of factors which may delay the renewal process (e.g. weekends or the availability of the AO and JP to grant approval).

The original renewal form will need to be presented at the judicial approval hearing prior to being forwarded to the RIPA Co-ordinator marked 'private and confidential' for filing on the central file. A copy of the renewal form should also be placed on the investigation file.

3. Cancellations

The use of a CHIS should be no longer than necessary to gather the required information. The IO must complete a Cancellation of the Use or Conduct of a CHIS Form to pass to the AO to enable the AO to cancel the authorisation if satisfied that the use of the CHIS is no longer required. A copy of the cancellation form should be placed on the investigation file and the original sent marked 'private and confidential' to the RIPA Co-ordinator to place on the central file.

PART 3 – COMMUNICATIONS DATA (INVESTIGATORY POWERS ACT 2016)

3.1 What is Communications Data

Communications data is the 'who', 'when', and 'where' of a communication but NOT the 'what' (i.e. the content of what was said or written in any communications).

Communications data covered by the Act includes such items as the following: -

- details written on the outside of a postal communication
- details relating to the sender/recipient of an email communication
- telephone/mobile phone subscriber checks
- Handset, cell site and GPRS data

A different threshold of what constitutes serious crime applies to Investigatory Powers Act applications for communications data, i.e. any of the following:

- An offence that attracts a sentence of 12 months imprisonment or more;
- An offence that involves a large number of people acting for a common purpose;
- Any offence by a body corporate;
- Any offence involving sending a communication or breach of privacy; or
- Any offence involving significant financial gain.

Communications data requests also need to set out why provision of the information will be proportionate to the matter being investigated, and make clear why the application is necessary in the context of the specific case.

3.2 Communications Data Applications

All communications data applications are now made under the IPA 2016, not RIPA. Local Authority applications for communications data must be channelled through the National Anti-Fraud Network (NAFN), an organisation that Hackney subscribes to. The chart below sets out the NAFN application process, the roles are as follows:

- **Applicant** - the LBH investigator requesting communications data via NAFN;
- **Approved Rank** - a nominated LBH manager who will be notified of (but does not authorise) any communications data request that is sent to NAFN. Note that any service requesting communications data must first notify a senior person to act in the AR role.
- **Single Point of Contact (SPOC)** - the NAFN officer that receives the application NAFN officer
- **Designated Person** - a role that sits with the regulator (the Office for Communications Data Authorisations), the person that provides authorisation for information to be provided
- **Communications Service Provider (CSP)** - the data provider
- **Senior Responsible Officer (SRO)** - the LBH officer with responsibility for the IPA process, including engagement with the regulators.

NAFN IPA Process



If an investigator considers it necessary to obtain communications data as part of an investigation, they must complete an application form requesting communications data to be obtained and disclosed using the NAFN CycComms system. All applicants will need to register with NAFN using the Hackney corporate membership at nafn.gov.uk prior to making an application on the online system, and complete the Comms Data training module available on the NAFN site.

The application form must record why the investigator considers this data necessary and proportionate to what is to be achieved, (see section 1.2) and should include any source material. The investigator must ensure that all paperwork and decision documents are stored securely.

All requests for communications data must be recorded on the Hackney spreadsheet, this is administered by the RIPA co-ordinator and details of any data requests should be notified to the RIPA co-ordinator by email.

Communications data applications requesting traffic data must reach the serious crime threshold. If an application for communications data is no longer required then the application MUST be cancelled.

PART 4 – RECORD KEEPING & MONITORING

Record Keeping

4.1 Senior Responsible Officer (SRO)

The Corporate Head of Audit, Anti-Fraud and Risk Management is the SRO and is responsible for the integrity of the process in place with the local authority to authorise directed surveillance, ensure compliance with the Act, engage with the Commissioners and Inspectors when they conduct their inspections and where necessary, overseeing the implementation of any post-inspection action plans recommended and or approved by the Commissioner.

4.2 RIPA Co-Ordinator

The RIPA Co-Ordinator duties include: -

- Retaining copies of the forms for a period of at least 5 years;
- Maintaining the Central Register (a requirement of the Codes of Practice) of all of the authorisations, renewals and cancellations;
- Issuing the unique reference number that is necessary for all surveillance applications;
- Keeping a database for identifying and monitoring expiry dates and renewal dates.
- In conjunction with the SRO, other authorising officers and investigation officers, ensure that electronic and paper records relating to a RIPA investigation are used, retained or destroyed in line with the Councils Information Management policies, departmental retention schedules and the Data Protection Act 2018.
- Provide administrative support and guidance, promote consistent practice and monitor compliance with this policy;
- Facilitate RIPA training and regularly review the contents of this Policy.

Hackney must maintain a central record of all RIPA authorisations, reviews, renewals and cancellations, which shall be made available to the Investigatory Powers Commissioner's Office (IPCO) as part of any inspection.

In all instances of directed surveillance, IOs should contact the RIPA Co-ordinator to obtain a Unique Reference Number (URN) at the start of the application process. This number must be written on the form in the box provided. A sequential numbering system is in place to enable ease of identification. The RIPA Co-ordinator will supply a unique reference number (URN) at the outset of the application for authorisation that all departments will be required to use for directed surveillance. An authorisation will be identified in the following manner: -

Dept / Div / Investigation case no / URN - e.g.
FCR/AAF/xxxxx/01

CHE/ILLOCC/001/01

NB – Additional identification numbers as highlighted below should be inserted on forms by the IO to identify the type of form. See examples below.

Reviews - Insert 'RV' before the authorisation number (e.g. FCR/AAF/001/RV0225)

Renewals - Insert 'RN' before the authorisation number (e.g.

CHE/ILLOC/001/RN01)

Cancellations - Insert 'C' before the authorisation number (e.g. CHE/TS/001/C07)

The RIPA Co-ordinator will ensure that the confidential central record is updated. Forms relating to the authorisation for the use of a CHIS will be held on a separate file along with the risk assessment form. A central file will be maintained for the CHIS, Handlers and Controllers and this will also be held by the RIPA Co-ordinator. In addition individual Control Sheets will be maintained for directed surveillance, CHIS and communications data. This sheet will include information on the authorisations, reviews, renewals and cancellations as well as an indication of any confidential information obtained and whether the urgency provisions were used.

All applications (including those refused by an AO), authorisations, renewals and cancellations must be retained for a period of at least three years.

4.3 Investigation Officers

IO's are responsible for ensuring that all the relevant original forms are forwarded to the RIPA Co-ordinator, and for maintaining copies on the investigation file. Hard copies of RIPA forms may be held on specific investigation files. These documents should not be scanned into individual non-investigatory case records (e.g. tenancy files) as this could compromise security and data protection.

4.4 Elected Members role

Elected Members should review the authority's use of the 2000 Act and the policy on a regular basis. They should also consider internal reports on the use of RIPA and IPA on at least a quarterly basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose. They should not, however, be involved in making decisions on specific authorisations.

4.5 Monitoring & Quality

The RIPA Co-ordinator and the Corporate Head of Audit, Anti-Fraud and Risk Management will review a sample of the authorisation forms on a regular basis and where necessary provide feedback/suggestions to the IO/AO's to ensure all authorisations meet the required standard.

PART 5 - OFFICERS DESIGNATED TO GRANT AUTHORITY

There are three levels of designated authority: -

Responsible Officer	What is being authorised
Chief Executive (Head of Paid Service) In the absence of the Chief Executive this responsibility will fall to the person acting as the Head of Paid Service in relation to RIPA.	Children/Vulnerable Adults being used as a CHIS or where confidential information (including legally privileged and medical material) is likely to be obtained as a result of directed surveillance.
Level 2 authorisers (see below)	CHIS and all other authorisations
All Other Authorising Officers	All other authorisations

Covert surveillance may only be authorised in accordance with this policy. In the absence of a nominated AO the authorisation must be given at the equivalent or a more senior level. The AO need not necessarily work in the same area of business activity.

The Corporate Head of Audit, Anti-Fraud and Risk Management maintains a list of officers approved to undertake the role of an AO which is attached at Appendix 1.

NB. AOs should not authorise surveillance for an investigation in which they are directly involved.

PART 6 - COMPLAINTS

Any person who reasonably believes they have been adversely affected by surveillance activity by or on behalf of the Council may complain to the Corporate Director of Legal and Democratic Services who will investigate the complaint. Such a person may also complain to the Investigatory Powers Tribunal at:

Investigatory Powers Tribunal
 PO Box 33220
 London,
 SW1H 9ZQ
 Tel: 020 7035
 3711

There is no complaint route for a judicial decision unless it was made in bad faith. Any complaints should be addressed to the Magistrates' Advisory Committee.

LIST OF KEY RIPA and IPA CONTACTS

1 October 2023

Section/Position	Responsibility(s)	Level of Authority*
Dawn Carter-McDonald Interim Chief Executive dawn.cartermcdonald@hackney.gov.uk	RIPA authorising officer	1
Jackie Moylan Interim Group Director, Finance jackie.moylan@hackney.gov.uk	RIPA authorising officer	2
Michael Sheffield Corporate Head of Audit, Anti-Fraud and Risk Management - michael.sheffield@hackney.gov.uk	RIPA authorising officer Senior Responsible Officer Approved Rank (Comms data)	2
Vinny Walsh Audit Investigation Team Manager vinny.walsh@hackney.gov.uk	RIPA authorising officer Approved Rank (Comms data)	3
Gerry McCarthy Head of Community Safety, Enforcement and Business Regulation gerry.mccarthy@hackney.gov.uk	RIPA authorising officer	3
Karen Cooper Principal Auditor (Special Investigations) karen.cooper@hackney.gov.uk	RIPA Co-ordinator	N/A

*Key to Level of Authority

1	Head of Paid Service - Children/Vulnerable Adults being used as a CHIS or where confidential information is likely to be obtained
2	Group Director/Senior Responsible Officer - CHIS
3	All Other Authorising Officers - All other authorisations

Document and version control

Document and version control	
Title of document	London Borough of Hackney Surveillance and Communications Data Policy and Procedures
Owner	Michael Sheffield
Job title of owner	Corporate Head of Audit, Anti-Fraud & Risk Management
Directorate	Finance and Corporate Resources
Approved by	tbc (Audit Committee)
Publication date	tbc
For use by	All investigations staff and management
Why issued	Corporate Policy
Review date	XXXX 2024

Version control details				
Version No.	Author / editor	Version date	Approval date	Overview of changes
V1.0	Michael Sheffield	October 2019	October 2019	
V1.1	Michael Sheffield	XXXXX 2023	XXXXX 2023	Additional guidance re. Test purchases, ANPR and non-RIPA surveillance; Inclusion of the requirement for any person seeking judicial approval to be authorised to represent the Council under the LGA 1972; Inclusion of IPA application process map and explanation of LBH roles; Additional detail re. LBH RIPA roles and responsibilities; Updated contact details.

External Quality Assessment Draft findings related to Internal Audit

PSIAS Reference	Findings	Management Actions and Comments	Timescale	Update
<p>PSIAS 2450 Overall Audit Opinion</p>	<p>Consider the nature and quantity of deferrals when providing the overall assurance opinion.</p>	<p>Further discussion on this point is required before the draft EQA report is finalised.</p> <p>The annual audit opinion does consider the amount of audit work delivered, alongside other assurance sources including third party reviews and the arrangements that are confirmed through the Annual Governance Statement. It is also noted that reviews of key financial systems have continued as usual. The annual audit opinion in recent years has clearly set out a higher level of interruption to internal audit work than usual because of the unprecedented disruption to all service areas since March 2020. The opinion also recognised that our understanding of the control environment in previous years has been an additional factor taken into consideration when reaching a conclusion on the current control environment.</p>	TBC	TBC
<p>PSIAS 2010 Planning</p>	<p>The process to request and agree deferral requests for scheduled internal audit reviews has not been formalised. Departmental heads should be required to formally document the reasons for audit deferral requests and these should be presented to the Audit Committee for approval.</p>	<p>While deferral requests were always required to be set out in writing and include the reason for seeking a postponement there was not a formalised approach. Following receipt of the draft EQA report the Internal Audit manual has been revised to set out the steps to be followed, including a requirement that the relevant Head of Service is notified of the request.</p> <p>In addition, following a review of our Committee reporting arrangements that was independent of the EQA, we are finalising arrangements to revise future</p>	31/10/2023	Completed

		quarterly Progress Reports to highlight those audit areas where the deferral request of itself raises concerns about the internal control environment.		
PSIAS 2010 Planning	Map the risks set out in the Corporate Strategic Risk Register to audits carried out in previous years and planned audits, and present the map to Audit Committee.	While the IA annual plan is always based on an assessment of the Council's risk environment, the mapping was not presented to the Audit Committee. This will be included in the annual plan report in future years, starting in April 2024.	30/04/2024	Action Agreed
PSIAS 2060 Reporting to Senior Management and the Board	Revisit KPIs presented within the annual internal audit report to Audit Committee and ensure that they accurately reflect the performance of the service. If any discrepancies are identified, re-report outcomes against these KPIs to Audit Committee.	The recommendation relates to the first KPI which requires 90% plan completion at year end, reporting has historically set out both completed work and that which is in progress against this KPI. The draft EQA report notes that the KPI was met and the issue is one of clarity for readers of the internal audit report. The plan completion KPI will be thoroughly reviewed ahead of the next scheduled approval date (April 2024) and reporting will accurately reflect performance against the indicator.	30/04/2024	Action agreed
PSIAS 1312 External Assessments	Ensure that the next EQA is scheduled to comply with PSIAS requirements (before or in 2028).	The need to meet the PSIAS timetable is understood and agreed. The exceptional circumstance of the pandemic (which delayed all EQA assessments) and the compounding effect of the cyberattack at Hackney are the only reasons that the current assessment has been delayed.	31/10/2024	Action agreed and considered complete at this time
PSIAS 2330 Documenting Information	Update the service's retention schedule to reflect council and legislative requirements.	The team procedures included reference to old government guidance about document retention which had not been updated. The same retention timescales were separately documented in the LBH Records Management Policy and Retention Schedule, and the	31/10/2023	Completed

		timescales set out there are consistent with the old guidance and they remain appropriate. The audit procedures have been updated to reference the LBH guidance instead.		
PSIAS 2110 Governance	Ensure that the review of ethics and culture is carried out within 2023/24 in line with the audit plan.	The audit is documented in the 2023/24 audit plan that was approved by the Audit Committee in April 2023, it remains part of the plan and the scope of the audit is being prepared. Although we are unsure as to why planned work has been put forward as a recommendation point we remain committed to delivering the audit review.	30/04/2024	In progress
No PSIAS reference	Consideration may be given to amending the structure of working papers to ensure that each risk is linked to multiple controls.	The EQA reviewed a sample of LBH working papers and identified that these were PSIAS compliant and resulted in as good an outcome as the proposed alternative. This recommendation was put forward for consideration and will not be adopted.	N/A	Recommendation has not been accepted
No PSIAS reference	Consider including a statement on conflicts of interest within the Terms of Reference template.	Strong controls are already in place to manage potential conflicts of interest that could arise for the IA service. The corporate process is followed to address general conflict situations and a local declaration process is also in operation to manage any other conflicts which might specifically arise in the course of auditing. The risk is well managed by IA no issues have previously arisen. This recommendation was put forward for consideration and will not be adopted because additional information in the ToR risks detracting from the key purposes of that document.	N/A	Recommendation has not been accepted
No PSIAS reference	Ask the IT Audit service provider to complete an annual Declaration of Interest or to confirm that such declarations	These declarations have been requested and supplied so that all personnel involved in LBH IA reviews have completed a consistent process.	31/10/23	Completed

	are held.			
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AUDIT COMMITTEE WORK PROGRAMME 2023/24

	31 January 2024	Decision	Group Director & Lead Officer
1.	EXTERNAL AUDIT UPDATE	To approve the annual accounts	Interim Group Director, Finance
2.	FINANCE UPDATE	For information and comment	Interim Group Director, Finance
3.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
4.	CORPORATE RISK REGISTER	For information and comment	Chief Executive (Matthew Powell)
5.	DEPARTMENTAL RISK REGISTER - CLIMATE, HOMES AND ECONOMY	For information and comments	Group Director Neighbourhoods & Housing
6.	TREASURY MANAGEMENT UPDATE REPORT 2022/23	For information and comment	Interim Group Director, Finance (Pradeep Waddon)
7.	REVIEW OF TREASURY MANAGEMENT STRATEGY 2022/23	To approve	Interim Group Director, Finance (Pradeep Waddon)
8.	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Interim Group Director, Finance (Michael Sheffield)
9.	DEEP DIVE: PUBLIC INTEREST REPORTS	For information and comment	Interim Group Director, Finance
10.	DEEP DIVE: SCHOOL BUDGETS AND FINANCIAL SUSTAINABILITY	For information and approval	Interim Group Director, Finance
11.	AUDIT COMMITTEE WORK PROGRAMME	For information and approval	All

	17 April 2024	Decision	Group Director and Lead Officer
1.	FINANCE UPDATE	For information and comment	Interim Group Director, Finance
2.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
3.	DIRECTORATE RISK REGISTER REVIEW - CHILDREN AND EDUCATION	For information and comment	Group Director Children and Education
4.	DIRECTORATE RISK REGISTER REVIEW - ADULTS, HEALTH AND INTEGRATION	For information and comment	Group Director Adults, Health and Integration

5.	TREASURY MANAGEMENT UPDATE REPORT 2022/23	For information and comment	Interim Group Director, Finance (Pradeep Waddon)
6.	INTERNAL AUDIT ANNUAL PLAN	To approve	Interim Group Director, Finance (Michael Sheffield)
7.	AUDIT & ANTI FRAUD QUARTERLY PROGRESS REPORT	For information and comment	Interim Group Director, Finance (Michael Sheffield)
8.	REVIEW OF WHISTLEBLOWING	For information and comment	Interim Group Director, Finance (Michael Sheffield)
9.	AUDIT COMMITTEE – ANNUAL REPORT	For information and comment	Cllr Anna Lynch (Chair)/ Michael Sheffield
10.	DEEP DIVE: COST OF CAPITAL AND BORROWING	For information and comment	Interim Group Director, Finance
11.	AUDIT COMMITTEE WORK PROGRAMME	For information and comment	All

	2024/2025 Meeting 1	Decision	Group Director & Lead Officer
1.	FINANCE UPDATE	For information and comment	Interim Group Director, Finance
2.	PERFORMANCE REVIEW REPORT	For information and comment	Bruce Devile Matthew Powell
4.	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Interim Group Director, Finance (Pradeep Waddon)
5.	CORPORATE RISK REGISTER	For information and comment	Matthew Powell
6.	INTERNAL AUDIT ANNUAL REPORT 2023/24	For information and comment	Interim Group Director, Finance (Michael Sheffield)
7.	FRAUD AND IRREGULARITY ANNUAL REPORT 2023/24	For information and comment	Interim Group Director, Finance (Michael Sheffield)
8.	AUDIT COMMITTEE WORK PROGRAMME	For information	All

	2024/2025 Meeting 2	Decision	Group Director & Lead Officer
1.	FINANCE UPDATE	For information and comment	Interim Group Director, Finance
2.	PERFORMANCE REPORT	For information and comment	Matthew Powell Bruce Devile
3.	DIRECTORATE RISK REGISTER REVIEW – CHIEF EXECUTIVE	For information and comment	Interim Chief Executive

4.	DIRECTORATE RISK REGISTER REVIEW- FINANCE AND RESOURCES	For information and comments	Interim Group Director, Finance (Matthew Powell)
5.	AUDIT AND ANTI-FRAUD PROGRESS REPORT	For information and comment	(Interim Group Director, Finance) Michael Sheffield
6.	TREASURY MANAGEMENT UPDATE REPORT	For information and comment	Interim Group Director, Finance (Pradeep Waddon)
7.	AUDIT COMMITTEE WORK PROGRAMME	For information and comment	All

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