AUDIT COMMITTEE

Wednesday, 31 January 2024 at 6.30 pm
Council Chamber, Hackney Town Hall,
Mare Street, London, E8 1EA

Live stream link: https://youtube.com/live/4DgWlKtcC7k
Back up link: https://youtube.com/live/cozniGzveG4

Members of the Committee:
Councillor Anna Lynch (Chair)
Councillor Sharon Patrick (Vice-Chair
Councillor Sophie Conway
Councillor Zoe 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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www.hackney.gov.uk

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Governance Officer
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Audit Committee
Wednesday, 31 January 2024
Order of Business

Public Attendance

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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.

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- 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.

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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 of 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.

Hackney

DRAFT MINUTES OF A MEETING OF THE AUDIT COMMITTEE WEDNESDAY, 25 OCTOBER 2023

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

Councillors Present:	**Cllr Anna Lynch (Chair) in the Chair** **Cllr Zoe Garbett, Cllr Lee Laudat-Scott, Cllr Yvonne Maxwell, Cllr Sharon Patrick, Cllr Gilbert Smyth**
Apologies:	**Cllr Sophie Conway, Cllr Margaret Gordon, Cllr Shaul Krautwirt, Cllr Caroline Selman**
Officers in Attendance:	**Mark Agnew, Governance Officer** **Ademola Ayinde, Internal Audit Manager** **Dawn Carter-McDonald, Interim Chief Executive** **Bruce Devile, Head of Business Intelligence, Elections and Member Services** **Jackie Moylan, Director of Financial Management** **Michael Sheffield, Corporate Head of Audit, Anti-Fraud and Risk Management** **Deirdre Worrell, Interim Director of Financial Management**
In Attendance Virtually	**Cllr Sophie Conway** **Stuart Frith, Mazars** **Lousie Humphreys, Acting Director of Legal, Democratic & Electoral Services** **Mario Kahrman, Senior ICT Support Analyst** **Rob Miller, Strategic Director Customer & Workplace** **Suresh Patel, Mazars** **Pradeep Waddon, Head of Treasury, Banking and Accounts Payable**

1 **Apologies for Absence**

1.1 Apologies for absence were received from Cllr Margaret Gordon, Cllr Shaul Krautwirt and Cllr Caroline Selman. Cllr Sophie Conway joined the meeting remotely.

2 **Declarations of Interest**

2.1 There were no declarations of interest.

3 **Minutes of the Previous Meeting**

RESOLVED: That the minutes of the meetings held on 21 June 2023 and the 26 September 2023 be agreed as a true and accurate record of proceedings.

4 **Finance Update; Treasury Management Update**

4.1 The Chair decided, at the request of the Interim Group Director, Finance to take agenda item 4, Finance Update, and agenda item 5, Treasury Management Update, as one agenda item for discussion.

4.2 The Interim Group Director, Finance gave a presentation, highlighting the following:

- The General Fund Forecast as reported to October Cabinet was an overspend of £9.3m.
- The increase in the overspend related to pressures in adult's and children's social care, primarily increases in the care packages being commissioned and an increase in the number of Looked After Children, and pressures in Finance and Resources as a result of the cyber attack.
- The pay award for 2023/24 had not been finalised, but would be more than had been budgeted for.
- The Housing Revenue Account (HRA) was forecast to draw down £1m from reserves in order to breakeven in 2023/24. This was a planned drawdown.
- Non-dwelling rent was forecast to be £817k over budget.
- Income from tenant charges was forecast to be £959k over budget.
- In September 2023 the inflation rate was 6.7%, which was higher than forecast at the beginning of the financial year, but was falling and expected to reach 5% at the end of the year.
- The Bank of England counter inflationary measures had an impact on the Council as the cost of borrowing from the Public Works Loan Board (PWLB) had increased.
- The Medium Term Financial Planning (MTFP) indicated a Medium Case budget gap of £57.583m in 2026/27, and £22.167m in 2024/25.
- The gap was significant and would require some difficult decisions by the Council on expenditure plans and income assumptions.
- Group Directors were currently working with Cabinet Members to develop proposals to try to close the gap.
- These proposals would be subject to the Budget Scrutiny procedure.
- Proposals relating to Estates Management and Car Parking had been agreed by July Cabinet, and the savings were £1.05m and £2.5m respectively.
- In relation to other London local authorities, Hackney was just below the average in terms of the budget gap, but just above average in terms of the savings required as a share of total net revenue expenditure.
- In relation to ongoing and emerging risks there were increasing pressures related to Adult Social Care and Children and Education, but the MTFP had factored in significant levels of budget growth.
- The cost of living and fuel price crises continued to impact the cost of some Council services, though that pressure was expected to reduce.

- Group Directors and Directors would continue to prioritise in-year recovery, but realistically this would likely contain rather than reduce pressures.
- There remains some uncertainty about the Dedicated Schools Grant (DSG) high needs deficit post 2025/26.
- The quarter 1 capital forecast was for £244.7m, against a programme of £357.9m, and this was largely due to economic factors resulting in higher tender prices. There were also some issues related to capacity.
- Although there was a potential underspend, this would eventually be spent, and reflected that programmes were being delivered slower than anticipated, which was an issue across London.
- The higher interest rates had resulted in an uptick in investment income, but this was a one-off gain.
- In response to the estimated £28m in benefits that was underclaimed by Hackney''s residents, the Council's Money Hub had supported over 6000 households, and paid out £860k in one-off crisis grants and increased benefits incomes by £1.3m a year.
- The 2021/22 accounts were anticipated to receive their audit opinion in early November 2023.
- The 2022/23 accounts were published on time, by 31 May 2023, and the audit was underway with the audit completion report expected to be considered at the January 2024 Audit Committee meeting.
- In relation to Deep Dives it was anticipated that the Public Interest Reports report would be considered at the January meeting of the Audit Committee, along with the Schools Budget and Financial Sustainability report, with the Cost of Capital and Borrowing report being considered in April.

4.3 The Chair welcomed the tremendous work of the Money Hub, and members of the committee asked for further information on the estimated benefits underspend; the decline in CIL and S106 monies; possible delays in the Money Hub getting money to residents; and, whether the 10% increase in the Living Wage would have an impact on contracts.

4.4 The Interim Group Director, Finance, and the Interim Director of Financial Management, responded and confirmed that:

- The estimated benefits underspend was not the Council's money, but represented the amount of benefits that Hackney residents were likely eligible for, but not receiving.
- There had been a general decline in CIL and S106 monies, in part because of the impact of delays in construction projects.
- The Money Hub team would look into any issues that residents had raised.
- The Council is both a London Living Wage (LLW) employer and LLW contractor, so the increase would have an impact, but the Council had always budgeted for this.

RESOLVED: To note contents of the reports and their appendices.

5 **Performance Report**

5.1 The Head of Business Intelligence, Elections and Member Services introduced the report and highlighted the improvements in the time taken around new housing benefit claims; the challenges related to temporary accommodation

(TA) including concerning forecasts about increases in demand, and the continued use of bed and breakfast accommodation; that council tax collection was behind target, but was up on the last year; and, improvement on voids and re-let times.

5.2 Members of the committee asked questions on TA and how the Council was planning to improve the situation; whether any of the hotels that the Government was shutting were in Hackney; the processing of voids; the contents of the capital report; the rent arrears of £13m; and the work that could be done with Children's Services.

5.3 In response, the Interim Group Director, Finance, the Strategic Director Customer & Workplace, and the Head of Business Intelligence, Elections and Member Services, confirmed that:

- The Council was trying to increase its supply of TA and make sure it was of sufficient standard.
- There was a financial risk as more landlords withdrew from the market, putting pressure on rent costs.
- As a result of the Council's investment, Hackney was not seeing the same cost pressure on TA as other local authorities in London.
- There was a pressure on family sized TA, which has resulted in the Council having to look further away from London.
- There were concerns that the actions of the Home Office would lead to a further increase in demand in Hackney.
- Every quarter Programme and Project managers are asked to assess what they plan to spend in-year vs what they budgeted to spend in-year, allowing the Council to update the overall forecast spend and reprofile future spending plans.
- There had been a significant amount of work to improve void turnaround times, which would begin to show improvement, but it was noted there are also sometimes delays in a property's re-let time.
- Rent arrears had reached a peak of £15m, so had fallen by £2m. The arrears built up as a result of the pandemic, which was compounded by the cyber attack, but those issues had been resolved and rent collection was improving.

RESOLVED: The Audit Committee to 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

6 Directorate Risk Register Review - Chief Executive

6.1 The Interim Chief Executive presented the report as laid out, but highlighted the addition of a new risk related to the new requirements in the Elections Act 2022, which included the introduction of the need for voters to present ID to vote. This might impact the Mayoral by-election on 9 November 2023, but the Council had undertaken a lot of work to publicise all the changes to residents. In addition, the Interim Chief Executive also discussed the introduction of the new HR and OD Service, the changes that the Council had recently seen, the recent Anti-Racist summit, and the development of the Workforce Strategy.

6.2 Members of the Committee asked questions on the risks to the upcoming election; the impact of emotional demands on staff; the risk related to the loss of Lexcel accreditation; and, the updating the Inclusive Economy Strategy.

6.3 The Interim Chief Executive responded and confirmed that:

- Ahead of the Mayoral by-election there was some risk, but there was confidence in the work that the Elections Team were undertaking to successfully manage it.
- The emotional demands on staff, and their mental and physical wellbeing were a priority, and a Wellbeing Strategy was to be developed. It was important that staff understood what services were available.
- Lexcel Accreditation is an indicator of the high standards an in-house legal team works to, and the risk of loss would in part be reputational. There is confidence in the Legal Team's leadership that they would work to maintain accreditation, ahead of the assessment in 2024.
- There was some difficulty across the public sector in recruiting solicitors in specific areas, such as Housing and Children's Social Care.

ACTION: 1. The Interim Chief Executive to respond to Cllr Garbett with further information about updating the Inclusive Economy Strategy.

RESOLVED: The Audit Committee 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.

7 **Directorate Risk Register Review - Finance and Resources**

7.1 The Interim Group Director, Finance introduced the report and highlighted the continued impact of external factors, such as the cost of living crisis and the reduction in Government funding, have had on the Council's finances. Financial planning was taking place with high levels of uncertainty, which included the Government only providing Local Government with one year financial settlements, meaning Hackney would not know its full cash envelope for 2024/25 until December 2023.

7.2 In addition, the new risk relating to pensions administration was also highlighted, as were the new controls relating to the Audit and Anti-Fraud risk, the issues relating to the TA risk, and the merging of the cybersecurity risk and the risk related to the impacts of the cyber attack.

7.3 Members of the Committee asked questions on the Council's use of reserves; the impact that issues related to recruitment and retention have had on user experience of Council services; and, how Hackney compares to other Boroughs.

7.4 The Interim Group Director, Finance, and the Interim Chief Executive, responded and confirmed that:

- The use of reserves is a power delegated to the s151 Officer and the Council does draw on reserves when required. As pressures mounted the reserves would decrease, but a review of the reserves was planned to examine the appropriateness of the current ringfencing. Some of this work would build upon the Deep Dive prepared for the Audit Committee.

- Across Local Government there is an issue with recruitment and retention, particularly in Legal services, Adult Social Care, and Children's Social Care, so the Council was trying to create environments that retain staff by showing clear succession planning and the additional benefits that are available as local authority employees.
- The Council does sometimes have to utilise Agency staff, which can have an impact on service delivery.

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

8 **Audit and Anti-Fraud Progress Report to September 2023**

8.1 The report was introduced by the Corporate Head of Audit, Anti-Fraud and Risk Management, and the Internal Audit Manager, who highlighted that:

- 50% of the plan was in progress, ahead of the same time in 2022, when it was at 42%. This was despite the fact that there were more audits in this year's plan.
- In the 2022/23 Audit Plan there had been 22 deferrals, due to the impact of the cyber attack, but this year to date there had only been 5 deferrals. It was anticipated that the overall number of deferrals would remain lower than last year.
- Overall the percentage of 'limited' or 'no assurance' reports was within the levels of the previous year, but it was noted that the inability to carry out an audit in recent years raised the level of concerns in and of itself.
- The Council was required to complete an external quality assessment every five years, and had completed its latest assessment since the last meeting of the Audit Committee. It was noted that the last assessment was in 2016, with the delay due to the pandemic and cyber attack.
- The Council was currently negotiating and agreeing the final outcomes, recommendations, and overall evaluation of that report. These were presented in appendix 7.
- In response, the internal audit improvement plan had been updated and of the 8 recommendations, 4 had been implemented, with reasons given for why some recommendations would not be acted upon.
- The most significant issue raised related to the number of deferrals in each of the last two years, though it was noted that the number of completed audits was in line with other London councils.
- The key risks on the Corporate Risk Register had all been audited.
- It was acknowledged that there may have been a higher likelihood of assurance issues in areas where audit work had been deferred.
- In relation to investigations, Parking outcomes were down as Enforcement Officers were, for some time, unable to access their systems that helped identify Blue Badge fraud. That access had returned.
- Related to tenancy, there were issues beyond investigation that had provided challenges, including capacity issues in Courts.

- The proposed Anti-Fraud and Corruption Policy set out the Council's zero tolerance approach, and the responsibility that Members, staff, managers, and investigators had.
- Whistleblower contact details had also been updated and clarity was given about staff being able to contact more senior managers and their requirement to then contact Audit and Anti-Fraud.
- The Surveillance and Communications Data Policy and Procedures document set out the arrangements for surveillance and access to communication, but it was noted that the Council had not undertaken surveillance for many years, though there may be a requirement in the future.
- The Council subscribed to the National Anti-Fraud Network and is subject to inspection in relation to the use of powers provided by the Regulation of Investigatory Powers Act (RIPA). The most recent inspection was in August 2023 and the Council was assessed as being in compliance with the requirements.
- Additional guidance had been included on the conduct of test purchases, automatic numberplate recognition (ANPR), and non-RIPA surveillance.
- The requirement for any person seeking judicial approval to be authorised to represent the Council had also been included.

8.2 The Chair commended the work of Officers and highlighted the positive post-audit survey results. Members of the committee asked questions about the energy and carbon management of Hackney schools; No Recourse to Public Funds (NRPF); and, the use of ANPR in relation to Blue Badge use.

8.3 In response, the Internal Audit Manager, and the Corporate Head of Audit, Anti-Fraud and Risk Management confirmed that:

- The proposed Schools Energy and Carbon Management audit was included on the Audit Plan, and scoped, but during that process the re-evaluation of risk indicated that the possible risk level was not significant enough to require an audit.
- The number of NRPF referrals to the service had increased, but the number of outcomes were reported as being slightly under last year, but broadly consistent.
- In relation to surveillance, the Council had not used the powers available, and the example in the policy document regarding ANPR use to support a Blue Badge investigation was to indicate what was potentially available if there as a significantly serious concern and there was not a less intrusive way of resolving, but that to date the Council had always managed to resolve things in a less intrusive way, and have not had to resort to ANPR or surveillance activity.
- In relation to oversight and engagement with the public, there was a need to be mindful about not discussing investigation techniques in public.

RESOLVED: The Audit Committee to

- **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.**

- **approve the updated (a) Anti-Fraud and Corruption Policy; and (b) Surveillance and Communications Data Policy and Procedures at Appendices 5 and 6.**

11 **Audit Committee Work Programme**

RESOLVED: To note the work programme.

12 **Any Other Business that the Chair Considers Urgent**

12.1 There was no urgent business for consideration.

End of meeting

Duration of the meeting: 6.30pm - 7.59 pm

Cllr Anna Lynch
Chair of the Audit Committee

Title of Report	Treasury Management Update
For Consideration By	Audit Committee
Meeting Date	31st January 2024
Classification	Open
Ward(s) Affected	All Wards
Group Director	Jackie Moylan - Group Director, Finance

1. Introduction

1.1 This report covers both the half year treasury activity for 2023/24 - the detailed update on the treasury activity for the first six months of the financial year (Appendix 1) and the Q4 treasury activity update for the period October 2023 to December 2023 (Appendix 2).

2. Recommendations

2.1 There are no specific recommendations arising from this report. Audit Committee is therefore recommended to note the treasury management activity reports at Appendices 1 and 2

3. Reason(s) for decision

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

4. Background

Policy Context

4.1 The CIPFA code of practice requires that those charged with oversight receive regular updates on the progress of Council's treasury strategy during the year. Members are being provided with the detailed report on the first six months activity (to September 2023) with an update of the primary treasury indicators along with the Treasury Management Report which provides details of activity during the months of October 23 to December 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 The half yearly Treasury Activity Report provides an update to this Committee on the treasury activities undertaken on behalf of the Council for the first six months of the current financial year 2023/24. There are no direct financial consequences arising from the report as it reflects the first half year's performance. The information contained in this report will assist Members of this Committee in monitoring the treasury management activities and enable better understanding of such operations.

5.2 The treasury update report covers the period from October 2023 to December 2023 and reflects the most recent treasury activity.

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

6.1 The Accounts and Audit Regulations place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. In addition the Council's Constitution and Financial Procedure Rules require reporting on Treasury Management activity to be carried out during the year in line with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.

6.2 There are no immediate legal implications arising from the report.

7. BACKGROUND

7.1 The half yearly Treasury Activity Report (Appendix 1) provides a summary for the Committee on the economic background for the first six months of the current financial year 2023/24, whilst the quarterly update report provides details of treasury management activity covering the period October 2023 to December 2024 (Appendix 2).

7.2 The Council has an increasing Capital Financing Requirement due to the delivery of its capital programme and therefore may need to borrow in future years, depending on the actual level of capital expenditure, other capital resources, reserves and cash balances.

7.3 With regard to the investment portfolio, security of capital remains the prime consideration. The average rate of interest received on investments at the end of December 2023 was 5.31% compared to average rate of interest received in December 2022 of 1.75%. The Council has taken a longer term view of its cash balances and interest rates and invested an element of its core cash for a short duration in highly secure counterparties.

APPENDICES

The appendices to this report details the treasury management activities undertaken by the Council. It sets out in detail the economic background in which the treasury management function has had to operate since the beginning of the financial year and the treasury activities which have taken place in the first six months of the financial year to end of September 2023 and for the period October 2023 to December 2023.

Appendix 1 – Treasury Management Half Year Activity Report 2023/24

Appendix 2 – Treasury Management Activity Q3 Update Report 2023/24

Report Author	Pradeep Waddon, 020 8356 2757, pradeep.waddon@hackney.gov.uk
Comments for the Director Financial Management	Deirdre Worrell, 020 8356 7250 deirdre.worrell@hackney.gov.uk
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys, 020 8356 4817 louise.humphreys@hackney.gov.uk

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2023/24 (6 MONTHS TO 30TH SEPTEMBER 2023)

1. Background

1.1 The Annual Treasury Management Report is a requirement of the Council's reporting procedures and this report covers the treasury activity for the first six months of the financial year 2023/24, 1st April 2023 to 30th September 2023.

1.2 The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services: Code of Practice (the CIPFA Code), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

1.4 Treasury management is defined as: "The management of the local authority's investments, borrowings and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The Authority's Treasury Management Strategy for 2023/24 was approved by the full Council on 1st March 2023.

1.6 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

2.1 Economic growth in the UK remained relatively weak over the period. In the calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

2.2 The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase. Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period. Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected. The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

2.3 Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

2.4 The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target. Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

3. Debt Management

3.1 In the beginning of the year the Council had one external debt of £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.

3.2 The Authority also had £66.4m of long term borrowing from PWLB and short term borrowing of £10m at the beginning of the year. The PWLB long term borrowing was done during 2019-20 to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates that were then available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

Table 1: Debt Portfolio positions as at 01/04/2023 and 30/09/2023

	Balance on 01/04/2023 £'000	Balance on 30/09/2023 £'000	Avg Rate %
Long Term Borrowing	77,600	65,350	1.93%
TOTAL BORROWING	**77,600**	**65,350**	
Other Long Term Liabilities	8,603	8,013	
TOTAL EXTERNAL DEBT	**86,203**	**73,363**	
Decrease in borrowing		**12,840**	

3.4 For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. However, this position was not sustainable over the medium term and therefore, the Council borrowed externally from PWLB to finance part of its housing capital regeneration programmes.

3.5 PWLB Borrowing: The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period.

3.6 The Authority evaluates and pursues lower cost alternative borrowing solutions and opportunities with its treasury advisor.

4. Investment Activity

4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2023/24 the Authority's investment balances would range between £50m and £150 million.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Table 2: Investment Portfolio positions as at 01/04/2023 and 30/09/2023

	Balance as at 01/04/2023 £'000	Average Rate of Interest %	Balance as at 30/09/2023 £'000	Average Rate of Interest %
Short term Investments*	5,059	-	10,145	-
Long term Investments	200	-	200	-
AAA-rated Stable Net Asset Value Money Market Funds	24,900	-	90,100	-

	Balance as at 01/04/2023 £'000	Average Rate of Interest %	Balance as at 30/09/2023 £'000	Average Rate of Interest %
Housing Associations	15,000	-	10,000	-
	45,159	**2.75**	**110,445**	**4.75**

* *Less than one year*

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

- AAA-rated Stable Net Asset Value Money Market Funds;
- Deposits with UK Banks (Call Account)
- UK Housing Associations

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

4.4. The Authority will look to diversify into more secure and/or higher yielding asset classes during 2023/24, providing security of capital can be maintained. A proportion of the Authority's cash remains invested in short-term unsecured bank deposits, and money market funds.

5. Credit Risk

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

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
30/06/2023	A+	5.3	A-	6.9
31/07/2023	A+	5.2	A	6.2

31/08/2023	A+	5.2	A	6.2
30/09/2023	A+	5.0	A+	5.1

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

6. Counterparty Update

6.1 Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March our treasury advisors reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period. Following the issue of a Section 114 notice, in September our treasury advisors advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days. Heightened 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 Arlingclose remain under constant review.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2023/24, which were set in March 2023 as part of the Council's Treasury Management Strategy Statement.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2023/24 to 2026/27 are shown in the table below. The numbers for 2023/24 to 2026/27 are provisional, ahead of February's annual budget report, and may be subject to change.

	31/03/23 Actuals £m	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**	**31/03/26 Estimated £m**
Gross CFR	464	539	728	933
Less: Other Long Term Liabilities	10	9	7	6
Borrowing CFR	**454**	**530**	**721**	**927**
Less: Existing Profile of Borrowing	67	63	59	55

	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m
Gross Borrowing Requirement/Internal Borrowing	**387**	**415**	**624**	**872**
Balance Sheet Resources	418	388	358	328
Net Borrowing Requirement/(Investment Capacity)	**-31**	**27**	**266**	**544**

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

In the Prudential Code, it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

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

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

	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m
CFR	464	539	728	933
Gross Debt	67	63	59	55
Borrowed in excess of CFR? (Yes/No)	**No**	**No**	**No**	**No**

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

- **Estimates of Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. The numbers for 2022/23 to 2025/26 are provisional, ahead of February's annual budget report, and may be subject to change.

Capital Expenditure	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m
Non-HRA	79.9	109.6	188.2	121.4
HRA	53.1	103.1	169.2	299.4
Total	**133.0**	**212.7**	**357.4**	**420.8**

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m
Capital Receipts	30.6	1.8	18.3	40.0
Government Grants	19.3	30.8	56.7	48.3
Reserves	0.6	7.5	10.9	1.6
RCCO	41.7	49.7	55.7	57.1
S106/CIL	17.5	5.1	14.4	0.9
Borrowing	23.3	117.8	201.4	272.9
Total Financing	**133.0**	**212.7**	**357.4**	**420.8**

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

- **Capital Financing Requirement**

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

Capital Financing Requirement	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m
Total CFR	464	539	728	933

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

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

The Council's **Authorised Borrowing Limit** was set at **£777m for 2023/24**.

The **Operational Boundary** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The **Operational Boundary for 2023/24 was set at £747m.**

The Interim Group Director Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Authorised Limit (Approved) 2023/24 £m	**Operational Boundary (Approved) 2023/24 £m**	**Actual External Debt as at 30/09/2023 £m**
Borrowing	762	732	65
Other Long-term Liabilities	16	16	8
Total	**777**	**747**	**73**

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

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

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

	Limits for 2023/24 £'000
Upper limit on one-year revenue impact of a 1% rise in interest rates	500
Compliance with Limits:	**Yes**
Upper limit on one-year revenue impact of a 1% fall in interest rates	500
Compliance with Limits:	**Yes**

- **Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Limits were set to have maximum flexibility in managing existing borrowing while the current portfolio remains relatively small.

Maturity Structure of Fixed Rate Borrowing	**Lower Limit %**	**Upper Limit %**	**Actual Fixed Rate Borrowing as at 30/09/23**	**% Fixed Rate Borrowing as at 30/09/23**	**Compliance with Set Limits?**
under 12 months	0	100	4,300	1.92%	Yes
12 months and within 24 months	0	100	4,500	1.92%	Yes
24 months and within 5 years	0	100	10,650	1.92%	Yes

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing as at 30/09/23	% Fixed Rate Borrowing as at 30/09/23	Compliance with Set Limits?
5 years and within 10 years	0	100	16,000	1.93%	Yes
10 years and within 20 years	0	100	26,000	2.02%	Yes
20 years and within 30 years	0	100	3,900	2.02%	Yes

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

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

The limit for 2023/24 was set at £20m.

There were no investments longer than 364 days during the period.

- **Credit Risk**

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

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

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, market sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2023/24 TMSS.

10. Summary

10.1 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first two quarters of 2023/24. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

TREASURY MANAGEMENT UPDATE 2023/24
(October 2023 to December 2023)

1. **Economic Highlights in 2023/24**

- **Growth**: Downward revisions to the UK economy have meant GDP fell slightly, rather than being flat, in Q3 and previous quarters also weren't as strong as first estimated. The underlying resilience in the UK economy appears to be continuing to wane.

- **Inflation:** Lower than expected CPI data was recorded in November with year-on-year CPI rising by 3.9% compared to expectations of 4.3%. Month-on-month CPI fell by 0.2% where forecasts suggested there would be an increase of 0.1%.

- **Monetary Policy:** The Bank of England's Monetary Policy Committee on the 13th of December 2023 voted by a majority of 6-3 to maintain the official Bank Rate at 5.25%. Three members preferred to increase the Bank Rate by 0.25 percentage points, to 5.5%.

2. **Borrowing & Debt Activity**

2.1 The Authority currently has £0.8m in long-term external borrowing. This is made up of a single London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration.

2.2 In addition, the Authority had £63.05m long term borrowing from PWLB. The PWLB long term borrowing is being used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates currently available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

3. **Investment Policy and Activity**

3.1 The Council held average cash balances of £105 million during the period, compared to £97 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/23 to 31/12/23

	Balance as at 01/10/2023 £'000	**Average Rate of Interest %**	**Balance as at 31/12/2023 £'000**	**Average Rate of Interest %**
Short term Investments	10,145	-	10,000	-
Long term Investments	200	-	200	-
AAA-rated Stable Net Asset Value Money Market Funds	90,100	-	82,300	-
Housing Associations	10,000	-	0	-
	110,445	**4.75**	**92,500**	**5.31**

3.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

3.3 The Council's specific policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital; liquidity of the invested capital; and,
- an optimum yield which is commensurate with security and liquidity.

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

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
31/10/2023	A+	4.8	AA-	4.4
30/11/2022	A+	4.9	A+	4.9
31/12/2022	A+	5.0	A+	5.0

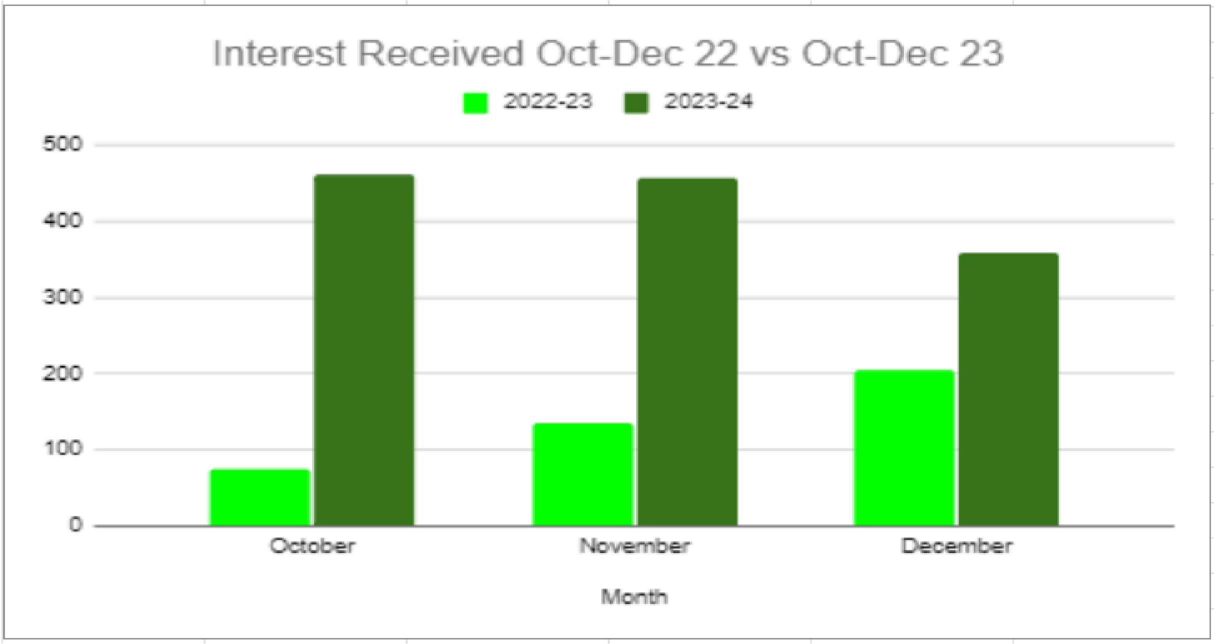
-Value we-weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

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

4. Comparison of Interest Earnings

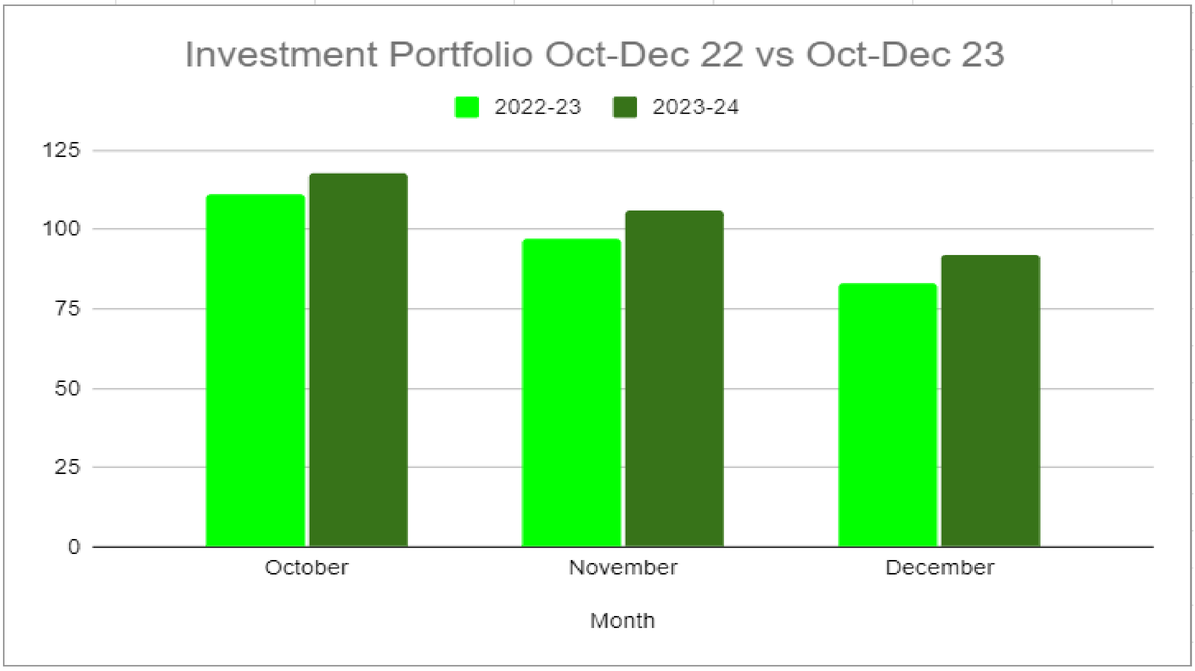
4.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, investments are placed in highly rated UK institutions, thus ensuring creditworthiness whilst increasing yields through the duration of the deposits.

4.2 The graph below provides a comparison of interest earnings for 2023/24 against the same period for 2022/23. Average interest received for the period October to December 2023 was £425k compared to £138k for the same period last financial year.



5. Movement in Investment Portfolio

5.1 Average investment levels for the period October to December 23 were £105m in comparison to the same period last year of £97m.



7. **Summary**

7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the above period of the financial year 2023/24. As indicated in this report, a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

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Title of Report	Treasury Management Strategy 2024/25
For Consideration By	Audit Committee
Meeting Date	31st January 2024
Classification	Open
Ward(s) Affected	All Wards
Group Director	Jackie Moylan - Group Director, Finance

1. Introduction

1.1 This report introduces the draft Treasury Management Strategy for 2024/25 for the Audit Committee, setting out the expected treasury operations for the 2024/25 financial year, ahead of it being submitted to Cabinet and Council as part of the annual budget setting process, for formal adoption.

2. Recommendations

2.1 The Audit Committee is recommended to:

- Approve the draft Treasury Management Strategy 2024/25 to 2026/27 for submission to Council, subject to Capital programme that is being finalised ahead of budget report, with delegation to the Group Director Finance to approve the final Treasury Management Strategy for submission to Council.

3. Reason(s) for decision

3.1 The Treasury Management Strategy is required under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Background

Policy Context

4.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

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 is setting the strategy for the future. 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 Group Director Finance

5.1 The Treasury Management Strategy sets out how the Council's cash flow will be managed during the financial year 2024/25. The actual cost of borrowing and interest on investments will depend on market conditions and timing will be an important factor in decisions to be taken on the debt portfolio. The prudential indicators are still to be finalised as part of the annual budget setting process relating to the capital programme.

5.2 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

5.3 In our ongoing efforts to diversify our borrowing portfolio and enhance the resilience and flexibility of our funding strategy, two new sources for long term and short term borrowing have been added: retail investors through regulated peer-to-peer (P2P) lending platforms and the UK Infrastructure Bank.

6. Comments of the 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 controls which includes arrangements for management of risk. In addition the Council's Constitution and Financial Procedure Rules require the production of an Annual Treasury Management Strategy, which shall be carried out in compliance with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as and when they arise.

6.2 There are no immediate legal implications arising from the report.

7. BACKGROUND

7.1 The Treasury Strategy set out below is set in the context of the current macro-economic environment and continuation of increase in interest rates.

7.2 The Council has an increasing Capital Financing Requirement (CFR) due to its capital programme and therefore may need to borrow in future years, depending on the actual level of reserves and capital receipts and other resources available to it.

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TREASURY MANAGEMENT STRATEGY 2024/25 TO 2026/27

SUMMARY

1.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

BACKGROUND

2.1 The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

2.2 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

3 ECONOMIC BACKGROUND

3.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

3.2 The Bank of England (BoE) increased the Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping the Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%. The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

3.3 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026. ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

3.4 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

3.5 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

4 INTEREST RATE FORECAST

4.1 Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

4.2 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

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

5 CREDIT OUTLOOK

5.1 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily. On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ring fenced (retail) and non-ring fenced (investment) banking entities once again.

5.2 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework. Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

5.3 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

5.4 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

6 CURRENT POSITION AND BALANCE SHEET SUMMARY

6.1 The Council currently (as at 31.12.23) has outstanding external borrowing of £63.85m. Total investments as of the date were £92.5m.

Table 1: Existing Investment & Debt Portfolio Position as at 31/12/23

	Portfolio outstanding as at 31/12/2023 £m	**Average Rate %**
External Borrowing:		
Market – Fixed Rate	63.850	1.92
Total External Borrowing	**63.850**	
Other Long Term Liabilities: PFI	9.676	
Finance Leases	0.023	
Total Gross External Debt	**73.526**	
Investments: Short-term monies - Deposits/ monies on call/MMFs	92,300	5.31
Long-term investments	200	
Total Investments	**92,500**	

6.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, otherwise known as internal borrowing. The figures below are subject to change pending finalisation of the capital programme for the budget report. Forecast changes in these sums are shown in the balance sheet analysis in table 2 below.

Table 2: Balance Sheet Summary and Forecast

	31/03/23 Actuals £m	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**	**31/03/26 Estimated £m**	**31/03/27 Estimated £m**
General Fund CFR	343	377	499	497	413
HRA CFR	121	162	229	436	776
Total CFR	**464**	**539**	**728**	**933**	**1,189**
Less: Other long-term liabilities *	10	9	7	6	5
Loan CFR	**454**	**530**	**721**	**927**	**1,184**
Less: External borrowing	67	63	59	55	51
Cumulative Maximum External Borrowing Requirement	**387**	**467**	**662**	**872**	**1,133**
Less: Balance Sheet Resources	418	388	358	328	298
Cumulative Net Borrowing Requirement /(Investments)	**-31**	**79**	**304**	**544**	**835**

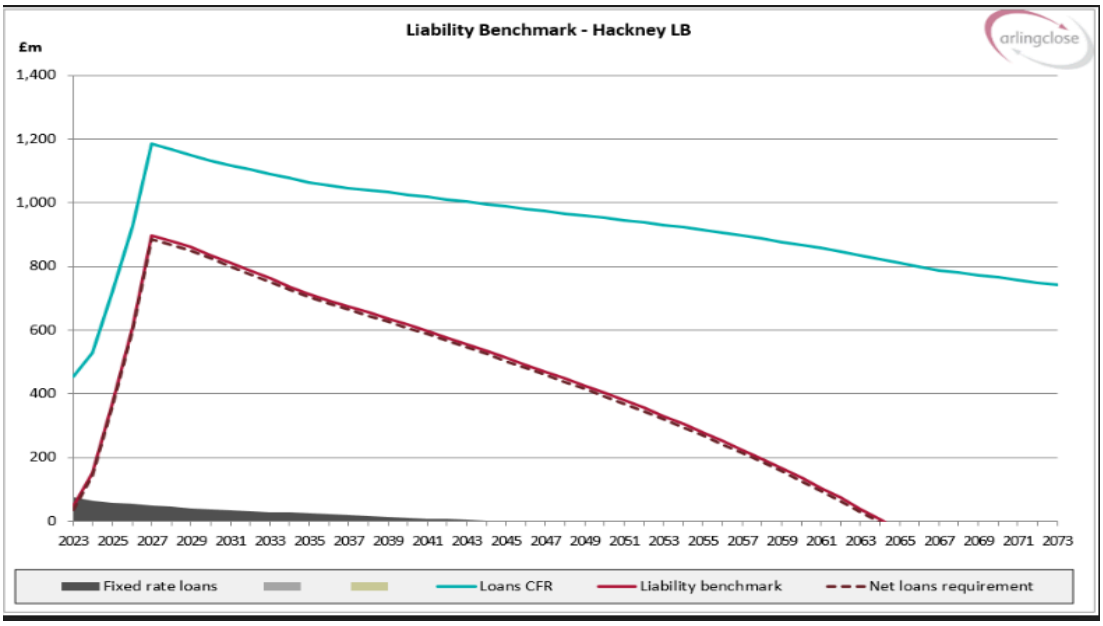
* finance leases and PFI liabilities that form part of the Authority's debt

6.3 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 2 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 3: Liability benchmark

	31/03/23 Actuals £m	31/03/24 Estimated £m	31/03/25 Estimated £m	31/03/26 Estimated £m	31/03/27 Estimated £m
Loan CFR	454	530	721	927	1184
Less: Balance Sheet Resources	418	388	358	328	298
Net loans requirement	36	142	363	599	886
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	46	152	373	609	896

Liability Benchmark Chart: The Council's liability benchmark is projected to rise to around £896m by 2026/27 due to a rise in the CFR and fall in usable reserves. This compares with the Councils projected debt portfolio of £51m at end 2026/27 in Table 2, suggesting a cumulative borrowing requirement over this and the next two financial years of around £835m.



6.4 The Authority currently has £63.85m in external borrowing. This is made up of a single £0.8m London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration, along with £63.05m long term used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration.

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

6.6 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2024/25.

6.7 Table 4 sets out the operational boundary and authorised limit for the Authority for the coming years. The numbers for 2024/25 to 2025/26 are provisional, ahead of February's annual budget report, and as such may be subject to change.

Table 4: Operational Boundary and Authorised Limit

	2023/24	2024/25	2025/26	2026/27
	Approved	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Operational Boundary for External Debt	747	762	966	1,221
Authorised Limit for External Debt	777	792	996	1,251

7 BORROWING STRATEGY

7.1 The balance sheet forecast in Table 2 shows that the Authority has a borrowing requirement of £662 million in 2024/25. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £778 million in 2024/25.

7.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

7.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

7.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

7.5 The Authority has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds, and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

7.6 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

7.7 In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

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

- HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- UK local authorities
- Any other UK public sector body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except London Borough of Hackney Pension Fund)
- Capital market bond investors
- Special purpose companies created to enable joint local authority bond issues.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Retail investors via a regulated peer-to-peer platform
- Private Placements and Loan

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

- operating and finance leases

- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance

7.8 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the full Council.

7.9 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

7.10 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators in point 10.4 below.

8 INVESTMENT RISK MANAGEMENT

8.1 The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

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

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

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

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

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

9 INVESTMENT STRATEGY

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

9.2 For the 2023/24 financial year the Council had an investment balance of £92.5m as of 31.12.23. It is expected that investment levels will decrease in forthcoming years as balances are used to finance the capital programme.

9.3 Given the investment risk as detailed in *section 8*, the Authority aims to further diversify into more secure asset classes during 2024/25. The majority of the Authorities surplus cash is currently invested in money market funds, deposits.

9.4 The Council may invest its surplus funds with any of the counterparty types in table below, subject to the limits shown.

Treasury investment counterparties and limits:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a

Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured)*	13 months	£5m	Unlimited
Building societies (unsecured)*	13 months	£5m	£10m
Registered providers (unsecured)*	5 years	£5m	£25m
Money market funds*	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments*	5 years	£5m	£10m

9.5 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

9.6 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

9.7 The maximum that will be lent to any one organisation (other than the UK Government) will be £10 million to reduce the chance of a credit event placing the council under undue financial pressure. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

9.8 The Council understands that credit ratings are a good predictor of investment default but are rating agencies' expressed opinions and not a perfect indicator. Therefore, Officers will use other sources of information; including credit default swap ratings and equity prices, to determine the credit quality of an organisation. These are detailed in Appendix B.

9.9 No investments will be made with an organisation if there are doubts about its credit quality even though it may meet the Lending Policy criteria. This means the Lending Policy applied operationally may at times be more restrictive than it formally allows.

9.10 When deteriorating financial market conditions affect the creditworthiness of all organisations but these are not generally reflected in credit ratings, then the Council will restrict its investments in those organisations to maintain the required level of security. These restrictions may mean that insufficient commercial organisations of high credit quality are available for investment and so any cash surplus will be deposited with the government's Debt Management Office or with other local authorities. This may result in a reduction in the level of investment income earned but will protect the principal sums invested.

9.11 The proposed 2024/25 Treasury Management Strategy has considered a full range of risks and Officers will apply the strategy to ensure that security of deposits is the prime consideration. However, in agreeing the proposed strategy, Members should be aware that there is always a risk of default of counterparties other than the Debt Management Office which is guaranteed by the government.

9.12 The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

9.13 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The Authority recognises it can further enhance its efforts through its investment decisions and activity. The Authority will consider options for investments with institutions who ring fence the use of such funds for ESG related matters.

10 TREASURY MANAGEMENT INDICATORS

10.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

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

	Target
Portfolio average credit rating	A-

10.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

	Target
Total sum borrowed in past 3 months without prior notice	£20m

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

	2024/25
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.8m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0.8m

1% rise in interest rate - It is unlikely that the borrowing to this extent will be done on a short term basis but if borrowing takes place on a short term basis then the impact of 1% increase in interest rates will be funded from reserves.

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

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

	Upper	**Lower**
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 2 years	100%	0%
2 years and within 10 years	100%	0%
10 years and above	100%	0%

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period. No limits have been put in place as the current debt portfolio is relatively small and no limit gives us more flexibility in restructuring the borrowing as and when required. Limits will be put in place if the debt portfolio is likely to increase.

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

	2024/25	2025/26	2026/27	No Fixed Date
Limit on principal invested beyond 364 days	20	20	20	10

11 Related Matters

11.1 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

11.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

11.3 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

11.5 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.6 **Policy on Apportioning Interest to the HRA:** The Council has adopted a two pooled approach following the self-financing settlement in March 2012. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Where the HRA needs to borrow from the General Fund to meet its remaining borrowing requirement the General Fund is compensated based on what the Council would have to borrow from the PWLB, with rates based on a best decision from a treasury management perspective and the current interest rate outlook. This will be determined annually following advice from the Council's treasury advisers and the interest transferred between the General Fund and the HRA at the year end.

11.7 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

11.8 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of individual staff appraisal processes, and additionally when the responsibilities of individual members of staff change. Training will be arranged as required for members of the Audit Committee who are charged with reviewing and monitoring the Council's treasury management policies.

11.9 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

11.10 **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. Arlingclose is an independent treasury advisory company providing unbiased financial advice and capital financing expertise for the public sector. They provide advice on investment trends, developments and opportunities consistent with the Council's chosen strategy relating to investments, debt repayment and restructuring, and also for economic information and data interpretation.

11.11 Although the Council uses the expertise of an external provider for treasury management advice relating to investing, borrowing and restructuring of the portfolios, the Council remains fully accountable for any decisions made.

11.12 Regular communications are received in relation to economic data releases, interest rate forecasts and debt structuring opportunities with, sometimes, daily communications in respect of counterparties. Officers also attend training sessions facilitated by Arlingclose relating to Prudential Code, Treasury Management Code of Practice and Accounting.

11.13 Meetings are held on a quarterly basis with Officers of the Council, including the Director Financial Management, to discuss treasury management strategies, which may, from time to time, include discussions in regard to enhancement of the service provision if required. Additional ad-hoc meetings are arranged as required if specific issues arise during the course of the year outside of scheduled quarterly meetings.

12 Other Options Considered

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

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

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B - London Borough of Hackney's Investment Policy

1. Institutions and instruments included:

1.1 The Council will invest in the following types of institutions;

- UK Central Government
- UK Local Authorities
- Other government entities
- Secured investments
- Banks (unsecured)
- Building societies (unsecured)
- Registered providers (unsecured)
- Money market funds
- Strategic pooled funds
- Real estate investment trusts
- Other investments

1.2 The Council will invest using the following types of instruments

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

1.3 Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

1.4 For secured investments, where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

1.5 Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

1.6 As well as assessing credit rating as an indicator of risk, the Council will also analyse the following sources of information:

- Credit default Swap
- Equity Prices
- Economic output
- Counterparty's financial Statements and financial ratios
- News

Appendix C - Glossary of Terms

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

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

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Appendix D

TREASURY MANAGEMENT POLICY STATEMENT

1. Approved Activities

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

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

2. Treasury Management Policy Objectives

The Council defines its treasury management activities as:

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

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

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

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

(a) To ensure that risk to the Council's financial position is minimised by the adoption of sound debt management and investment practices;

(b) The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

(c) The overall average rate of interest on short-term investments to be greater than the average seven-day SONIA rate, whilst having regard to the security of funds and the minimisation of risk;

(d) To have a policy to repay debt, take opportunities to make premature debt repayments, and restructuring of debt when and where it is advantageous to the Council to do so.

3 Adoption of the CIPFA Code of Practice

The Council has adopted the key recommendations of CIPFA Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 2 of that Code.

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

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

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

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

4 Investment of Cash Balances

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

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

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

5 Investment Names/Financial Limits

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

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

6 Risk Appetite Statement

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

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

7 Legal Issues

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

8 Use of Bankers

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

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

9 Review

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

- **TM Outturn Report** –

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

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

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

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

  To – Cabinet via OFP and Audit Committee

- **TM Quarterly Activity Report** –

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

  To – Audit Committee

- **Ad-hoc** –

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

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

Hackney

Title of Report	**CLIMATE, HOMES AND ECONOMY DIRECTORATE RISK REGISTER**
For Consideration By	Audit Committee
Meeting Date	January 31st 2024
Classification	Open
Ward(s) Affected	All Wards
Group Director	**Rickardo Hyatt, Group Director Climate, Homes and Economy.**

1. Introduction

1.1. This report updates members on the current Directorate Risk Register for the Climate, Homes and Economy Directorate as at January 2024 (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.

1.3. This report reflects for the second time the risk register for the Climate, Homes and Economy Directorate which was created in the early part of 2022 (last reviewed in April 2023). Economy, Policy and New Homes (EPNH) incorporating the Council's Regeneration responsibilities, moved to become part of Climate, Homes and the Economy and risks relating to this service are now included in this risk register.

2. Recommendations

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

3. Reason(s) 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 the Audit Committee is aware of this.

4. **Background**

The directorate risk profile is reviewed and ratified by the Directorate Leadership Team (DLT) on a regular basis throughout the year; the current risk register was last reviewed by DLT in January 2024. The report is presented as a high level risk management report for the Directorate.

Policy Context

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

Equality impact assessment

4.2. 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.

Sustainability and climate change

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

Consultations

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

Risk assessment

4.5. The relevant Risk Register is attached in Appendix one.

DIRECTORATE APPROACH TO THE MANAGEMENT OF RISK

5.1 To ensure that the management of risk within the Directorate is effective, our risks are aligned to our Directorate aims and objectives, which reflect corporate and the Council's priorities.The Directorate approach to embedding risk management at all levels of management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences. This approach runs through all levels of management from the Directorate Risk Register, monitored and managed by DLT, through the divisional risk registers, managed and monitored by the Divisional Management Teams through to team and project risk registers.

5.2 Effective risk management anticipates and avoids risks where possible rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control e.g. the Pandemic, nationwide austerity measures and introduction of new legislation. These are the risks that are likely to be rated high, and will require constant monitoring by senior management and escalation to the Corporate Leadership Team (CLT) for inclusion on the Corporate Risk Register.

5.3 The Directorate Risk Register, attached at Appendix 1, comprises risks that cut across the Directorate's business and those which have potentially the greatest impact on service delivery, the performance of the Directorate and therefore the Council as a whole. It is informed by the divisional and service risk registers and is maintained at Directorate level to ensure that risks are managed and monitored at senior management level.

5.4 The risks contained in the Directorate Risk Register assesses risk in light of the controls already in place so that the register is focused on those key risks that could prevent the Directorate from achieving its objectives. Any risk that DLT consider significant enough will be escalated to the status of a Corporate Strategic Risk as per the Council's risk impact guidelines. All other risks will remain as Directorate risks.

6 DIRECTORATE RISK REVIEW

6.1 The Directorate Risk Register consists of risks that cut across the numerous services of Climate, Homes and Economy and represent the most significant risks faced by the directorate.

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

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

- **CH&E 001 - Cost of living crisis on CH&E -** the cost of living crisis is having a dramatic effect on so much of the Council's work and objectives, and the overarching strategic risks on this are covered within the Corporate risk register. The cost of living crisis continues to present risks which impact specifically on the Directorate in multiple ways, whether from the perspective of residents, services, businesses or partners. All of these could ultimately affect the overall cohesion and stability of the Borough. Individual services within CH&E will have to respond in different ways, which will be reflected in their individual service registers. This was a new risk in April 2023, and remains with a high score.

- **CHE ERNH - 009 - Damp and Mould -** This was a new risk at the last iteration of the register (April 2023) and relates to the potential extent and prevalence of damp and mould throughout the housing stock in Hackney, private and socially rented, in terms of risk to residents and to building fabric. Damp and mould constitutes a wide range of risk from threat to life to minor effect and intervention. Different landlords, residents and stock typology will require different treatment and responses. Underlying data is fragmented and with gaps in key areas. A timely response to any problems here is critical to the Council’s reputation. A new approach to managing damp and mould has been introduced where all reports are inspected within 5 working days. New specialist ventilation contracts have been procured to support this area of work.

- **CHE ERNH 002 - London Legacy Development Corporation (LLDC) -** The risk level here has increased which reflects the issues regarding the resources, budget and timescales needed to ensure the transfer back of planning powers from the LLDC. The risk represents the importance of our future plans for and that the Council maximises social and economic opportunities from development.

- **CHE ERNH 005 - Building Safety -** This risk remains red rated and whilst the risk is stable it is at the highest red rating. The risk relates to new and emerging building safety legislation which place additional responsibilities on the Council including enforcing fire safety measures in the private rented sector, as well as ensuring the 'golden thread' of building information is passed from Regeneration to Housing Services for new council homes. The risk remains at this high level due to emerging legislation yet to be fully embedded into working practices.

- **NH001 - Customer Services Satisfaction -**
There have been significant challenges for the Council over the last few years in this area. Additionally, there have remained some ICT development challenges within Housing Services. The importance of a responsive repairs unit is critical, and the resources need to be in place to meet these demands. As we are within the recovery phase from the pandemic and the cyberattack there is a renewed focus on improving customer service in Housing Services. A recent management conference theme was about excellence in customer focused service delivery and how we can achieve that given where we have come from.

- **NH012 - Contract Procurement and Management -** This risk has increased over the last year in light of the delay to the Housing Planned Maintenance contracts. The pandemic and now the cost of living crisis also increased the likelihood of problems for suppliers and contractors who may be dependent on financial variables outside the control of the Council.

- **NH 013 Council property repairs -** During the COVID crisis, Council workers had limited access to residents' homes, and this resulted in numerous instances of long waits for fixes, and occasionally the repairs not being up to expected standards. The Pandemic created a backlog of around 7,000 repairs. This backlog was cleared, and although the need for other repairs has continued, this is in the main all within one month of the expected date. The Improvement Board is still in place and chaired by the Strategic Director. Over the last twelve months (throughout 2023), significant improvements in ways of working have been implemented.. A new approach to managing damp and mould has been introduced where all reports are inspected within 5 working days. New specialist ventilation contracts have been procured to support this area of work. Changes to the repairs policy have also been introduced where all reports of leaks from pipes are now raised as emergency repairs and attended to by the end of the following working day.

- **NH 004 Budget pressures / insufficient budgets to deliver our service plan -** Due to the financial challenges facing the Council and the expectations of our residents, there remains a risk that the directorate is unable to deliver services within the budget available. This is especially critical where services are dependent on income streams such as, housing rents, parking income, planning application income. The HRA Rent Cap for 2023/24 will result in a reduction of income to the HRA which means that we have insufficient resources to meet the inflationary pressures of delivering the service. In addition, this real term reduction of income in 2023/24 will compound and have a detrimental impact on the HRA business plan going forward which will reduce our ability to deliver core housing management services and maintain investment in our homes.

- **NH 008 Failure of ICT Infrastructure -** In October 2020 the Council's ICT systems suffered a serious cyberattack. This impacted the directorate's key systems, Universal Housing, Planning and land charges. In the years following the attack, managers have worked closely with ICT colleagues to assist in the recovery of services and alternative methods of delivering services - such as more cloud based hosting, helping to minimise future risks. We continue to use alternatives such as Google workplace as we work with ICT to progress procurement of cloud based systems to replace legacy systems.

- **NH014 - Housing Ombudsman - Para 49 Investigation** - a new risk has been added relating to this pending investigation, which will occur later in 2024. As other reports relating to Para 49 investigations become available they will be reviewed by Housing Services to ensure learning is taken on board.

6.4 There are a number of risks on the directorate risk register that have been escalated and included in the strategic risks within the Corporate Risk Register. This reflects the need for these risks to be managed at a strategic and operational level and management focus is needed at all levels in order to respond to these unprecedented challenges.

The Climate Change Emergency risk (SRCR 0039) remains in its entirety on the Corporate Risk Register which, though managed within the directorate, continues to represent a significant risk to the Council and Hackney Management Team wish to maintain a close oversight of the management of this risk. The Council has developed a Hackney Climate Action Plan (CAP) which was approved at Cabinet and formally adopted in May 2023. The CAP provides the strategic framework to work through a number of key issues and challenges, utilising recently completed evidence assessments to underpin a more strategic approach for future delivery and integrate better with external stakeholders.

7. <u>Comments of the Group Director of Finance and Corporate Resources.</u>

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

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

8. Comments of the Acting Director of Legal, Democratic and 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 one - Climate, Homes and Economy Directorate Risk Register.

Climate, Homes and Economy - Directorate risk register January 2024

Background documents

None

Report Author	Deirdre Worrell / Matt Powell 020 8356 3032
Comments for the Group Director of Finance and Corporate Resources prepared by	Jackie Moylan / Deirdre Worrell 020 8356 3332
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys 020 8356 6234

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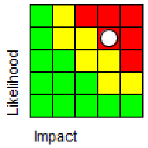
Appendix 1

Climate, Homes and Economy - Directorate risk register.

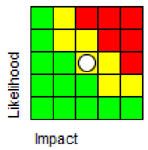
Risk Title *	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E 001 - Cost of living crisis on CH&E	The current cost of living crisis continues to present risks which could impact on the Directorate in multiple ways, whether from the perspective of residents, services, businesses or partners. All of these could ultimately affect the overall cohesion and stability of the Borough. There is a risk of tenants/ leaseholders struggling to pay their rent/service charges/ heat charges. There could also be increased pressures on private rented sector tenants which could see increased demands on LBH services such as Housing Advice and adult social care teams. This would strain resources and possibly affect the quality of service delivery. This may also create an impact and ripple effect through to key partners such as housing associations, charities and independent sector organisations. Risks are also posed to Registered Provider (housing association) residents on heat networks as it is not clear how it will be covered by cap. Residents are covered within the cap for electricity but not for their heat charges but these charges currently are significantly lower than the capped gas rate. Civil unrest and increased crime within the Borough is also a possibility, and could challenge the Council's resources to deal with it. Residents employed by local businesses/SMEs may be at higher risk of reduced working hours and reduced hours contracts and/or redundancy if local businesses are struggling.	**Climate, Homes and Economy**		**November 2023** - There is an overarching Corporate risk on the cost of living crisis, but this version focuses specifically on the challenges concerning the Climate, Homes and Economy Directorate. The impacts here are particularly severe within the Homes and Economy divisions. So many other related/sub risks could also be fitted into the description from the perspective of the CHE Directorate. Problems for residents in the Borough will result in an increased demand for advice, health and care interventions. There is also likely to be an increased demand/enquiries into the Regeneration and Economic Development Service for business support and advice. There could also be opposition to low carbon energy systems in new build and retrofit, which can be more expensive to operate. In the longer term, this environment may make it more difficult to increase charges to social housing tenants on heat networks which are currently well below market rate. There will be a wider economic impact if businesses close i.e higher unemployment,

	There is a strong likelihood of Increased Rent Arrears for the Council and an impact on the ability to increase rents. Also in a time of cutbacks and impending recession there is likely to be reduced commercial waste income, and reduced parking income if people stop using cars due to fuel cost concerns. Increased risk of damp and mould if people do not heat their homes. Again, obligations could fall back on the Council, placing more pressure on resources and service delivery outcomes. Rent Increase and Inflation Briefing Risks increase of businesses being unable to pay bills, or losing premises (due to rent pressures), reduced trading hours, cutting staff (likely to be local residents), going out of business etc. Business may be unable to plan for the future, scaling back growth or expansion plans. This will all prove very damaging to the local economy.			less spend in borough, loss of business rates receipts etc. Increased risk of poor mental health in local business owners/staff employed by SMEs. The financial pressures of this crisis are unfolding and evolving on a daily basis, and will continue to pose increasing pressures on services within this Directorate.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E 001a Support for residents	Clear information and advice for private sector housing tenants and landlords on LBH website. Specific messaging through the Landlord Forum. Set up a new PRS Tenant Forum for information and feedback. Potential for warm hubs in community halls. Energy Price Cap v Cost of Heat (overview of the CAP, the current charges for heat and how the Council energy purchasing affects heat and compares it with the CAP).	Rickardo Hyatt	James Goddard Steve Waddington	Ongoing	**November 2023** Website updated. New Better Renting Campaign being developed for 2024. Alongside launch of new landlord Forum. THe heat charge per KwH was reduced in Oct 23 to all communal heat network residents to reflect the fact that energy was purchased at a slightly lower rate than estimated. Whilst the cost of energy for 2024/25 is not yet known, it is anticipated that the cost will reduce slightly from the 20223/24 position. **March 2023** Residents living in council owned block on heat networks will see significant increases in cost for 2023/24. Heat charges have not increased for a number of years but given the increase in energy costs the council is having to pass these onto residents. To ease the impact of the rise it has been agreed to phase the increase over 2 years, 85% in 2023/24 and then 15% in 2024/25 The shortfall as a result of the phasing will not be recovered.

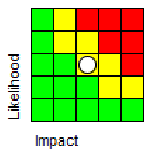
					These are a new range of controls being developed to tackle this assortment of financial problems. Responsibility for these lies amongst the various divisions of Climate, Homes and Economy. Clearly this risk spreads across the whole Council, but these actions focus on what lies under the CHE's control.
CH&E 001b Business support	Support for businesses being rolled out by the Economic Development team with information on Hackney and London wide business support and advice set out and regularly updated on the LBH website and Hackney Business Network webpage: https://hackney.gov.uk/support-for-business#cost https://www.hackneybusinessnetwork.co.uk/get-business-support	Rickardo Hyatt / Stephen Haynes	Suzanne Johnson	Ongoing	**November 2023**: Existing business forums and groups (e.g. pubwatch meetings, Stoke Newington Business Association, Hackney Wick Cultural Interest Group etc) are being utilised to provide advice and support to businesses. The UK Shared Prosperity Fund (UKSPF) funded Hackney Impact business support programme has now launched to provide local businesses with business support and advice, including on the cost of living/doing business crisis, offering energy audits and energy grants to upgrade businesses premises: https://www.hackneyimpact.com/programme The Love Hackney, Shop Local campaign is being refreshed and rolled out over winter 23/24 (coordinated with Small Business Saturday on the 2nd Dec 2023) encouraging people to shop and spend locally: https://www.lovehackney.uk/shop-local

ECONOMY, REGENERATION AND NEW HOMES (ERNH)

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 001 Libraries, Culture & Heritage - Capital programme and building management risks	The Libraries, Culture & Heritage services have an ambitious capital programme to deliver over the next three years to modernise and repair library buildings and the local authority museum. The projects will protect Council owned cultural assets and make them fit for the future. The museum project is planned over 5 years and the libraries projects will be delivered over 2-3 years because: a) they are diligently co-designed with the local community to meet future demands b) require external financial investment to match Council budgets. The risks to the capital programme therefore are the rise and inflation of building materials, building maintenance and energy bills costs. The risks of conflicting timetables with internal and external stakeholders to deliver projects as well as existing	CEH - ERNH		Risk reviewed **November 2023**

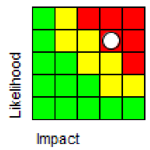
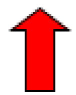
	constraints around the TLC building on Reading Lane which is being leased under a PFI agreement.			

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 001 Libraries, Culture & Heritage - Capital programme and building management risks	• **Procurement and project management** - Working groups between Libraries and Heritage and Strategic Properties and Regeneration Teams have been set up to co-deliver the capital programme as part of the LUF Programme. Further cross-Council working partnerships need to be established for Stoke Newington Library and Stamford Hill Library undergoing improvement works over the next 3 years.	Stephen Haynes	Petra Roberts	Ongoing	New risk registered since CLH services joined ERNH division.

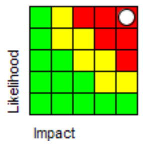
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 001 Employment, Skills and Adult Learning- External risks	Local/regional employers are increasingly demanding around skills levels of employees, this is related to pressures on improving productivity and decreased investment in workplace training. The increased divergence of skill levels of Hackney residents may result in a lack of access to opportunity for certain cohorts. This is compounded by ongoing cuts to Further Education and Adult and Community Learning budgets.	CEH - ERNH		Risk reviewed **November 2023**

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 001a Employment & Skills - External risks	• **Meeting inclusive economy related training and green skills priorities** - Organisational capacity of Functional Skills & Vocational team will limit progress on delivering against key local priorities. Funding for proposed vocation green skills officer is yet to be confirmed in order to proceed with delivery against the green manifesto commitment without a further review of the team structure. • **Ofsted** - Meeting Ofsted standards as part of continuous quality improvement process. The previous Ofsted inspection took place in 2018, which brings the service in scope for an inspection in 2023. The service is currently self-assessing as a grade 3 -	Stephen Haynes	Dujon Harvey	Ongoing	November 2023 - control updated.

	requires improvement. There is a Quality Improvement Plan in place which details specific measures required to address areas for development which are monitored on an ongoing basis. • **Hackney Apprenticeship Levy Transfer & Network** - The economic situation / cost of living crisis has made it more difficult for employers and maintained schools to commit to taking on apprenticeships. Levy Transfer is supported for new hires paid at NLW (£9.50 as a minimum) and a Hackney link (Resident or Educated) exists. Maintained schools should take on new apprentices to bridge recruitment gaps. Failure to increase support for external business and Schools to employ new apprentices increases the risk of expired funds being returned to HMRC. • **Supported Internships -** **Placements quality and delivery risks**				

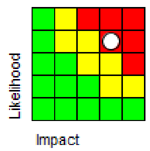
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 002 LLDC Transition Risk	Since the start of the transition process amongst Growth Boroughs in 2020, the GBP (Growth Borough Partnership) have made good progress in re-aligning the relationship with London Legacy Development Corporation (LLDC) from stakeholder to partner. An MoU has been signed between the GBP, LLDC and the GLA to set out what the organisations have agreed to date and how they will work together on transition. The risks concerning transition are set out below: • Lack of sustainable long-term funding associated with current LLDC social and economic (inclusive economy) programmes post March 2025. • Lack of available resources within boroughs to develop and deliver inclusive economy programmes - agreed as a key priority for the reset MDC. Discussions are underway with GBP members and the LLDC on how to manage this risk, a task and finish group has been established and an IE programme is being developed by the BTG working in partnership with LLDC. • Change of leadership within boroughs could alter the current relationship- this has happened in some cases and is being managed. • Scale of work and time pressures involved in the transfer of planning powers back to the boroughs by 1st Dec 2024 including governance and approvals (transfer of planning powers back to boroughs requires a GLA Mayoral Decision and approval by all the boroughs Cabinets by the end of 2023), IT, resources etc. Risks are being actively managed by the planning officer sub-group, LLDC, Borough Transition Group, and transition programme manager, all working in collaboration.	CEH - ERNH		Control reviewed **November 2023.**  Risks are currently high in relation to resources and timescales.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 002a LLDC Transition Risk	Risks associated with LLDC are centred around the need for information to be shared between themselves and the GBP. Steps taken to ensure this are:- • Recording instances of where information requested has not been provided. • Discussing with LLDC colleagues at the formal BTG regarding these issues. If requests are still not provided then the issue is escalated to a political level, where formal representations are made via the GBP to the Chief Exec of LLDC. • Informal meetings between officers have also been organised to ensure that dialogue can be achieved prior to escalating issues. • A notable success of this is LLDC now sharing transition related papers prior to other parties so that we can steer on particular issues. For risks associated with the BTG, the following controls have been devised:- • Ensuring that any potential changes in leadership have been highlighted so that existing GBP members can provide a steer to new members. • A review of the GBP has been completed and the review paper has been distributed to the GBP members for review and approval of actions going forward to successfully manage and govern the programme.	Stephen Haynes/ Suzanne Johnson	Suzanne Johnson	Ongoing	Control reviewed November 2023.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 005 Building Safety (HR&D 16, SAP 09 & 20)	New building safety legislation places additional responsibilities on services and will have a significant impact on the design, specification, cost and timescale for new homes delivered by the Council. This creates additional pressures to enforce fire safety measures in the private rented sector, as well as ensuring the 'golden thread' of building information is passed from Regeneration to Housing Services for new council homes. This will require additional officer training	CHE		Control reviewed November 2023 This continues to be a risk with emerging legislation yet to be fully embedded into working practices.

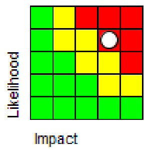
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 005a Building Safety	Established a Hackney New Build standardised brief and building information/quality assurance systems. Incorporating Fire Safety	Stephen Haynes	Diana Hall Ken Rorrison	Ongoing	Utilising BIM as 'Golden Thread' of information from Regeneration through to Housing Services. Futureproof buildings: modifying mid-design or

	Strategies and guidance issued by the central government. Clerk of Works employed as part of ongoing governance.				re-briefing early stage projects to meet requirements. Revise specifications: V5 spec included early Grenfell findings, V6 includes complete recommendations. Quality: Only brick facades, cladding issues generally avoided. Key stakeholder engagement including DLUHC and GLA.

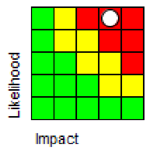
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 006 Recruitment and Retention (R&ED02, SAP01, HR&D 06)	If the ERNH Division is unable to recruit or retain appropriate staff resources, this could impact on the Division's ability to meet their service area priorities and objectives, especially programmes which are linked to time limited grant funding. This will also compromise our ability to deliver key strategic policy objectives and improve the quality of the private rented sector.	Climate, Homes and Economy		Risk reviewed November 2023 This continues to be a risk until the Phase 2 Service Review has completed and a new structure put in place for ERNH.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 006a Recruitment and Retention	Training and development programmes run by DPO/HR and external courses available. Career graded posts implementation to allow progression within roles. Frequent communication with staff is required in order to reduce concerns for those on FTC to March 24.	Stephen Haynes	James Goddard Rachel Bagenal Suzanne Johnson Dujon Harvey	Ongoing	November 23 update - HR/OD specialist role is currently vacant and will need to be recruited, therefore the in house development programme is on hold. Implementation of Phase 1 of the Service Review completed Feb 23. Individual service area reviews are underway, with Phase 2 restructures expected to complete in Spring 24. Fixed term contracts will be extended where necessary. Inner Circle Consulting has provided additional recommendations on new homes delivery.

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

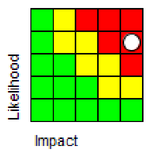
CH&E ERNH 007 Covid impacts on regeneration (R&ED 03, SAP 08)	Long term and wider impacts of Covid 19 may mean that we need to change what and how we deliver in terms of future regeneration projects, for example to accommodate shifts in the function and use of workspaces, as well as demographic and lifestyle changes in the local population. Increased build costs may also reduce our ability to deliver new homes.	Climate, Homes and Economy		Control reviewed November 2023 This continues to be a risk - evidence and data kept under review and up to date to inform policies and approaches.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 007a Covid	Continued business engagement helps to understand business concerns and respond to these. Adapting existing programmes to respond to changing priorities. Programmes at the feasibility stage will explore broader questions about the function of high streets, how we travel to work and what our work spaces look like. Adapting existing programmes to respond to changing priorities. Programmes at feasibility stage will explore broader questions about the function of the house building/affordable housing sector in Hackney. Uncertainty and impact on supply chain (both labour and materials) resulting in higher tenders than estimated leading to unviability.	Stephen Haynes	Suzanne Johnson James Goddard	Ongoing	Service managers to engage stakeholders at the scoping stage and throughout the design development stage of any project to ensure projects meet future needs and changing priorities. To review and re-evaluate project deliverables throughout the process. Continued engagement helps to understand real time business concerns, adapting programmes to respond to changing priorities.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 008 Funding and Financial Viability (R&ED 01, HR&D 02 & 13, SAP 04)	If stagnant/falling house prices continue to be compounded by increasing build costs due to labour/materials shortages following Covid/Brexit, this will have a significant impact on the financial viability of the Council's house building programmes and the quantum of new affordable homes that can be delivered. These adverse market factors may also result in reduced external funding for area regeneration projects.	ERNH		Risk reviewed November 2023 This continues to be a risk with falling house prices and increased build costs.

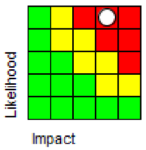
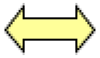
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note

CH&E ERNH 008a Funding and Financial Viability	Planning and delivering projects in phases. Considering options/scenarios for delivery which include a scenario with a reduced scope. Improving the quality of bid submissions. Homes could be rented (as a build to rent, market rent product) with an option for some to be rented out at Hackney Living Rent if viable. The legal agreement for Woodberry Down provides for the Council and its partners to work together to address viability on each phase, and it provides for mechanisms (e.g. the use of overage, tenure mix, mix of uses) to address challenges to viability.	Stephen Haynes	Suzanne Johnson Rachel Bagenal James Goddard	Ongoing	New economic development function and changes to team revenue budget will help develop the evidence base to improve quality of external grant bid submissions. Ongoing monitoring of the housing market and impact of Brexit on supply chains (labour and materials). Hackney Living Rent opportunities are constantly sought, particularly by the housing company.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
CH&E ERNH 009 Damp and Mould	The potential extent and prevalence of damp and mould throughout the housing stock in Hackney, private and socially rented, in terms of risk to residents and to building fabric. Damp and mould constitutes a wide range of risk from threat to life to minor effect and intervention. Different landlords, residents and stock typology will require different treatment and responses. Underlying data is fragmented and with gaps in key areas. A timely response to any problems here will be critical to the Council's reputation.	Climate, Homes and the Economy		**January 2024** This risk was escalated in December 2022 and remains red. Likely to remain a medium to long term risk.

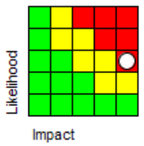
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
CH&E ERNH 009a Damp and Mould	An initial Hackney Damp and Mould Plan was developed early in 2023. The plan is designed to cover all tenures in Hackney. Work is ongoing. A new approach to managing damp and mould has been introduced where all reports are inspected within 5 working days. New	Stephen Haynes/Steve Waddington	Heads of Service	Ongoing	**January 2024** Housing Services have introduced a number of new ways of working to improve our response to damp and mould and reduce the prevalence within our homes. These are monitored at a monthly 3:1 with the Chief Executive & the Mayor.

	specialist ventilation contracts have been procured to support this area of work.				Letter to Secretary of State was sent in November 2022 outlining initial damp and mould response from Hackney. **March 2023** Responses sent to SoS and the Social Housing Regulator Dec 22 / Jan 23. Work is ongoing on developing the action plan, for LBH Stock a new leaks policy has been introduced which will see all reports of leaks prioritised and responded to by the end of the following working day. All reports of damp and mould will be inspected rather than sent to a painter to treat the mould so that the route cause can be identified. To help respond to the significant increase in legal disrepair claims, often which are damp related, a new Alternative Disputes Resolution process is being developed.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 001 Customers Services Satisfaction ***INTERNAL RISK*** ***FUTURE RISK***	Failure to deliver good customer service either through poor performance by staff or as ageing assets, facilities or infrastructure deteriorates. This will impact negatively on service delivery and the overall satisfaction of stakeholders. Possible consequences could be • Reputational damage • Negligence and liability claims • Increase in number of complaints • Poor service performance against KPI measures • Deterioration in staff morale • Increase in compensation claims from dissatisfied customers • Litigation • Failure to meet our statutory responsibilities	Climate, Homes and Economy		 **January 2024** - There remain challenges with ICT support. In some areas there is a limited ICT platform to work on and in others it can only be classed as a Minimum Viable Product (MVP). Lack of an integrated system will negatively impact on staff morale, our ability to deliver effective services and meet KPIs. Until recently, the impact of the pandemic was a key contributor to the backlog of repairs and increase in disrepair issues. The Housing Regulator did investigate whether the Council is in breach of the consumer standards (but was found not to be in breach in November 2022).

				A recent management conference theme was about excellence in customer focused service delivery and how we can achieve that given where we have come from. This work has been incorporated into our Service Planning for 2023/24.	
Control Title	**Control Description**	**Responsible Officer**	**Service Manager**	**Due Date**	**Control - Latest Note**
NH 001a Maintaining assets	Service Managers actively maintain assets and ensure that maintenance of buildings and infrastructure is undertaken through • Asset management plans • Capital investment plans and new facility provision being progressed • Regular monitoring of the buildings and sites (including sonic testing of the play equipment) • Planned preventative maintenance programme which informs the Councils capital strategy • Regular maintenance undertaken by partners / contractors per contract obligations • Proactive / planned approach to Planned Preventative Maintenance in partnership with Property Management colleagues.	Rickardo Hyatt	Directors	30 June 2024	**November 2023** - lack of feasibility funding to explore alternative uses for underused assets/assets in need of investment and the need for a strategic approach to delivering projects to upgrade/regenerate assets to maximise their benefits to the Council (including income generation and delivery of Strategic Plan priorities) and the borough. **January 2023 -** Delays in the procurement of framework contractors to undertake improvement works will impact on the condition of the stock and result in increased complaints and customer dissatisfaction.
NH 001b Staff performance	Robust Performance management framework in place to monitor service performance. Services are managed as part of the Council's performance management framework through the Directorate Leadership Team, divisional and operational management teams and supervision. There is a regular reporting framework to highlight areas of underperformance with follow-up management action taken as required. There are also a range of Quality Assurance systems in place to ensure service standards are monitored and maintained. Relevant policies and procedures include: • Customer Management Framework • Regular reviews of performance data • Robust systems in place to manage performance in gas servicing & complaints • Monthly Service Improvement Groups • Robust Challenge of under performance & staff • Use of Housemark and other benchmarking clubs	Rickardo Hyatt	Directors	30 June 2024	**January 2024** - DLT reviews service performance quarterly and initiates management actions to improve performance. In response to the staff survey DLT are developing action plans to respond to the issues raised by staff.

	• Regular check ins -this will be measured in the employee survey • Materials and installations are specified to meet relevant standards • Monitoring of workmanship by DLO and contractors • Procedures in place & regular audits carried out with trails in place • Customer satisfaction surveys in place				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0039 Climate Change / Climate Emergency ***EXTERNAL RISK CURRENT & FUTURE RISK***	The Council fails to meet its own commitments to take constructive steps to tackle the climate emergency. The expectation of change required (conducting extensive work on decarbonisation) may not be matched by the available capital. This could be as a result of overly ambitious targets, a lack of overall awareness or 'buy in' to the concept or a lack of resources to proactively bring about change. Without a coordinated response, the task will be more difficult. Failure to achieve positive change would have reputational impacts but most importantly would contribute negatively to the continued emergency in climate matters, both within our local community and the world at large. With the addition of more ambitious targets set by the Environment Bill 2021, this risk will continue to grow and increase in importance.	Climate, Homes and Economy leading (but applying to all Directorates)		**December 2023** The impact is categorised as 5, as despite having our net zero targets, which are clear, the consequences of not achieving them (both operationally and reputationally) would be severe. The likelihood remains at level 3. The Climate Action Plan (CAP) was approved by full Council in May (2023). The Council's actions for the next three years are set out in the Implementation Plan and this went to Full Council in July. There is still a significant amount of cross organisational work to be undertaken to embed climate action, and whilst the funding and resourcing strategy identifies those actions that have planned spend, and those that have a sound business case, funding for decarbonisation on some other more ambitious actions remains a key issue. In light of the clear evidence of climate change only progressing ever more rapidly, along with time moving closer towards the 2040 target (2030 for net zero across key functions), it seemed reasonable to raise the likelihood from a 2 to a 3 at the end of last year (the score remains the same) - the impact necessarily remains at the maximum score. The CAP provides the strategic framework to work through a number of key issues and challenges, utilising recently completed evidence assessments to underpin a more strategic approach for future delivery and integrate better with external stakeholders. The plan is for everyone - and, through our consultation and the ongoing actions in the plan, the CAP intention is that we want to make sure that everyone knows how they can influence and benefit from a greener Hackney.

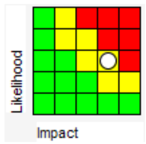
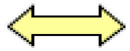
					The CAP is set out under five key themes - consumption, buildings, transport, adaptation and environmental quality - it sets out how residents, businesses and institutions, community groups and organisations and the Council could work together to tackle the climate and ecological crisis. Alongside this plan is the Council's draft three year Implementation Plan (IP) that sets out the key actions that the Council will progress in the period of the CAP, considering where the Council has direct control and most influence to maintain momentum with its own climate response. The IP will be reviewed annually and form part of the current annual reporting commitments, detailed service delivery plans for the specific projects will sit underneath. Further, whilst the Council's own emissions only contribute to 5% of the Borough's emissions, the Council must continue to lead by example, and has therefore rejoined the UK100 network of Councils, committing us to reaching net zero emissions by 2030 across key functions. The Council's ability to deliver capital and resource intensive actions within the implementation plan is largely contingent on the impact of recent economic shocks in the UK and beyond. These are likely to have a bearing on the capacity of the Council to deliver our climate responses in the short and medium term; particularly if there is a reinvigorated period of public sector austerity.
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0039a Councillors have approved motion committing to a series of actions	Council commitment: - To tell the truth about the climate emergency we face, and pursue its declaration of a climate emergency with the utmost seriousness and urgency. - Pledge to do everything within the Council's power to deliver against the stretching targets set by the IPCC'S October 2018 1.50C Report, across the local authority's full range of functions, including a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, and seeking opportunities to make a greater contribution. - Call on the UK Government to provide powers and resources to make the 2030 and 2040 targets possible. - Actively campaign to change national policy where failure to	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Sam Kirk	Ongoing	**December 2023** - These are ongoing commitments but essential to adhere to in order to comply with ambitious targets. The Council is resolved to follow this. From a political level, these actions are being strongly supported by Members. An annual report on the progress on decarbonisation was considered by Council in July. The CAP was approved in May 2023, having been out for consultation Autumn / Winter 2022.

	tackle the challenge of heating our homes without fossil fuels, fossil fuel subsidies, insufficient carbon taxation, road-building, and airports expansion, for example, has actively undermined decarbonisation and promoted unsustainable growth. - Support the campaign to create a just transition for workers and users and be part of the creation nationally of a million public sector climate jobs with particular reference to extending sustainable accessible and integrated public transport, retrofitting housing stock, energy democracy, heating and cooling from renewable energy and eco build, food and waste. - Involve, support and enable residents, businesses and community groups to accelerate the shift to a zero carbon world, working closely with them to establish and implement successful policies, approaches and technologies that reduce emissions across our economy while also improving the health and wellbeing of our citizens. - Produce an annual update to Full Council on the progress made against the Council's decarbonisation commitments, and conduct an annual Citizens Assembly comprised of a representative group of local residents to allow for effective public scrutiny the Council's progress and to explore solutions to the challenges posed by global warming. - Work with other local governments (both within the UK and internationally) to determine and implement best practice methods to limit Global Warming to less				Rejoined UK100 Network bringing the emissions target for council functions to 20230. Executive response to the recommendations of Scrutiny Panel Overarching Review into Net Zero approved by Cabinet in October 2023. Citizen's Jury in preparation to be undertaken in Spring.
SRCR 0039b Hackney Light and Power.	Hackney Light and Power has been created to support the Council to meet declared targets and become a zero-net carbon borough by 2040. HLP is an energy services arm of the Council which is still looking at options for operating as a separate entity. To maximise carbon emission reduction the energy services arm will: - deliver annual rounds of the Green Homes Program – the first borough wide thermal efficiency housing program in London - deliver annual rounds of the Hackney Community Energy Fund - support the installation of innovating renewable heating measures - support the rolling out of electric vehicle charging points - Install 1MW generation of solar PV on Hackney residential buildings each year from 2024 - supply the grid with green energy - reduce fuel poverty - improve residents' health and well being	Rickardo Hyatt; Jackie Moylan	Jason Powell	Ongoing	**December 2023**: Hackney Light and Power was officially unveiled as a publicly-owned energy services arm of the Council on November 1st (2019). From the off, the primary objective of the energy arm is to help deliver the ambitious decarbonisation pledges included in its climate emergency motion. At the launch of this, HLP confirmed it had already delivered 50% renewable electricity for the Council and many local schools' needs on 1 April, and would switch to 100% in 2020. The clear aim was to establish a publicly-owned clean energy company. Plans to set up the company have been adapted in line with the market landscape. Two projects are planned to be rolled out in 2024: the Colville Heat Network and Residential Solar - operations to be transferred to the municipal energy company once established.

	- promote an inclusive economy and contribute to the nationwide green agenda - help make Hackney a sustainable, green borough				
SRCR 0039c Communication	Communication is key, with the Council getting the correct message out both internally and externally	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Comms	Ongoing	There has already been lots of coverage in local papers and online about Hackney's progress. External communications strategy developed, and launch of climate action plan undertaken using personal stories linked to each of the themes. Using behaviour change principles, the three core ambition's of the strategy are: • Hackney as London's climate leader • Increasing awareness, informed and participation levels among disengaged groups • Growing our green-interested audiences in the borough
SRCR 0039d Cross Council involvement at all levels	Across all Divisions / services, any service plans or overall strategic documents need to pick up on this ongoing challenge and commitment. Any new projects / directives / initiatives need to consider climate change and our approach to it, in determining how to carry out work. Evidence of this happening can be seen within Fleet services and the ongoing work with the NLWA.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Sam Kirk	Ongoing	**December 2023** - This will become embedded as part of standard processes in the future. The Environmental Sustainability Board is meeting regularly to support the Council's approach here. As part of the Council's internal audit plan, the audit team is undertaking an audit with the main objective being to review evidence of the extent to which officers across the whole Council are adequately engaged in managing preparedness to respond effectively to climate change events and emergencies and associated risks. Acknowledging the breadth and complexity of climate change and output from recent deep dive and Scrutiny reviews, this audit will focus on specific aspects of internal officer engagement and operational risk management of climate event preparedness and its implications for delivering the relevant goals outlined in the CAP.
SRCR 0039e North London Waste Authority (NLWA) Partnership	Hackney is a part of a seven borough partnership with the NLWA, who are currently procuring a large infrastructure project (North London Heat & Power Project) to deliver new facilities to manage waste and recycling from the constituent boroughs. An experienced Programme Director has been appointed by NLWA. Also, lead Member and Key Officer Groups, continue to manage Hackney's engagement with NLWA on the development of new facilities, recycling performance, waste prevention and operations' matters.	Jackie Moylan/Rickardo Hyatt	Sam Kirk	Ongoing	**December 2023** - The appointment of a Head of Partnerships, shared amongst all Director's of Environment, will ensure a more joined up approach amongst all facets of NLWA engagement. Also, the Council's Lead Member for Environment and Transport is now the Vice Chair of NLWA.

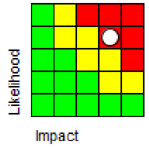
	A Programme Committee made up of members of each of the boroughs has been established to focus on the implementation of the North London Heat & Power Project. This is a decision-making Committee and is in addition to the various Steering Groups and Partnership Boards which Lead Members and Key Officers attend. The Vice Chair of the NLWA is Hackney’s current Cabinet Member for Finance and Housing Needs, which ensures the Borough is directly involved in the leadership of the partnership. NLWA, with the boroughs, is undertaking a piece of work to produce a best estimated long term levy tonnage forecast, to establish likely levy costs for boroughs. Officers will review the current recycling service to ensure that it provides the best solution on the basis of technical, economic, environmental and practical factors Hackney’s partners in NLWA (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest) work together to deliver services for over two million residents that live in the NLWA area. NLWA is responsible for helping the seven north London boroughs dispose of the 850,000 tonnes of waste they collect every year.				
SRCR 0039f Restricting residual waste	In May 2020 Cabinet agreed to introduce fortnightly collections for residual waste for Hackney street properties. The drivers for this are not only to improve recycling performance and reduce the amount of residual waste being incinerated. This will help insulate the Council against the expected rise in residual waste disposal costs in the medium to long term. Further, and most importantly, by structurally reducing the amount of black bag waste sent for incineration we can eliminate the associated carbon dioxide emissions, reducing the carbon intensity of Hackney’s waste system.Residual waste restriction will play an important role in helping the Council achieve the highly ambitious decarbonisation targets set out in the climate emergency motion passed at Full Council, June 2019. The expected outcomes of introducing fortnightly collections of residual waste include:	Rickardo Hyatt	Sam Kirk	30 June 2024	**December 2023** This service is now business as usual. The recycling rate improved last year after the introduction of fortnightly waste collections, and reached a high of 31% but the end of year out turn was 29%. Reductions in recycling rates have been seen across North London boroughs, likely because of light weighting of packaging, consumer choices, in part due to the cost of living crisis, and the impact of a very dry summer. The Reduction & Recycling Plan has been approved by the GLA and contains recycling rate forecasts and a list of actions to reduce waste and increase recycling in the borough for the next three years

	• Reduction of approx. 4,400 tonnes of street level black bag waste being incinerated against current levels by 2022, which is a 21% reduction of waste per household; • Reduction in disposal costs of £246k per annum (based on current tonnage and levy charges) by 2022. The scope to increase disposal savings will increase proportionately with the levy charge; • Increase in recycling rate to 31% by 2022/23. This will see Hackney move from position 8 of 13 inner London borough's recycling rates to 4th (based on current data); • Reduction in emissions associated with incinerating black bag waste, contributing to achieving the 45% reduction in emissions against 2010 levels by 2030 and net zero by 2040. Using Zero Waste Scotland's Carbon Metric Publications, directing 4,400 tonnes of black bag waste to recycling/composting, shows a benefit of -661 to -610kg C02eq per tonne of material recycled/composted. This would indicate a potential benefit of around 2,910 to 2,680tonnes C02eq savings.				

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 003 Delivery of Capital Projects ***EXTERNAL and INTERNAL RISK*** ***FUTURE RISK***	Major Capital Schemes, including the Major planned maintenance programmes, 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 financial losses and dissatisfied stakeholders.	Climate, Homes and Economy		 **January 2024** - Procurement of major capital contractors has been delayed, but this is now moving forward. In the interim Housing Services have been using a number of procurement frameworks to issue contracts to undertake essential capital works. **March 2023 -** The pandemic and the cyber attack are no longer affecting the delivery of schemes any more- certainly not to the extent of a year ago. The main issue now relates to the delays to procurement, which means the Council cannot commission the necessary capital works.

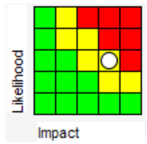
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 003a Communications and Consultation Arrangements	Communications and Consultation managed in partnership with the Council's communications teams through Heads of Services and Directors. Communications and Consultation plans are discussed and considered in partnership with Lead Members on a regular basis.	Rickardo Hyatt	All Directors	Ongoing	**January 2024** –Control established and continuing.
NH 003b Programme Management and Governance	Robust programme management and governance procedures in place for major programmes which include consultation and engagement requirements. Project Sponsor to produce a communications plan for each key project and programme to ensure effective stakeholder engagement.	Rickardo Hyatt	All Directors	Ongoing	**January 2024** – Control established and continuing.
NH 003c Programme Management and Governance – Capital Projects	Robust programme management and governance procedures in place for key capital projects and programmes with project sponsorship at Director/Head of Service Level. Major schemes are managed via project boards to ensure reputational issues managed and project/programme outcomes delivered to required standard, on time and within budget	Rickardo Hyatt	All Directors	Ongoing	**January 2024** –Control established and continuing
NH 003d Performance Management Framework	Robust Performance management framework in place to monitor service performance. Services are managed as part of the Council's performance management framework through the Directorate Leadership Team, divisional and operational management teams and supervision. There is a regular reporting framework to highlight areas of underperformance with follow-up management action taken as required. There are also a range of Quality Assurance systems in place to ensure service standards are monitored and maintained.	Rickardo Hyatt	All Directors	Ongoing	**January 2024**– Whilst the delivery of the capital programme this year (and last few years) has been adversely impacted by some recent external factors, the performance management framework is maintained to ensure quality outcomes from the investment.
NH 003e Improvements in Housing Property and Asset Management	Improvements to project management operations in Housing Services to • Deliver Asset Management Strategy • good business plan and procurement strategy • Move away from annual budget to medium term business planning • agree service level/demand expectation	Steve Waddington	Sinead Burke	Ongoing	**January 2024** - New senior management capacity has been added to the structure bringing together the building maintenance, asset management and resident

	• manage demand/service, and • re-prioritise service delivery.				safety function under a single management structure to ensure that we move forward with the improvements needed in a coordinated way. **March 2023 -** Delays in the procurement of framework contractors to undertake improvement works will impact on the condition of the stock and result in increased complaints and customer dissatisfaction. Limited investment has taken place in 2022/23 and the delay will also impact on the level of investment in 2023/24.
NH 003f Oversight of Housing Capital Monitoring Board	Housing Investment Board has been established to: • maintain an overview of the Asset Management Plan element of the Housing Capital Programme approved by Cabinet; • make decisions on the progression of Housing Capital schemes using the Gateway process. • approve Sectional Commencement Agreements (SCA) with the Council's contractors, • ensure that each capital scheme has a robust communications plan linked to each Gateway point to ensure residents are consulted and engaged in capital investment in their homes, • monitor delivery against the programme, and • make decisions on the reprioritisation of capital resources within the capital limits approved by Cabinet as part of the annual budgeting process. The Board is responsible for ensuring that the schemes undertaken through the Housing Capital programme have a communications plan that joins up with other initiatives and projects affecting a locality so that communications with residents on estates where works are taking place are holistic. This board approves all Sectional Commencement Agreements (SCA) for issue to contractors. A checklist is presented on each project which outlines how pre-contract procedures have been completed. A full list of all SCAs (issued and in development) is now available.	Rickardo Hyatt	Steve Waddington/ Sinead Burke	Ongoing	**January 2024** - No change **March 2023 -** This was originally called the Housing Capital Monitoring Board - and was not operating for most of 2022 but is now back up and running, and has been renamed the Housing Investment Board. Responsibilities remain the same - the ToR were reviewed and remain largely unchanged.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 004 Budget pressures / insufficient budgets to deliver our service plan ***EXTERNAL RISK*** ***FUTURE RISK***	Due to the financial challenges facing the Council and the expectations of our residents there is a risk that the directorate is unable to deliver services within the budget available. This is especially critical where services are dependent on income streams such as, housing rents, parking income, planning application income. This then results in a budget overspend or an unacceptable call on reserves. The Coronavirus pandemic and subsequent cost of living crisis has significantly impacted income collections in the directorate with income streams reducing and services still to be delivered.	Climate, Homes and Economy		**January 2024** - The financial challenge for the Council and directorate continues. The current cost of living crisis is placing intense pressures on budgets. Additionally, the pandemic created impacts not just in short-term budget setting, but over years to come. The damaged income streams may not recover for some time. The main risk for the directorate is that this results in a greater loss to funding than anticipated which may have a severe impact on overall service delivery and strategic objectives of the directorate. The HRA Rent Cap has resulted in a real term reduction of income to the HRA having a significant impact on our ability to deliver services.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 004a Service and Financial Planning	Service planning is linked to the Corporate Planning Process and aligned to corporate objectives and budget planning cycle - over the medium term. Senior financial managers ensure they are well informed on changes which have key financial implications.	Rickardo Hyatt	All Directors	31 Mar- 2023	**January 2024** – Control established and continuing.
NH 004b Housing Revenue Account Business Plan	The Housing Revenue Account Business Plan is reviewed and maintained to accurately reflect best estimates of future income and expenditure levels. Financial planning for the Housing Revenue Account will be constantly diligent and reflect the changing circumstances of resources, day to day expenditure, investments needs and changing legislation.	Rickardo Hyatt	Deirdre Worrell	30 Sep 2023	**January 2024** – Control established and continuing.
NH 004c Savings Strategy and Budget Development	Savings proposals are developed and agreed with members in order to support the delivery of the Council's budget strategy. Financial updates on the Council’s medium term financial plan are	Rickardo Hyatt	Deirdre Worrell	Ongoing	**January 2024** – Control established and continuing.

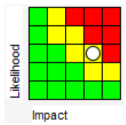
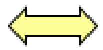
	considered by the Directorate Leadership Team throughout the year and the directorate budget strategy is developed to support the Council's need for savings. In addition, the directorate reviews the directorate capital plans to inform the Council's Capital Strategy.				
NH 004d Budget Monitoring	The Directorate Leadership Team receives budget monitoring reports on a monthly basis which highlights areas of overspend, non delivery of savings plans and use of reserves. Action Plans are put in place where services are overspending budgets.	Rickardo Hyatt	Deirdre Worrell	Ongoing	**January 2024** – Control established and continuing.
NH 004e Performance Monitoring and financial framework	Provision of services is subject to constant monitoring and review using the budget and performance framework to ensure that the most efficient methods of service delivery are employed. Monthly review of budgets, expenditure, income and activity data and forecasting - Identify issues, risks and opportunities and take appropriate action and inform monthly reporting to DLT.	CHE Directorate Leadership Team	Directors	Ongoing	**January 2024** – Control established and continuing.
NH 004f Budget responsibility	Managers assigned to each budgetary service area – Budget setting facilitated, costs and expenditure controlled. Continue with Finance for Non Financial Managers Training.	Rickardo Hyatt	Deirdre Worrell/Vernon Strowbridge	Ongoing	**January 2024** – Control established and continuing.

Risk Title	**Description of Risk**	**Directorate**	**Current Risk Matrix**	**Risk - Latest Note**
NH 005 Impact of New Legislation ***EXTERNAL RISK*** ***FUTURE RISK***	Changes in law (or legal challenges) resulting in increased capital and revenue costs beyond current financial planning. Examples of these changes in law could include the removal of local planning decision making or legal challenges against the implementation of parking zones. These would all be likely to result in financial cost pressure for the Council. The directorate may not be able to respond effectively to new legislation and updated policies, thus risking the efficiency and effectiveness of service provision. In addition, if requirements of any new legislation are not met, this could impact the Council's reputation. , there would be an adverse impact on the Council's legal and reputational standing. Further effects of new legislation could be financial, legislative (with a failure to understand the breadth of responsibility) and reputational, directly affecting the local community.	Climate, Homes and Economy		**January 2024** -The Housing and Planning Act 2016 and the Environment Bill (2021) are all examples of recent legislation having a significant impact on the demands to the services of the directorate. Regarding the Housing and Planning Act (2016), the HRA debt cap has now been lifted, the forced sale of council houses removed. The lifting of the debt cap coupled with the Government rent policy up to 2025 will give increased flexibility for investment decisions in respect of the Council's housing stock. However, there are pressures on investment in existing stock arising from

				changes to Building Control, fire safety, and the need to reduce carbon emissions. There are other forthcoming examples of proposed legislation that could impact on the carrying out of Directorate functions, and the risk that needs to be managed is the implementation process and the financial resources that may be required. This needs to be kept under review as each legislation is passed and implemented.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 005a Impact of New Legislation	Directors and Heads of Services continue to monitor and respond to consultations regarding their service areas delivery and other innovations to ensure that they are fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation	Directorate Leadership Team	Directors and Heads of Service	Ongoing	**January 2024** - control in place and continuing
NH 005b New Policies affecting Housing	Detailed analysis is being carried out regarding the likely impact of new policies, both internally and with other boroughs and representative organisations. Individually and with other boroughs, the Council continues to respond to policies in order to mitigate the adverse effects of these policies. Once the detailed Statutory Instruments have been published, the likely impacts of the various policies can more accurately be assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents. The Building Safety Bill (issued 20/7/20) and new energy regulations are both examples of new legislation which have been dealt with. The current HRA savings plan delivers a fully resourced HRA and keeps HRA borrowing at a sustainable level now that the HRA debt cap has been removed. The HRA business plan is monitored annually as part of the budget setting process, taking into account rising cost pressures, changes in government policy and legislation, and any service changes.	Steve Waddington	Heads of Service	30 June 2024	**January 2024** - The RSH have published 4 proposed new consumer standards. Housing against which landlords will be judged. A programme of work has been established to self assess against these, develop a gap analysis and to develop action plans to address any gaps. An external critical friend is also being procured to ensure there is appropriate challenge within the process. A mock inspection will also take place during 2024 to support our learning to ensure we are compliant with the regulations.

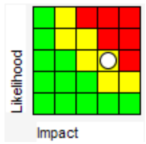
NH 005c New policies affecting public realm services	The management team in Public Realm divisions are taking the following action to respond to changes in legislation affecting service delivery ● Responding to the changes in regulations arising from Brexit ● Risk sharing the impact with contractors ● Regular reviews of new legislation ● Detailed business case for projects based on predicted capital costs in year of construction to reflect latest requirements ● Up to date planning policies in place, alongside a 5 year housing supply with 20% buffer, as well as Housing Delivery Test Action Plan. ● Implementation of a Staff Development & Retention Strategy to enable staff resource in place to ensure performance of Planning Service continues to exceed statutory levels of plan and decision making. ● Ensuring that the Parking Enforcement Plan is up to date on how Parking Zones are implemented. ● Ensuring that the relevant legislation is adhered to. ● Carrying out full Equality Impact Assessments for areas where a parking zone is being introduced. ● Ensure that we remain abreast of any new legislation or policies introduced by Central Government.	Geeta Subramania m-Mooney	Heads of Service	30 June 2024	**January 2024** - control in place and continuing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 006 Response to Civil Emergencies ***INTERNAL RISK*** ***FUTURE RISK***	Risk that the Council is unable to respond effectively to civil emergencies and does not have an updated, robust and tested corporate resilience plan in the light of a major incident affecting its business. This could impact severely on service delivery throughout the organisation. For example as a result of a burst water main (or excessive rain) parts of the Borough suffer severe flooding, and the Council is unable to provide sufficient help and support to residents. Also, more broadly, an 'Act of God' or 'force majeure' event like a terrorist event could occur affecting a facility or service. There is also a risk that Business Continuity Plans across the Council's services do not accurately reflect the disaster recovery provision that	Climate, Homes and Economy		 **January 2024** - This risk is stable and continuing. The Council's business continuity arrangements are kept under regular review and reported to the Council's Corporate Resilience Group which meets quarterly Along with six monthly updates to Corporate Leadership Team Gold Sessions. .

	is available. This could result in services not being able to invoke their continuity plans effectively due to incorrect assumptions.			

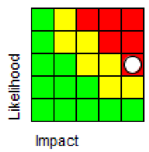
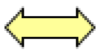
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 006a Effective Plans in place	Emergency Planning have highly sophisticated plans to deal with events of this nature, and annual exercises to ensure officers are equipped to deal with such situations. • Regular communication with Thames Water to ensure any news / works are fully notified. • Business Continuity Plans reviewed and updated • Business Continuity Insurance (events) • Corporate Business Continuity Plans (for park events to link into) • Event Management Plans • Emergency Actions Plans • Regular engagement with emergency services	Geeta Subramaniam - Mooney	James Groom	30 June 2024	**January 2024:** Plans have been rigorously tested throughout the crises of the past three years and have been found to be robust and effective.
NH 006b Sufficiently Trained Loggists	Need to ensure that there are sufficient appropriate and trained persons in place who can perform the role of Gold Decision loggist during an emergency. Very few executive support officers have taken up the opportunity to be trained and act in the role, in addition those who are trained are operationally minded and not necessarily in tune with how strategic operators behave and think. From the community risk register and national risk register, we are likely to have a need to use Gold decision loggists within the next 5 years. A lack of sufficient and trained decision loggists will leave strategic decision makers exposed during an incident. Key details may not be recorded to the correct legal standard and leave the decision maker and organisation at risk.	Geeta Subramaniam - Mooney	James Groom	1-Dec 2024	**January 2024** over the past year the number of trained loggists has decreased slightly. A recruitment plan is in place for early 2024.
NH 006c Corporate Resilience Group	A Corporate Resilience Group (CRG) has been established and will take overall strategic lead reporting to CLT. It is supported by the emergency planning team.	Geeta Subramaniam - Mooney	James Groom	1-Dec 2024	**January 2024** - CRF meeting regularly and supporting the response to crises facing the organisation.

	The CRG oversees the development of all systems and processes for Emergency Planning, Business Continuity Pandemic Planning and Resilience within Hackney Council. 1:2 This group will also ensure that appropriate links are made to other stakeholders in relation to Emergency Planning and Resilience such as NHS, LFB, MPS, EA AND VCS. The CRG is supported by the Emergency Planning service within Public Realm				
NH006d Review of Business Continuity Plans	The Corporate Business Continuity Manager is supporting service managers across the Council in carrying out a review of their Business Continuity Plans. This is designed to identify critical services and their continuity requirements, and will help ensure that their plans are based on accurate expectations of the provision available. It is planned to implement a rolling 18 month schedule of review for all the council's BCPs. This will be in place following the current review of BCPs across all services, which has pretty much been completed within the last six months.	Geeta Subramaniam - Mooney	James Groom	1-Dec 2024	**January 2024 -** Updates to business continuity plans continue on a rolling basis. Recruitment has begun to provide additional support in embedding and reviewing plans across the organisation. Rollout of the 11 part bite sized business continuity training has commenced with over 180 attendees to date.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 007 Staff Retention and Recruitment ***INTERNAL RISK*** ***FUTURE RISK***	Services across the directorate struggle to effectively and successfully recruit for certain positions, leading to a negative impact on service delivery. Also, with the directorate needing an increasingly agile workforce (not constrained by traditional customs and practises), it may struggle to compete with other organisations to get the best candidates. The directorate may struggle to retain good staff and experiences high attrition rate, a demotivated workforce and an increase in sickness levels	Climate, Homes and Economy		**January 2024 -** In a competitive market for skills the Directorate has experienced difficulties recruiting to a range of roles essential to delivery of services and planned service improvements such as Quantity Surveyors and Highway Engineers and Enforcement Officers. This could seriously impact on the ability to develop and maintain effective service delivery due to difficulties with recruitment and retention. Covid had also introduced challenges with initial freezes on recruitment, but this has now finished.

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

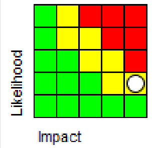
NH 007a Recruitment and retention	Directors and Heads of Services are continuing to work with HR / OD to carry out the following suggested mitigations: • review recruitment strategy and identify other measures which can be taken to promote Hackney Council as a great place to work in technology and attract high quality candidates • review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent • review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.	Rickardo Hyatt	Directors	31 Mar-2024	**January 2024** – these controls are in place and continuing
NH 007b Training and Development	Directors consider workforce issues as part of business planning and HR provides a framework of processes and procedures which will support both the Directorate and its staff through a significant period of transition. Established a resilient system of identifying workforce training needs using Business Partnering arrangements (whereby each Head of Service links with the Organisational Development Team) across the Directorate	Directors	Heads of Service	30 June 2024	**January 2024** – these controls are in place and continuing
NH 007c Staff development	Two staff development training programs in place. The Customer Service Excellence training is aimed at establishing a corporate standard in the delivery of customer service for all frontline staff within Housing Services. Being Exceptional training is aimed at all staff within Housing Services. It builds on the Being Exceptional housing values that were introduced a couple of years ago We are rolling out a number of initiatives to promote staff development and encourage staff retention. These include a job shadowing scheme which permits staff to shadow a manager; encouraging networking, greater understanding about other roles, sharing learning and experiences. We are also establishing a number of secondment opportunities within Housing Services which include elements of leadership training and qualifications.	Rickardo Hyatt	Directors	31 Mar-2024	**January 2024** – these controls are in place and continuing

Risk Title	**Description of Risk**	**Directorate**	**Current Risk Matrix**	**Risk - Latest Note**
NH 008 Failure of ICT Infrastructure ***INTERNAL RISK***	The directorate is reliant on the ICT infrastructure to deliver its services effectively. There is a risk that there is a mismatch between required needs and ICT capacity to deliver. If there is a failure in ICT services, a likely consequence would be serious disruption and potential service failure.	Climate, Homes and Economy		 **January 2024** - In Housing Services the decision has been reached to move away from the Modern

FUTURE RISK				Tools For Housing 'build' approach to purchase an integrated housing UCT platform for the all of the housing service. **January 2023** - In October 2020 the Council's ICT systems suffered a serious cyberattack. This impacted the directorate's key systems, Universal Housing, Planning and land charges. In the years following the attack, managers have worked closely with ICT colleagues to assist in the recovery of services and alternative methods of delivering services - such as more cloud based hosting, helping to minimise future risks.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 008a Governance arrangement for ICT Projects	Robust Governance arrangements are in place to manage ICT transformation projects with ICT expertise on project and programme boards	Rickardo Hyatt	All Directors	Ongoing	**January 2024** – these controls are in place and continuing.
NH 008b Partnership Approach with ICT colleagues	Service managers liaise regularly with ICT colleagues to resolve system issues and introduce service improvements.	Rickardo Hyatt	All Directors	Ongoing	**January 2024** – these controls are in place and continuing.
NH 008c Support Systems	Support systems are all in place to provide advice and back up when required for all service critical systems. This includes FAQs for customer services to enable them to support customers when the ICT systems fail.	All Directors	Heads of Service	Ongoing	**January 2024** – these controls are in place and continuing.
NH 008d Supplier Management	Service and Contract reviews are regularly held and documented with all major suppliers. Business Analysts/Project Managers assigned to projects from business case development onwards. Legal services engaged during the procurement process.	Directors in partnership with Rob Miller, Strategic Director Customer and Workplace	Heads of Service with ICT	Ongoing	**January 2024** – these controls are in place and continuing.
NH 008e Maximising existing tools	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.	Directors with ICT	Heads of Service with ICT	31 Mar 2023	**January 2024** We continue to use alternatives such as Google workplace as we work with ICT to progress procurement of cloud

	Service Managers are working ICT colleagues to make use of these tools and re-establish services				based systems to replace legacy systems.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 010 Fire Safety ***INTERNAL RISK*** ***FUTURE RISK***	As a result of inadequate fire safety measures or defective workmanship (on cladding installation for example), death and serious injury occur from fire in LBH managed properties. In the light of the Grenfell tragedy and the increased focus on materials / workmanship on Council properties nationally, this risk remains on the Directorate and Corporate risk register. As a result of the tragedy, extra focus and scrutiny continues to be applied to all elements of fire safety in residential rented properties in the Borough. This risk focuses solely on risks of an incident in blocks managed by the Council. However, the Council also has limited responsibilities in relation to housing associations and privately owned blocks in the borough. An incident in one of these blocks is also a risk to the Council, though obviously we have in place measures to meet the Council's responsibilities. The DLUHC is currently trying to add new burdens on LAs in relation to privately owned blocks.	Climate, Homes and Economy		**January 2024 -** No Change - risk stable and ongoing

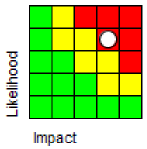
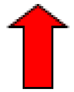
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 011a Fire Risk Assessments	Ongoing review of all Fire Risk Assessments (circa 1,800) for all of our stock in order to provide reassurance to residents. Ensure that these new Fire Risk Assessments (FRA) are undertaken by suitably qualified assessors and that the assessments they produce meet strict quality standards. All Fire Risk Assessments are published on the Council's website. This enables residents to track progress of the recommendations.	Steve Waddington	Michal Jankowski	Ongoing	**January 2024** - No change The fire risk assessment schedule is still on track with a three year programme of fire risk assessments. We have had a backlog of FRAs due to staffing / capacity issues but new working arrangements have been put in place to clear the backlog and ensure we meet our timescales. All blocks identified as high or medium risk will be subject to a type 3 risk assessment. All the fire risk assessors are now on the fire risk assessors register as part of the Institute of Fire engineers and this will enable the Council to have assurance that they are suitably qualified and regularly being assessed.

NH 011c Fire Safety – high risk blocks	Ongoing implementation of the key findings and recommendations from the new FRAs that have been/will be undertaken across all of our high rise blocks. Blocks to be assessed in priority based on a risk-based Forward Plan. Carry out additional non-FRA inspections across our high rise blocks in order to provide a visible presence across the Borough. Carry out any other ad hoc fire safety inspections that are required. A proactive approach to fire safety with a number of initiatives in places which includes: • Installing new fire signage across the borough • Surveying and installing new premises information boxes and ensuring relevant information is contained with the box • Ensuring we have up to date plans of our blocks which highlight any fire safety equipment • Resident insight project to identify our vulnerable residents and offer them support • Installation of floor level indicators • Fire safety contingency plans	Steve Waddington	Michal Jankowski	Ongoing	**January 2024** - Additional trade operative resource is being put in place to ensure that all FED can be inspected and where necessary work is carried out at the same time. THe FED replacement programme has been let and contractors are now working through the replacement programme. **March 2023** Arrangements are being put in place to ensure that we can comply with the new requirement to inspect all Front Entrance fire doors on an annual basis in blocks above 11m. This will need additional staffing capacity to both inspect and undertake any identified repairs. A new FED capital contract is now in place which will see approx 2000+ front entrance doors replaced each year for the next 3 / 4 years. Housing Officers and Health and Safety Advisers carry out regular checks of our buildings to identify fire safety hazards.A programme of post inspection of all fire safety related works has been implemented in co-operation with Planned Asset Management. A new Building Safety Portal is being developed which will be part of the councils website where residents will be able to see all relevant building safety information for their block. See outline here

NH 011e Fire Safety – everyone's responsibility	Develop and implement a communications strategy that, amongst other things, (a) communicates the need for residents to take responsibility for fire safety in their area and also that we have taken all necessary action to keep them safe from the risk of fire, (b) ensure effective communication and engagement with tenant representatives, (c) manage communications with Members so that they are engaged and up to speed with the work that we are doing but we are not distracted from the work that we are doing, (d) keep staff up to speed with developments, (e) respond quickly to press enquiries. The website is regularly updated to provide fire safety advice to residents. We send out regular communication with residents to ensure they are aware of their responsibilities in relation to fire safety All sites have been accessed for accessibility and LFB are still carrying out regular inspections of blocks and providing advice. Regular briefings to members and to tenant and resident associations are provided. Regular internal bulletins on fire safety are sent out to all Housing Services teams via the google community which gives us an opportunity to share good practice. We are working collaboratively with the Housing Officers to implement a constant approach to fire safety within the blocks including joint procedures. Training has been provided to TMO's and Housing Officers on fire safety.	Steve Waddington	Michal Jankowski / Terry Edwards	Ongoing	**Jan 2024 -** No change - this is ongoing. Communications strategy in place and the Resident Safety team carry out regular outreach meetings in co-operation with the Building maintenance team.
NH 011f LFB meetings	Develop robust arrangements for meeting regularly with the London Fire Brigade (LFB) to consider fire risk assessments and safety on our estates.	Steve Waddington	Michal Jankowski	30 June 2024	**Jan 2024 -** No Change We continue to have regular meetings with the LFB and we are working closely with LFB on ensuring we have contingency plans in all our premises information boxes and also working with them on

					identifying our vulnerable residents who would need help in the event of an emergency. We continue to carry out joint visits wherever possible with the LFB.
NH 011g Fire safety policy	Based on the lessons learnt from the fire safety response work undertaken since Grenfell, undertake a series of policy reviews and develop a set of proposal papers that will enhance the way that the Council undertakes fire safety management across the Borough. This will include: • Agreement on the new corporate Fire Safety Policy and the development of a new fire strategy with Council professionals, residents and industry experts. • Leaseholder Obligations/Requirements: This will cover a number of areas, including (a) ensuring that leaseholders are providing evidence that they are meeting their fire safety obligations, (b) developing a policy on how we ensure that all leaseholder front doors are 30 minute fire resistant, (c) developing a policy on allowing or requiring leaseholders to be included in communal safety works and inspections, e.g. gas safety or sprinkler or alarm installation; at their cost. • Our current policy and procedures for dealing with fire risks in communal areas (e.g. storage of combustible materials, blocking of escape routes. • Enhanced parking enforcement on our estates. • Responding to any recommendations coming from the Grenfell enquiry. Budget Management: Ensure that the necessary resources are in place to undertake all of the work coming out of the new FRAs. Fire Safety policy is reviewed regularly to ensure it is still fit for purpose and the legislation is still correct. FRA budgets are monitored via the fire safety programme board and via the Capital monitoring board. Fire safety has been incorporated into the Asset Management Strategy to ensure that fire safety is at the heart of our capital works programme.	Steve Waddington	Michal Jankowski	30 June 2024	**Jan 2024 -** No change Risk control in place and continuing

	New guidance has been issued in relation to fire risks in communal areas so we have a consistent approach within council managed blocks and TMO’s. We continue to lobby the Government alongside other London Boroughs with respect to resourcing the additional fire safety works and related costs arising from the Hackitt and the Grenfell review reports. Working party in place across Neighbourhood and Housing and Regeneration to ensure implementation of the new building safety regulations is managed in a timely and efficient manner.				

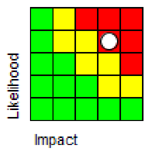
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 012 Contract Procurement and Management ***INTERNAL RISK*** ***CURRENT RISK***	As a result of Contract Management not being carried out properly or with regard to agreed parameters, revenue is lost or charges are levied which are not justified, leading to a poor level of resident’s satisfaction (and general negative reputational impacts), unjustified cost and time overruns. Poor procurement decisions could result in non-viable contracts being awarded to non-viable contractors.	Climate, Homes and Economy		 **January 2024** – Risk continues in light of the delay to the Housing Planned Maintenance contracts. The pandemic and now the cost of living crisis also increased the likelihood of problems for suppliers and contractors who may be dependent on financial variables outside the control of the Council.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 012a Contract Specification in place	Contracts clearly define the requirements of the business. Also, regular liaison meetings with contractors.	Kain Roach	Head of Service and Each Contract Manager	Ongoing	**Jan 2024 -** No Change – these controls are in place and continuing and KPIs are regularly reviewed along with monitoring of spend pattern / profile. The Council is onboarding new contractors and starting to take over more direct control of KPI management than was provided for in previous contracts.

NH 012b Tender Stage process followed	Robust tender process in line with EU procurement law and council standing orders. Internal procedures reinforced via regular Planned Asset Management/Procurement meetings, establishment of contract management board, and current recruitment to additional housing procurement resource.	Rotimi Ajilore	Each Contract Manager	Ongoing	Resourcing for this is currently not in place, with a decision being awaited. Once in place, the work will be able to properly progress.
NH 012c Contract Monitoring and Fraud Prevention	Restructure of the Asset Management Team is based around the new contracts and clarity of responsibility for the contract managers in line with the contract manual. Key performance indicators are in place and used to assess the performance of the contracts. Where these show poor performance, corrective action is taken in line with contract procedures; recent examples include reallocation of work away from poorly performing contractors or raising Early Warning Notices. Final accounts prepared in a timely manner. A cross-working team has been established with Leasehold Services to ensure final accounts are prepared in line with leasehold recharge requirements as well as contract procedures. Governance arrangements have been established in Building Maintenance services to manage the reactive repairs and supply contracts. Regular contract audit.	Steve Waddington Kain Roach Kain Roach Steve Waddington Michael Sheffield	Sinead Burke Contract Managers Contract Managers Kain Roach Fraud Investigation Officers	Ongoing	**Jan 2024 -** No change - these controls are in place and continuing.
NH 012d Review of form of Contract	The Contract options are being reconsidered to ensure that the contract form is fit for Hackney's purpose.	Steve Waddington/ Rotimi Ajilore	Kain Roach	Ongoing	**Jan 2024 -** New contracts are being brought forward to deliver the necessary work. Each contract form

					is discussed before procurement is undertaken
NH 012e Detailed Council guidance in place for Procurement, Partnership and overall Contract Management	There is detailed supporting guidance available for all elements of the procurement process, including detailed Risk Assessment tools and specialised Partnership guidance.	Rotimi Ajilore	Contract Managers	Ongoing	**Jan 2024** – these controls are in place and continuing.
NH 012f Establishment of Housing Capital Monitoring Board	The Group Director Neighbourhoods and Housing (now Group Director Climate, Homes and Economy) established a Housing Investment Board (HIB) to: • maintain an overview of the Asset Management Plan element of the Housing Capital Programme approved by Cabinet; • make decisions on the progression of Housing Capital schemes using the Gateway process. • approve Sectional Commencement Agreements (SCA) with the Council's contractors, • ensure that each capital scheme has a robust communications plan linked to each Gateway point to ensure residents are consulted and engaged in capital investment in their homes, • monitor delivery against the programme, and • make decisions on the reprioritisation of capital resources within the capital limits approved by Cabinet as part of the annual budgeting process. The Board is responsible for ensuring that the schemes undertaken through the Housing Capital programme have a communications plan that joins up with other initiatives and projects affecting a locality so that communications with residents on estates where works are taking place are holistic. This board approves all Sectional Commencement Agreements (SCA) for issue to contractors. A checklist is presented on each project which outlines how pre-contract procedures have been completed. A full list of all SCAs (issued and in development) is now available.	Rickardo Hyatt/Deirdre Worrell	Kain Roach	Ongoing	**Jan 2024 -**No change, the HIB regularly meets. **March 2023** – This was originally called the Housing Capital Monitoring Board - and was not operating for most of 2022 but is now back up and running, and has been renamed the Housing Investment Board. Responsibilities remain the same - the ToR were reviewed and remain largely unchanged.
NH 012g - Asset Management Strategy	A new asset management strategy went to March Cabinet for approval, and was fully ratified at the meeting on March 25th 2019. This sets out the decision making framework for all capital projects and will ensure that a consistent rationale is in place	Rickardo Hyatt/Deirdre Worrell	Kain Roach	Ongoing	**Jan 2024 -** Capital investment has restarted through the allocation of works via a number of existing frameworks that the council is party to. New one off direct contracts have

	for all capital expenditure. It identifies an action plan of supporting processes to be developed to implement the strategy (e.g. procurement strategy, staff resources, IT systems) and timeframes for identifying these.				also been let for a number of specific areas of work. The lift contract is out to tender and it is expected that the main framework contract will be out to tender shortly. The AMS sets out the long-term objectives for investing in Hackney homes to ensure that the Council builds on recent successes, demonstrates continuous improvement and achieves the ambition of becoming the leading social housing provider. As a result of the pandemic and the delays in replacing the capital framework contracts there has been limited capital investment over the last 2 years. We are undertaking a sample stock condition to understand the impact of this which may result in a refresh of the 7 year programme.

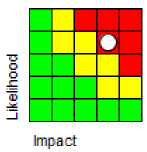
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH 013 Council property repairs ***INTERNAL RISK*** ***CURRENT RISK***	Council repair services continue to fail to reach expected standards, with difficulties for tenants / leaseholders in effectively reporting their problems, and then long waits for satisfactory fixes to actually occur. The risk remains not meeting the expectation of tenants / leaseholders and not providing the service which residents feel they are entitled to.	Climate, Homes and Economy		**Jan 2024 -** Significant improvements in ways of working have been implemented over the last 12 months. A new approach to managing damp and mould has been introduced where all reports are inspected within 5 working days. New specialist ventilation contracts have been procured to support this area of work. Changes to the repairs policy have also been introduced where all reports of leaks from pipes are now raised as emergency repairs and attended to by the end of the following working day.

				Positive steps have been taken to increase the size of the DLO, with 20 new trade operatives appointed, a 14% increase, with plans to increase this further. Nine new trade apprentices have also been set on. A review of our approach to managing legal disrepairs claims has been undertaken which has resulted in a new Alternative Dispute Resolution (ADR) process being put in place. The aim of this is to ensure that repairs are done quicker, tenants are compensated, with 100% going to the tenant cutting out the opportunity for 'no win no fee' solicitors to get involved. A recent 'invest to save' business case was approved to support this way of working which will see further significant investment in this area. In 2023, significant steps were made to reduce the responsive repairs backlog, with all the 7,088 repairs that were overdue in Dec 2021 completed. The approach to managing Legal Disrepair works is still a concern and whilst some activities are having a positive impact, we are not seeing the overall improvements expected within the system which will mean works get addressed as quickly as possible. This risk really intensified and was escalated during the pandemic. At this time, Council workers have had limited access to residents' homes, and this resulted in numerous instances of long waits for fixes, and occasionally the repairs not being up to expected standards. There were also incidents (as reported in the media), where tenants had been living in completely unsatisfactory conditions with properties in serious states of disrepair, and this is continuing to be investigated along with TMOs and questions relating to Adult Safeguarding.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH 0013a Housing Repairs Improvement Board	The establishment of the Housing Repairs Improvement Board to oversee the reduction of the backlog of outstanding repairs and improvement of the repairs service experienced by tenants and leaseholders from the point of contact with the Council to the completion of the repair. The Board will	Rickardo Hyatt	Steve Waddington	June 2024	**Jan 2024 -** This board is still in place, but given the improvements that we have seen, this is now chaired by the Assistant Director for Building Maintenance.

	• To ensure culture change and accountability within the service to provide high quality services that meets residents expectations • To receive regular progress reports on outstanding responsive repairs cases that are overdue and review corrective action where necessary • To approve the tenants service plan that sets out how the customer journey will be improved • To receive progress reports on the performance of the customer contact centre (housing) • To review customer complaints in connection with the repairs service • To identify appropriate measures to be taken in the event of failure to deliver against key actions and targets • Establish a task and finish group to review the councils approach to dealing with damp, mould and leaks • To receive key performance information for repairs from the TMO's				
NH 0013b Targeted Funding	An extra £1m is being injected into Hackney Council's repairs service, following a backlog of around 7,000 repairs due to the coronavirus pandemic. Having only been able to provide emergency repairs across council properties during the Covid crisis, the relevant teams are committing to improve this service, with the support and guidance of the Cabinet Member for Housing Service and other Directors. The Council is also recruiting more than 30 extra staff to ensure leaks, electrical problems and other housing issues are fixed more quickly.	Rickardo Hyatt	Steve Waddington	June 2024	**Jan 2024 -** The additional funding has been built into the base budget to support long term improvement. The backlog built up as a result of the pandemic and cyber attack has now been cleared. Additional trade operatives have been recruited, but the construction market is challenging at the moment and we are not seeing the level of quality candidates as we would have hoped. 26 additional operatives were approved and 14 are in place. Additional resources have been put into the repairs contact centre which alongside improvements in working practices has seen improvements in performance.
NH013c Improvement Action Plan	An Improvement Action plan has been put in place with a performance tracker which will be monitored by the Repairs Improvement Board. As part of this we will publicly report against this action plan to enable residents to hold the Council to account	Rickardo Hyatt	Steve Waddington	June 2024	**Jan 2024 -** A new performance dashboard has been developed in partnership with the RLG based on the key indicators that they feel are important to residents.

	with KPIs and objectives against it. Performance Indicators will be published				New customer services standards have also been developed in partnership with the RLG and set within 4 key themes: • Treating people fairly and with respect • Being easy to do business with • Keeping our promises • Keeping people safe

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
NH014 - Housing Ombudsman - Para 49 Investigation	The Housing Ombudsman has announced that they will undertake a paragraph 49 investigation into LBH to assess if they feel there is systemic failure within the way we deliver four areas of the housing service • Repairs • Response to damp & mould • Leaks • Complaints. This will present reputational risks	Climate, Homes and Economy (Housing Services)		**Jan 2024** -New Risk The decision to undertake the paragraph 49 investigation is based on the number of maladministration findings that the Housing Ombudsman (HO) have found against LBH in the last 12 months. Hackney as a major landlord within London is not the only landlord to be subject to such investigations. The investigation will take place over the coming months with the outcome report being published Sept / Oct 24.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
NH014 - Housing Ombudsman - Para' 49 Investigation	Significant changes were introduced to how we manage the repairs service, particularly around leaks and damp and mould prior to the HO announcing their investigations. These changes are in place and ongoing. Housing Services are reviewing how they manage complaints and this review was underway before the HO announcement. Reviews of all Para' 49 investigation reports are being undertaken by Housing Services to ensure learning from other investigations is taken on board and to understand if any of the issues raised in other areas resonate with what we see in LBH.	Steve Waddington	Heads of Service	Ongoing	**Jan 24 -** controls in place

Title of Report	External Audit Completion Report 2022/23
For Consideration By	Audit Committee
Meeting Date	31 January 2024
Classification	Open
Wards Affected	All
Group Director	Jackie Moylan Group Director of Finance

1. **Introduction**

1.1 The audit completion report for the financial year 2022/23, produced by the Council's external auditors, offers a thorough summary of the audit status concerning the financial statements of both the Council and Pension Fund.

2. **Recommendation**

2.1 The Audit Committee is recommended to note the contents of the reports.

2.2 Authorise the Group Director of Finance to approve the final Statement of Accounts for 2022/23, contingent upon the completion of the outstanding work by the external auditor, as detailed in the audit completion reports (see Appendix 1 & 2)

3. **Reasons for decision**

3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's Financial Statements and those of the authority's Pension Fund before they can issue audit opinions on those statements.

4. **Background**

Policy context

4.1 The Audit Progress Reports discharge the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

Equality impact assessment

4.3 For this report, an Equality Impact Assessment is not applicable.

Sustainability

4.4 Not applicable - This report contains no new impacts on the physical and social environment.

Consultations

4.5 Not applicable

Risk assessment

4.6 Details of the auditor's assessment of risk associated with the audit of the accounts will be outlined in the ISA260 Report (see appendix 1)

5. **External Audit Completion Report 2022/23**

5.1 As of the date of this report, our 2022/23 audit (including pension fund) is still in progress, and our auditors anticipate completing audit testing shortly. Subject to the completion of the 2021/22 audit and the signing of the opinion, along with the resolution of outstanding issues for 2022/23 detailed in section two of appendix one and two, our auditors anticipate issuing an unqualified audit opinion on the statement of accounts.

5.2 The auditors' VFM arrangements will not be completed by the time we issue the audit opinion. Nonetheless, at present, there are no matters to report. Their goal is to finalise the VFM assessment by the end of March 2024 and incorporate a VFM commentary in the Auditor's Annual Report, which they will release shortly after the conclusion of the audit.

5.3 The Audit fees for 2022/23 currently stand at £197k for the Council audit, and £18k for the Pension Fund audit, however, the Council audit fee is anticipated to increase for the following;

- PPE & IP valuations
- Impact of Covid -19
- Group accounts
- Increased regulatory requirements
- Code changes to value for money
- Revised auditing standard on accounting estimates
- Additional work to address enhanced risks

5.4 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

6. Comments of the Group Director of Finance and Corporate Resources

6.1 As set out above, the work to finalise the audit of the Council's 2022/23 Accounts is almost complete. Again it is disappointing that the audit opinion remains outstanding due to backlogs caused by national issues around pension funds' assets and liabilities, which is a result of delays to the audit driven by the infrastructure asset issue and the much discussed resource issue in the external audit market.

6.3. It is pleasing to note that a good working relationship has continued with the auditors and officers of the Council. Whilst we are not as far advanced in terms of the audit for 2022/23 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2022/23 were presented to Audit Committee in September 2023, Mazars and officers are working hard to conclude the process.

6.4 I want to express my gratitude to the auditors for their collaborative efforts with my team. I would also like to thank all those officers involved with the preparation of the Statement of Accounts for the hard work that they have undertaken.

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

7.1 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.'

7.2 The proper administration of the Council's financial affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.

7.3 The Council's Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.

7.4 Consideration of this report by the Audit Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

Appendices

Appendix 1 - LB Hackney 2022-23 Audit Completion Report (Council)
Appendix 2 - LB Hackney 2022-23 Audit Completion Report (Pension Fund)

Background documents

None

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Comments for the Group Director of Finance prepared by	Jackie Moylan Group Director Finance jackie.moylan@hackney.gov.uk 020 8356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys Acting Director of Legal, Democratic & Electoral Services louise.humphreys@hackney.gov.uk 020 8356 4817

Audit Completion Report

London Borough of Hackney

Year ended 31 March 2023

January 2024

mazars

Contents

mazars

Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

22 January 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. At the date of this report our audit remains in progress and we anticipate completion of audit testing shortly.

Subject to completion of the 2021/22 audit and signing of the opinion, and the resolution of outstanding issues detailed in section 2, we anticipate issuing an unqualified audit opinion on the statement of accounts.

Our work on the VFM arrangements will not be completed by the time we issue the audit opinion but we currently have no matters to report. We aim to complete our VFM work by the end of the March 2024 and include a VFM commentary in the Auditor's Annual Report which we will issue shortly after we have concluded on the audit.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Valuation of property, plant and equipment;
- Valuation of investment properties;
- Net defined benefit liability valuation; and
- Management override of controls.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements identified to date. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will commence work on the basic assurance work shortly. We cannot yet complete our work on this area as the NAO is yet to select its sample components.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Property, plant and equipment valuation	Amber	Our work on land and building valuations, in particular completion of our review of the data supporting the work completed by the Council's valuer, is in progress.
Final review procedures	Amber	We are completing our file review which includes specific manager review of completed sections, alongside review by the engagement partner and engagement quality review partner.
Events after the reporting period	Green	Review of events after the reporting period, up to the point at which we sign our audit report.
File closure procedures	Green	Following completion of the above final review procedures, we need to complete file closedown procedures, including confirming the final set of financial statements, receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of sign-off.
Whole of Government Accounts (WGA)	Green	We are awaiting the NAO to select its sampled components of local authorities.

Red: Likely to result in material adjustment or significant change to disclosures within the financial statements.

Amber: Potential to result in material adjustment or significant change to disclosures within the financial statements.

Green: Not considered likely to result in material adjustment or change to disclosures within the financial statements.

Page 119

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £23.6m using a benchmark of 1.8% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £25.3m using the same benchmark. We set performance materiality at 70% of overall materiality, with the final value of £17.7m.

Reliance on internal audit

We have not placed any reliance on the work performed by the Council's internal audit function. We have reviewed the function's work programme for the year and used this to inform and confirm our own risk assessment.

Use of experts

We have made use of three auditors' experts during our work. Details of the work provided are as follows:

- PwC: The NAO have appointed PwC to review the qualifications, resources, objectivity and approach of each of the actuaries involved in the production of IAS19 figures for Local Government Pension Schemes (LGPS). The assessment also looks at the approach taken by each actuary and considers the main assumptions used by each in order to value the schemes underlying assets and liabilities. We rely on the work of PwC to identify any further procedures that may be required with respect to defined benefit pension liabilities.
- Montagu Evans: The NAO appoint Montagu Evans to help inform auditors consideration of the movements in the values of property. Their valuation trends report provides an analysis of movements on certain valuation indices relevant to the consideration of different classification of land and buildings. We use the work of this expert to inform our expectations when auditing property valuations.
- Mazars Real Estate Valuation team: We have engaged with our internal valuation experts at Mazars in order to better challenge the approach and assumptions used by the Council's valuers.

Service organisations

The Council does not use service organisations in respect of items of account.

Group audit approach

The Council has six subsidiary companies Hackney Housing Company Limited, Hackney Commercial Services (London) Ltd, Hackney PRS Housing Company Limited, Hackney HLR Housing Company Limited, Makers Management Company Limited and Otto Management Company Limited. We obtained the necessary assurances on each component by carrying out analytical review procedures of the consolidation balances, together with audit of associated consolidation adjustment journals.

At this stage we have no matters to report in respect of the Group audit.

04

Section 04:

Significant findings

4. Significant findings and other key judgement areas

Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. Later in this report we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

There has been no change to the significant risks identified during the planning phase of the audit and communicated to management in the Audit Strategy Memorandum. These are summarized as follows:

- Management override on controls
- Land and Buildings valuation
- Investment property valuation
- Valuation of Local government pension scheme

4. Significant findings

Significant risk summary: Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

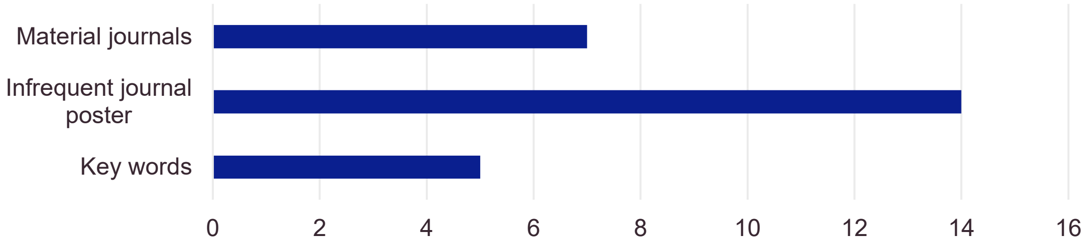
- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements that met our risk criteria.

Audit conclusion

We have completed our planned procedures and have not identified any evidence of management override of controls and any material misstatement due to fraud.

Analysis of work performed

The figure below highlights the spread of journals selected for testing across identified risk factors for our review. For 2023/24 the Council posted 2,732 manual journals that impacted the general ledger. Our risk analysis identified 26 of these journals for testing for the reasons shown.



Our testing confirmed that all the selected items were valid journal postings.

4. Significant findings

Significant risk summary: Land and Buildings valuations

Description of the risk

The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five-year cycle and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end current value.

Land and buildings, including Council dwellings, are the Council's most valuable assets, accounting for £4.1 billion of the Council's £4.2 billion Property, Plant and Equipment balance at 31 March 2023.

In respect of Council dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by government.

Due to the high degree of estimation uncertainty associated with valuations and the fact that there were significant findings in the prior year we have determined there is a significant risk in this area.

Page 125

How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach.

We also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that current values had moved materially.

In addition, for those assets which had been revalued during the year we:

- assessed the valuer's qualifications;

How we addressed this risk

- assessed the valuer's objectivity and independence;
- reviewed the methodology used;
- performed testing of the associated underlying data and assumptions; and
- used our internal expert to provide a review on the valuation process and analysed data.

Audit conclusion

Our work remains in progress and we are finalising our challenge of the valuations. To date, our work has not identified any misstatements in the valuations. We will provide an update to the Audit committee at the meeting.

Analysis of work performed

We selected 43 items for testing, covering 27 Council Dwellings and 16 Other Land and Buildings. Work is currently still being finalised on the valuations testing.

4. Significant findings

Significant risk summary: Investment Property Valuation

Description of the risk The CIPFA Code requires the Council's £183m of investment properties to be measured at fair value. Due to the high degree of estimation uncertainty associated with market valuations and the issues we reported in the prior year, we have determined there is a significant risk in this area.
How we addressed this risk We have reviewed the Council's approach to revaluing its investment property portfolio as at 31 March 2023 and engaged our own expert to review the methodology used and for a sample of 18 assets, tested the underlying data and assumptions. We also agreed data in the valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements. We challenged the Council's assumptions in respect of the factors and criteria that were used to determine the valuations – including floor areas, rental yields and assumed void periods.
Audit conclusion We are satisfied that the valuation of the Council's investment properties is materially stated in the statement of accounts.

4. Significant findings

Significant risk summary: Valuation of local government pension scheme

Description of the risk

The latest triennial valuation of the Pension Fund which the Council has disclosed in its statements were completed at 31 March 2022. As an admitted body within each fund, the valuation also provides the basis of the associated net pension liability for the Council as at 31 March 2023.

The valuation of the Council's net liabilities (£125.5m as at 31 March 2023) includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area

How we addressed this risk

We addressed this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators, the London Borough of Hackney Pension Fund and in respect of the London Pension Fund Authority (LPFA).

We have also:

- assessed the skill, competence and experience of each Fund's actuary;
- challenged the reasonableness of the assumptions such as CPI, discount rate, life expectancy, used by the actuary as part of the Technical Actuarial Standards and found these were within expected ranges per the NAO appointed actuary ; and
- carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

We have also requested the auditor of the pension funds to carry out testing of the membership data that the Council has provided to the actuary as part of the 31 March 2022 triennial valuation.

Audit conclusion

There have been no significant findings arising from our audit procedures to review the defined benefit pension scheme liability valuation. We are satisfied the balances and associated disclosures are materially accurate.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council's on 31 May 2023 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Infrastructure assets
  Prior to the completion of the 2021/22 financial statements audit, in response to a nationally identified issue, the Council made required amendments to reflect the CIPFA Code amendment in respect of infrastructure assets. These disclosures have been replicated and updated as appropriate within the 2022/23 financial statements.
- Reinforced Aerated Autoclave Concrete (RAAC)
  RAAC is a lightweight form of concrete used in roof, floor, cladding and wall construction in the UK from the mid-1950s to the mid-1980s. Following the identification of potential issues within schools, and the completion of the DfE survey of schools, we have discussed and considered the Council's approach to identifying potential issues as the material was subject to wider use. The existence of RAAC in a Council owned building could indicate a potential impairment event or an impact on the asset lives and depreciation. The Council has provided assurances that there is no indication of potential impairment in respect of the value of its non-current assets as at 31 March 2023. The Council has shared details of a programme for assessing the potential instances of RAAC in its budlings. We have concluded that the Council's programme is reasonable and have reasonable assurance that there is no material impairment.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the audit committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Other recommendations in internal control – Level 2

Infrastructure Assets

Description of deficiency

Testing of infrastructure assets identified that the useful economic life of bridge infrastructure within the asset register, at 25 years, was shorter than indicated by the guidance available, and seemed to be set to be consistent with the other infrastructure assets. The Council explained this was as a result of the majority of bridges being old and that the ongoing capital spend on them related to components of the bridge which would have a shorter 25-year life. However, the Council were unable to substantiate this due to insufficient records.

Potential effects

The use of shorter lives results in the annual charge for depreciation being overstated and the year-end valuation of the infrastructure assets being understated. This will become increasingly important once the statutory override on infrastructure assets, covering disclosure of gross book value and accumulated depreciation, is removed with effect from 1 April 2025. We have performed an analysis to determine the worst-case potential variance as a result of these differences, where all assets in the register which are bridges and street furniture should have the UEL per the cipfa guidance, which results in a potential overstatement of depreciation between £3.91m and £3.94m and is below PM. This has been taken to the unadjusted misstatements section.

Recommendation

The Council should review and improve its infrastructure record keeping, maintaining a detailed breakdown of expenditure by location and asset. This will ensure the depreciation charge is appropriate. Once the statutory override is removed from April 2025, it will enable the Council to determine the gross book value and accumulated depreciation.

Management response

The service has already taken steps to improve the recording since this national issue came to light. It's important to note that addressing historical record-keeping for bridges poses a significant challenge, particularly as most of these structures were built around 1890 onwards. Additionally, there haven't been any new bridge constructions within the last twenty years or so. Due to valuation being based on historical cost and lack of historic records it will not be possible to validate the historic depreciation. This situation is not unique to Hackney and we await further CIPFA guidance on resolving this national issue.

5. Internal control recommendations

Other recommendations in internal control – Level 2

Investment property valuations

Description of deficiency

During the course of the audit of investment property valuations we noted that the rental income value, as used as part of the valuation process in a number of valuations, had been based on an estimated value. We identified that this had occurred where the planned rent reviews with tenants had not occurred due to limited staffing availability.

Potential effects

The use of an estimated value results in a risk that the income used in the valuation does not accurately reflect the amount which would be achieved on the market. This could result in a material misstatement in the value of the investment property recorded within the financial statements. As any movement in the valuation of investment property, and any associated gains or losses, are included within the CIES.

Delayed rent reviews also increase the risk that the Council is undercharging rent for tenants in their investment properties, therefore failing to generate the maximum possible revenue from the investment property portfolio.

We have benchmarked the rents used in the investment property valuations to comparable evidence to challenge the rental figures used and concluded that this year, the values of the assets are not materially understated.

Recommendation

The Council should ensure that rent reviews for investment properties completed on an income method basis are completed annually.

Management response

The rent reviews faced disruptions due to a combination of factors, including the impacts of COVID-19 and legal disputes with tenants. Fortunately, all these issues have been successfully resolved. Management has conducted a comprehensive review of the income-based rent review process. The rent calculation for these assets unfolds in two distinct phases.

- In Phase One, tenants provide an estimate of their expected rent for the upcoming financial year. Upon agreement with the Council, this estimated rent becomes the base rent billed throughout the year. The estimate typically draws on the previous year's income, with necessary adjustments.
- Moving to Phase Two, within three months of the financial year's conclusion, tenants submit audited accounts. Subsequently, the Council bills any top-up rent in a lump sum to rectify any shortfall in the base rent. If the tenant has overpaid, this surplus is reflected in the subsequent year's payments

5. Internal control recommendations

Other recommendations in internal control – Level 3

Related Party documentation

Description of deficiency

As part of the audit, we have reviewed the supporting documentation for declared related parties. This has noted that out of 66 Chief Officers and Councillors, there were 21 missing Declarations of Related Party Transactions forms. A further 6 forms were not signed and dated by the relevant officer.

Potential effects

The failure to complete declaration forms could result in the Council disclosing incomplete or inaccurate related party and related party transaction details within the financial statements. This means that users of the financial statements will not be able to understand the nature of the relationship and transaction and its effect on the accounts.

Recommendation

The Council should ensure declaration of interest forms for all councillors are completed annually and returned with adequate signatures prior to the year end to allow for the completion of appropriate disclosures within the year-end financial statements.

Management response

Our management team is fully committed to reinforcing the processes surrounding related parties forms. We acknowledge the importance of this procedure and recognise that obtaining adequate signatures before the year-end is crucial for the accurate and timely incorporation of relevant disclosures within the year-end financial statements. We will be reviewing and enhancing our current procedures to ensure an efficient process for collecting and validating these forms.

5. Internal control recommendations

Other recommendations in internal control – Level 3

Income cut-off

Description of deficiency

Audit testing of income identified a weakness in the process and supporting controls over the recording of year-end accruals. We identified two cut-off errors (totalling £39,391), with one misstatement (£19,215) relating to income recognised in 2022/23 which related to 21/22, and another misstatement (£20,176) in respect of the incorrect recognition of an amount income in 2022/23 which actually relates to the 2023/24 financial year.

The extrapolated error across the full population results in a projected misstatement of £6.02m which has been included as an unadjusted misstatements in section 06 of this report.

Potential effects

The financial statements may be materially misstated as a result of income or expenditure being recorded in the incorrect period.

Recommendation

Strengthen the accruals processes and controls at year end to ensure all transactions are captured in the correct accounting period.

Management response

Our management team is committed to a review of our accruals processes. We recognise the importance of accuracy in accounting for transactions within the correct period, and steps will be taken to reinforce controls to achieve this objective.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the audit. There was one misstatement above the trivial threshold for adjustment of £760,000. As this error is neither individually nor in aggregate material to the financial statements, and is an estimate based on an extrapolation of the identified error against the wider sample population, management do not plan to adjust.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
1	Dr: Fees and Charges Income	6,020			
	Cr: Debtors				(3,080)
	Cr: Reserves				(2,940)
	Audit testing of income identified two cut off errors (totalling £39,391). One misstatement (£19,215) related to income recognised in 22/23 which related to 21/22, while the other misstatement (£20,176) resulted from the incorrect recognition of 6 months of income on an invoice which relates to the 23/24 financial year. Extrapolating these errors across the full population results in a projected misstatement of £6.02m.				
2	Infrastructure assets depreciation charge				
	Dr: Infrastructure assets			3,940	
	Cr: Depreciation		(3,940)		
	The useful expected lives of infrastructure assets (Bridges) used by the Council is not in line with those recommended in the cipfa guidance (25 years compared with 100 years). London Borough of Hackney state that this is because of a large number of components in this category with shorter lives, however, the Council could not substantiate this with detailed records.				
	Total unadjusted misstatements	6,020	(3,940)	3940	(6,020)

6. Summary of misstatements

This section outlines the misstatements identified during the audit which are above the specific triviality threshold for members allowances (£8,346). One misstatement has been identified. As this error is neither individually nor in aggregate material to the financial statements, management do not plan to adjust.

Unadjusted misstatements – specific materiality

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
1	Dr: CIES	14			
	Cr: Payables				14
	When testing the accuracy of the members allowances, the Council were unable to resolve the differences between the amount disclosed in the financial statements and the amount calculated in the Notice of Payments approved by Cabinet. This is as a result of the timing difference between the municipal year and the accounting year where the accrual needed wasn't yet known. The error is the total extrapolated value of the differences found in the 6 sample items.				
	Total unadjusted misstatements	14	0	0	(14)

We note that in respect of the above the council has noted this was due to the 2021/22 pay award being agreed late in the financial year and that the members' allowance requires approval at Full Council, which only took place in July 2022. As the process covered two financial years, it necessitated an accrual in the financial accounts to align payments with the correct accounting years. No errors were identified in the actual payment of allowances; rather, the issue relates to aligning accounting entries with the respective financial years.

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Collection Fund Note 3 – The impairments stated in the Collection Fund note were inconsistent with the main Collection Fund statement.
- Defined benefit pension scheme Note 44 – The salary increase percentage for the 2023 financial year did not agree to the percentage increase stated on the Hymans Robertson IAS 19 report.
- Defined benefit pension scheme Note 44 – The 2023 and 2022 year-end figures were incorrectly disclosed for LPFA 'Pension assets and liabilities recognised in the balance sheet'. The correct figures from the Barnet Waddingham IAS 19 report should have been stated.
- Officers Remuneration Note 35 – The number of employees for band 75,000-79,999 in 2022/23 was incorrect due to a member not being correctly included.
- Collection fund Note 1 – The net rates payable value was incorrectly stated due to misuse of comma rather than a decimal point.
- Cash flow statement – Incorrect disclosure of 2022 year figures for 'Net cash flows from operating activities' and 'Net (increase) or decrease in cash and cash equivalents.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement.   Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. Although our work in this area of the audit is ongoing, at the time of preparing this report, we have not identified any significant weaknesses in arrangements. Our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Hackney - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney ('the Council') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Group Director, Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

- those measured at current or fair value.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Group Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Appendix A: Draft management representation letter

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Group accounts

I confirm I consider where any of the Council's subsidiary companies have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Private Finance Initiative

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

Other matters

I can confirm in relation to the following matters that:

- Ukraine - I have continued to review the impact of the ongoing conflict in Ukraine and any disclosure in the Narrative Report fairly reflects that assessment.
- COVID-19 - I have assessed the impact of the COVID-19 Virus pandemic on the Council and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.

Appendix A: Draft management representation letter

- I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.
- I confirm I have considered the treatment of items or probable and potential expenditure notified to us by external parties in line with the accounting standards for contingent liabilities and provisions.
- I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment or investment property balances. I confirm there are no such indications of impairment in those assets.

Yours sincerely

Jackie Moylan

Group Director, Finance

Date:

Appendix B: Draft audit report

Independent auditor's report to the members of London Borough of Hackney

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hackney ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director of Finance with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Group Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Group Director of Finance for the financial statements

As explained more fully in the Statement of the Group Director of Finance's Responsibilities, the Group Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Group Director of Finance is also responsible for such internal control as the Group Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Group Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Appendix B: Draft audit report

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Group Director of Finance’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Group Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

Appendix B: Draft audit report

- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

Use of the audit report

This report is made solely to the members of London Borough of Hackney, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Suresh Patel Key Audit Partner

For and on behalf of Mazars LLP

30 Old Bailey, London, EC4M 7AU

[date]

Appendix C: Audit fee

Fees for work as the Council's appointed auditor

The scale fee set by PSAA for 2022/23 includes an inflationary increase, of which £9,721 they will contribute to the Council. We have yet to agree the final fees for the 2021/22 audit.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work (Scale fee)	£196,659	£174,266
Additional fees:		
- PPE & IP valuations – use of our expert (Note 1)	£5,000 - £7,000	£5,000 - £7,000
- Impact of C-19 (Note 2)	-	£3,000 - £5,000
- Group accounts (Note 3)	£5,000 - £7,000	£5,000 - £7,000
- Increased regulatory requirements (Note 4)	£5,000 - £6,000	£5,000 - £6,000
- Code changes to value for money (Note 5)	£9,000 - £30,000	£9,000 - £30,000
- Revised auditing standard on accounting estimates (Note 6)	£4,400 - £10,000	£4,400 - £10,000
- Additional work to address enhanced risks (Note 7)	£3,000 - £5,000	£3,000 - £5,000
TOTAL	**TBC**	**TBC**

Notes:

1. We have engaged our own expert on PPE valuations given the issues we identified.
2. We were required to revisit and update our risk assessments and audit strategy in light of the impact of C-19 on the Council's statement of accounts.
3. We are required to carry out additional procedures on the group accounts and the consolidation process.
4. Since the latest PSAA contract was awarded there have been significant changes to the requirements on auditors by regulators. This has resulted in additional procedures and additional internal review.
5. The Code introduces new VFM requirements. We have used the PSAA range plus an estimate of work to address significant weaknesses in arrangements if identified by the risk assessment.
6. Revisions to ISA 540 apply to the 2022/23 audit and we have used the PSAA minimum level of additional fees as the lower end of the proposed range.
7. This memorandum includes enhanced risks which increases the audit work we need to carry out. The additional work falls within the PSAA criteria of fee variations. We will quantify this when we design our specific procedures.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework..
Going concern	We have not identified any evidence to cause us to disagree with the Group Director of Finance that London Borough of Hackney will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the audit committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Suresh Patel, Partner

Mazars

30 Old Bailey
London
EC4M 7AU

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Audit Completion Report

London Borough of Hackney Pension Fund

Year ended 31 March 2023

January 2024

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Contents

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Audit Committee
London Borough of Hackney
Hackney Town Hall
Mare Street
London

Mazars LLP
30 Old Bailey
London
EC4M 7AU

22 January 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. At the date of this report our audit remains in progress, and we anticipate completion of audit testing shortly. The Committee will also be aware that we have yet to issue the audit opinion for 2021/22 accounts, which we expect to do so shortly.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
- Valuation of unquoted investments

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements.

Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory completion of our file review and closure procedures, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Consistency report
We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London borough of Hackney. Our draft consistency report is provided in Appendix C.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received for 22-23 for the Pension Fund.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Final review procedures		We are currently completing our file review which includes the review by the engagement partner. We cannot complete our closure procedures until any outstanding points are resolved.
File closure procedures		Following completion of review procedures, we need to complete file closedown procedures, including receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of final sign off.
Review of Annual report		Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.
Financial instruments classification		We are currently completing review of this section, including the reasoning and appropriateness of the reclassification of investments from Level 3 to Level 2.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £19.6m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £7.6m at the planning stage of the audit using a benchmark of 10% of contributions receivable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £18.7m.
- Fund account specific materiality £8.2m.

Use of experts

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

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	We have not engaged our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.

3. Audit approach

Service organisations

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

Items of account	Service organisation	Audit approach
The management and maintenance of administrative information to allow for calculation of pension payments, transfers, etc., as well as the actuarial assessment of funding levels based on up to date membership data.	Equiniti	We sought appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided to the Pension Fund by fund managers.
Investment valuations and income and all related disclosures	Investment managers	We obtained direct confirmations from the fund managers and substantively tested transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	We obtained direct confirmations from the fund managers and substantively tested transactions occurring in the year and the valuations applied to investments at the year end.

04

Section 04:

Significant findings

4. Significant findings and other key judgement areas

Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. Later in this report we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

There has been no change to the significant risks identified during the planning phase of the audit and communicated to management in the Audit Strategy Memorandum. These are summarized as follows:

- Management override on controls
- Valuation of level 3 investments

4. Significant findings

Significant risk summary: Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have completed our planned procedures and have not identified any evidence of management override of controls and any material misstatement due to fraud.

Analysis of work performed

For 2022/23 the Pension Fund posted 344 manual journals that impacted the general ledger. Our risk analysis identified 2 of these journals for testing given they were above performance materiality and not a routine journal within our expectations from testing elsewhere on the audit file.

Our testing confirmed that all the selected items were valid journal postings.

4. Significant findings

Significant risk summary: Valuation of level 3 investments

Description of the risk

As at 31 March 2023 the Pension Fund held investments with a fair value of £311m (£415m at 31 March 2022) which were identified as level 3 (those where at least one input that has an impact on the valuation is not based on observable market data). These assets account for 16.6% of the Fund's net investment assets.

Inherently these assets are harder to value, as they may not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.

As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.

How we addressed this risk

We planned to address this risk by completing the following additional procedures:

- agreeing holdings from fund manager reports to the global custodian's report;
- agreeing the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- Reviewing and assessing the independence of the information used in assessing the fair values of assets classed as level 3;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and
- where audited accounts are available, checking that they are supported by a clear opinion.

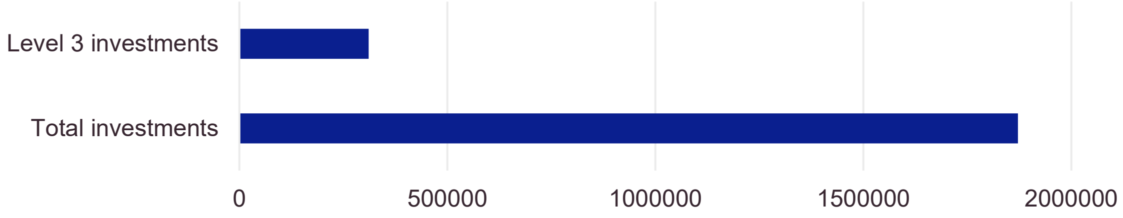
Audit conclusion

We have obtained the requested confirmations on the valuation of Level 3 investments but are still awaiting some further information on the reclassification of some investments from Level 3 to Level 2.

At this stage we have no issues to bring to the attention of the Committee but will update once we have completed our review.

Analysis of work performed

Figure 1 below highlights the value of Level 3 investments we have substantively tested £311m (100% of Level 3 investments), compared to the total value of investments of £1,871m.



4. Significant findings

Qualitative aspects of the Fund’s accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts and the Annual Report were received from the Fund on 03 July 2023 and were of a good quality.

Significant matters discussed with management

There were no significant matters discussed with management other than those related to the significant risks and audit misstatements reported elsewhere in this report.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our LBH Pension Funds’ 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Modifications required to our audit report

We include our draft audit report, in full, in Appendix B.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the audit committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Other recommendations in internal control – Level 3

Investment fund manager control reports

Description of deficiency

To support the management of investments, Fund Managers provide annual ISAE 3402 control reports by service auditors to confirm the operation of their internal control procedures which are shared with the Pension Fund. Where these reports are not consistent with the pension fund year end the Fund managers provide bridging letters to confirm whether there have been any material changes to the control environment since the ISAE 3402 reports issue.

We noted that some of these letters do not cover the full period to the balance sheet date, with a gap of more than 3 months. As a result, management do not have in place formal procedures to obtain assurance over the control environment at the fund manager for the full intervening period.

Potential effects

Without reports or bridging letters covering the full financial period the pension fund has no confirmation that the design and operation of controls at the Fund managers has been designed or operating effectively for the period. As a result any control deficiencies arising, which could result in the fund managers failing to manage significant sums of the Fund's money appropriately for the best return, may not be identified and considered by the pension fund.

Recommendation

The pension fund should ensure it puts in place mechanisms to ensure they obtain assurances from fund managers regarding the control environment through review of the service auditor reports and bridging letters for each fund manager to consider the impact of any reported deficiencies on the pension fund's control environment.

Management response

We will expand our annual review of the service auditor reports to ensure that, where the report does not cover the full period to the balance sheet date, we engage with the manager to obtain assurances over the control environment and ensure a suitable bridging letter is in place for the full period to the balance sheet date.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

Adjusted and unadjusted misstatements

During the audit we have not identified any unadjusted or adjusted misstatements above the trivial threshold.

Disclosure amendments

We identified the following adjustment during our audit that have been corrected by management:

- Annual Report, Pensions Board – Further narrative to be added regarding regulatory breach whereby all 4 statutory positions on the Pensions Board fell vacant.
- Note 7 Contributions – The split by employer body type was incorrectly recorded, the total contributions remain unchanged.
- Note 1b Membership – Employers with active members to be updated to reflect those in the membership numbers reconciliation.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Hackney Pension Fund - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney Pension Fund ('the Fund') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Group Director, Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Fund and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Fund in making accounting estimates are reasonable, including:

- those measured at current or fair value

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Appendix A: Draft management representation letter

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Group Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Unadjusted misstatements

I confirm that there were no uncorrected misstatements.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Other matters

I can confirm in relation to the following matters that:

- I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.
- I confirm I have considered the treatment of items or probable and potential expenditure notified to us by external parties in line with the accounting standards for contingent liabilities and provisions.

Yours sincerely

Jackie Moylan

Group Director, Finance

Date:

Appendix B: Draft audit report

Independent auditor's report to the members of London Borough of Hackney Council

Report on the audit of the financial statements

Opinion on the financial statements of London Borough of Hackney Pension Fund

We have audited the financial statements of London Borough of Hackney Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director of Finance with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Group Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Group Director of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Group Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Group Director of Finance is also responsible for such internal control as the Group Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Group Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Appendix B: Draft audit report

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

- inquiring with management and the Audit Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Group Director of Finance’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Appendix B: Draft audit report

We are also required to conclude on whether the Group Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Hackney Council, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel
For and on behalf of Mazars LLP
30 Old Bailey, London EC4M 7AU

date

Appendix C: Draft consistency report

Independent auditor's statement to the members of London Borough of Hackney on the pension fund financial statements included within the London Borough of Hackney Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2023 included within the London Borough of Hackney Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Hackney for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

I have not considered the effects of any events between the date I signed my report on the full financial statements [insert date] and the date of this statement.

Respective responsibilities of the Group Director of Finance and the auditor

As explained more fully in the Statement of the Group Director of Finance's Responsibilities, the Group Director of Finance is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Hackney as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Hackney.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Hackney describes the basis of our opinions on the financial statements.

Appendix C: Draft consistency report

Use of this auditor's statement

This report is made solely to the members of London Borough of Hackney, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Hackney those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Hackney and London Borough of Hackney's members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Suresh Patel
for and on behalf of Mazars LLP
30 Old Bailey, London, EC4M 7AU

Date

Appendix D: Audit fee

Fees for work as the Council's appointed auditor

The scale fee set by PSAA for 2022/23 includes an inflationary increase which they will provide a contribution to the fund of £871. At this stage we indicating the additional work we will have to undertake as part of our audit of the 2022/23 financial statements.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work	£17,852	£17,011
Fee variations: - Level 3 investments & ISA 540	£2,000 - £4,000	£2,000 - £4,000
TOTAL	**£TBC**	**£TBC**

Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	We have not identified any evidence to cause us to disagree with the Group Director of Finance and Corporate Resources that London Borough of Hackney Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix E: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Suresh Patel, Partner

Mazars

30 Old Bailey
London
EC4M 7AU

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Hackney

Title of Report	**CORPORATE RISK REGISTER**
For Consideration By	Audit Committee
Meeting Date	January 31st 2024
Classification	Open
Ward(s) Affected	All Wards
Group Director	**Jackie Moylan, Group Director Finance and Corporate Resources**

1. Introduction

1.1. This report updates members on the current Corporate Risk Register of the Council as at January 2024 (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. Recommendations

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

3. Reason(s) 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 the Audit Committee is aware of this.

4. **Background**

The current Council risk profile was reviewed and ratified by the Corporate Leadership Team (CLT) in January 2024. In discussions and meetings with Directorate Risk Champions, various Heads of Service/Directors and other managers in different services, ideas and proposals on new risks and the current risks have been discussed, before the review being brought to CLT. Numerous risks have changed or now exist in different circumstances compared to when the register was last reviewed by the Committee in June 2023, particularly with unpredictable global events like the current cost of living crisis and what is unfolding in Ukraine and Gaza.

Policy Context

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

Equality impact assessment

4.2. 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.

Sustainability and climate change

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

Consultations

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

Risk assessment

4.5. The relevant Risk Register is attached in Appendix one.

CORPORATE RISK REVIEW

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

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

5.3 Notable risks included on the current register are:

- Cost of living crisis - this is an overarching risk looking at the current situation from the perspective of the whole Council. Each Directorate and most service areas also have their own separate risks in their respective registers relating to these financial pressures. The risk is a reflection of an unfolding crisis which is affecting most people across the country as well as having a direct impact on the Council's revenue and capital costs. With inflation now at 4.6% (as of December 23, down from 11.1% towards the end of 2022), the impact on most areas of life is notable and challenging to manage. The risk details how the Council is undertaking to deal with this and provide as much support as possible to those affected in the Borough. The risk also aims to go beyond the impact on service delivery and reference impacts on residents, staff and local businesses. It is not a risk that can be conclusively managed and reduced but we can provide assurance that we are doing everything within our powers and resources to deal with it as effectively as possible.

- Cyber Security. When the Cyberattack was discovered in October 2020, immediate work was carried out to isolate the Council's internally hosted systems and network and to notify the national leads for cyber security. However, risks remain that recovery work may introduce new vulnerabilities or reintroduce vulnerabilities which existed at the time of the attack / retain elements of the attack which could be reused in future. Also risks remain relating to the data stolen and published to the dark web in Jan 2021. Within this register these risks (with accompanying controls) are explored in detail, with most detail contained within the Cyber security risk (which has now been merged with the previous distinct Cyberattack risk).

- National and International Economic Downturn
  This risk has now evolved quite significantly since it was first included on the Corporate Risk Register, but it remains critical. The Council has been continuing to carry out efficiency savings (necessary in light of the austerity measures of the Conservative government). The pandemic and then cost of living crisis has meant significant additional expenditure and reduced income. The ongoing impact on budgets is considerable.

- Risk 18 & 18b Workforce
  Another risk resulting from budgetary pressures and the pandemic is the impact it is having on staffing levels and accompanying restructures. This could clearly impact on how efficiently staff are able to work, and whether they have the resources to do it effectively. In addition, to meet the financial challenges ahead, it will be necessary for the Council to have a more agile workforce and not one constrained by

traditional custom and practices. With recent change at Senior Leadership level within the organisation, further risks to workforce have been identified as effective service delivery may be affected by ongoing adaptation to changes.

- Risk 20b – Corporate Resilience
  This is an iteration of the risk previously more about Business Continuity (within ICT), emphasising the importance of the Council being suitably prepared to respond and adapt to incremental change and sudden disruptions (which have clearly happened with the recent Cyberattack). Clearly, failure to do this would impact massively on our ability to effectively deliver services and CLT have supported this being featured at Corporate level.

- Risk 23 - Person suffers significant harm
  This risk related to child welfare initially but after discussion at CLT was broadened to encompass all persons at risk in the Borough (including Council staff), and the safeguarding steps the Directorates are taking to protect them.

- Risk 30 – Temporary Accommodation.
  This was escalated to the Corporate Register in July 2017 and remains in place especially in light of the implementation of the Homelessness Reduction Act, placing further obligations on Councils. The Cyberattack also affected systems used here. Now the cost of living crisis is placing unprecedented pressures on the Service, and risks here are continuing to increase due to the lack of resources, housing and budgets. The score of this risk has now risen to the maximum, reflecting the severe pressures currently being faced.

- Risk 35 & 36 – Insourcing and the setting up of Council owned companies. -
  The risk relating to the Council's approach to Insourcing was escalated in 2020. Obviously the Guidance paper is crucial in determining the best approach to Insourcing decisions, depending on circumstances. The Council companies risk has also been on the register for two years, but is more important than ever in the light of recent PIRs (Public Interest Reports) which specifically related to some Council owned companies and subsidiaries. In each instance the Councils suffered severe losses due to poor decision making, a frequent lack of governance and a near complete lack of approved business cases. These serve as examples about how not to proceed with companies and make the risks very clear.

- Risk 39 - Climate Change. This was escalated at the end of 2019, and remains integral to the Council's overall objectives. With the recent publishing of the Council's Climate Action Plan (CAP), (which was ratified by full Council in May 2023), targets are brought even more into focus - with increasingly challenging commitments to be met, and questions about the resources to do this.

- Risk 44 & 45 - Major Power Outage and Reduction of residential placements - the last iteration of the Corporate register contains two new risks. The first related to the potential of a power outage, and this has now been reverted back to Directorate level, whilst still being closely managed. This was approved by CLT in Jan 2024. The risk relating to residential placements was 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 new risk was also escalated in April 2023 relating to surplus school places and the pressures this is placing on finances and threatening the closure of some primary schools. This remains on the register.

- This latest iteration sees two new risks on the register. The first relates to Adult Social Care Budgets - which are not currently sufficient to meet demand, posing extremely serious challenges going forward. There is also a new risk escalated by Hackney Education relating to problems with the case management system (Synergy). These will remain under review and fully updated at the next Committee.

Clearly there are overarching areas within this register where some risks are starting to compound the effects of other risks. An example of this is the cyberattack which has exacerbated other risks related to information, or the delivery of services dependent upon (affected) applications. Also the cost of living crisis is impacting upon a range of risks, whether the obvious financial effects, or the varied impacts it is having on people, services and processes.

6. Comments of the Group Director of Finance and Corporate Resources.

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

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

7. Comments of the Acting Director of Legal, Democratic and 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 Corporate 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 - Hackney’s Corporate, Strategic Risk Register.

Background documents

None

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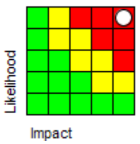
Comments for the Acting Director of Legal, Democratic and Electoral Services prepared by	Louise Humphreys 020 8356 6234

Hackney Corporate Risk Register December 2023

Report Type: Risks Report

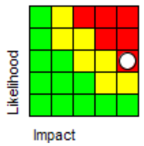
Generated on: 1 December 2023

Risk Title	Description of Risk	Directorate	Current Risk Matrix (with controls)	Risk - Latest Note
SRCR 0042 – Cost of living crisis ***EXTERNAL RISK*** ***CURRENT RISK***	Pressures on the Council (including staff), households and businesses tighten further as the cost of living crisis intensifies, resulting in widespread financial challenges and deprivation throughout the community. In terms of what this crisis could potentially mean for the Council, all evidence would point to further pressure on budgets and services. This may result from more rent arrears, potentially more children in care, increased health risks for the vulnerable due to prohibitively high energy / grocery costs or increasing homelessness. With inflation currently at 4.6% (a sizable drop from 11.1% at the end of 2022), future pressure on pay is likely to be high, and core service costs (whether through fuel, energy, food, staffing, raw materials) will be inflated compared to previous years. This places pressures on existing budgets and reserves. Within the community, this will particularly impact on those already in poverty (36% of households, 48% of households with children), as their situation becomes even more entrenched. This could place an increased demand on Children's (and Adult's) Social Care. Schools would be adversely affected by the pressures, with massively increased costs and pupils suffering	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2023** - Britain remains on track for a record fall in living standards over the two years to the end of March 2024, despite an upward revision to growth forecasts, the Office for Budget Responsibility has said (OBR April 2023). Real household disposable income per person was on course to fall by a cumulative 5.7% over 2022/23 and 2023/24, 1.4 percentage points less than it forecast in November but still the biggest two-year drop since records began in 1956/57.The OBR also stated that rising prices and tax increases mean living standards will not recover to their pre-pandemic level until 2024-25. MTFP includes inflationary assumptions which may not be sufficient given updated forecasts. The Local Government pay rise for 23/24 was finally agreed in November, and back paid to April 2023. Pressure will be likely to resume in negotiations for a new deal in 2024/25, with Unions looking to claim a rise beyond the current levels of inflation (although they have substantially dropped over the last year). The issue of fuel poverty remains problematic, and now with little government support (compared to a year ago), most people's bills will remain more than double what they were eighteen months ago. The same applies to organisations and businesses. Although this was new to this register as a distinct risk in June's (22) iteration, most elements within have previously featured amongst other risks (eg - economic downturn risk). There has been a detailed separate workstream on the Hackney Cost of Living Response, which was led by the

	distraction from their education (as well as the risk of 'holiday hunger' for them).				Group Director of Finance & Corporate Resources as SRO. This has been looking at the crisis within each Directorate from the separate perspectives of residents, staff, businesses and service areas.
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0042a – Inflationary pressures- Council (revenue)	Review and update assumptions in the medium term financial plan (MTFP) regarding price inflation and impact of cost of living on residents' ability to pay.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	May 24	**December 2023** - The MTFP was updated and included in the budget report to Full Council in March 2023. For 2023/24 this included provision for the pay award (which has now been finalised for Dec 2023) and other specific inflationary elements including for energy. One-off resources are being identified for meeting this additional cost for 2023/24 and, now that the amount is clear, this pressure will be built into the base budget going forward.
SRCR 0042b - Inflationary pressures - Council (capital)	Gateway processes in major project delivery robustly challenges affordability in the context of rising construction inflation.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	Ongoing	**December 2023** - This control is currently managed at project board level. The new Capital Asset Steering Board (CASB), is developing oversight over the capital programme as a whole. This will include ensuring transparency over the links between the capital programme and the MTFP - with increased borrowing to fund capital schemes (with less capital receipts and grants now available) impacting on the budget gap going forward.
SRCR 0042c - Inflationary pressures - Supporting Residents	Build and implement a single income maximisation service which is proactive and streamlined from the residents' perspective.	Jackie Moylan	Zoe Tyndall	May 24	**December 2023** - Poverty reduction, building an inclusive economy and homelessness reduction are three of the Council's cross-cutting strategic priorities. There are many teams who have the resources and duties to deliver on these objectives for our residents, but too often the journey for residents is fractured and complex. For example, this audit of discretionary or emergency hardship schemes found: • Nine different formal discretionary or emergency hardship schemes • Ten other types of support available to residents in crisis The new Money Hub pilot team went live on Monday 31 October 2022. During year one, the team delivered over £1m in new incomes for residents, and is now entering phase 12 (Jan 2023 - Jan 2024). The team offers: • **A single point of entry,** where residents only have to apply once to be considered for a range of financial support schemes. • **Income maximisation** through encouragement of wider benefits take up, as well as money management advice • Use of our systems and data to **prompt proactive offers** of

					financial support, rather than waiting for residents to come to us, particularly when we estimate they are underclaiming key benefits ● **Reduction in evidence threshold** for applications to funds, or switch to using data we already hold rather than asking residents to resubmit Please note the team has no core funding - costs are covered through non-recurrent grants through to end of financial year 24/25 but work will take place to source long term funding.
SRCR 0042d inflationary pressures - Supporting Residents	Implement priority 3 of the poverty reduction framework adopted in March 2022 which has three priorities: 1. Prevention, early years and early help 2. Tackling low wages and cost of living 3. Responding to the material needs of poverty	Dawn Carter-McDonald; Jackie Moylan	Sonia Khan	Sept 24	**December 2023** In addition to the actions identified above under income maximisation, the following actions are being progressed. Demand continues however to increase across the system and working collaboratively with partners remains key as we cannot operate in isolation: -we are running fortnightly online sessions to share tools and resources with resident-facing practitioners from across sectors. - we have identified a further £850k to support poverty reduction working with partners. We are distributing £5.6m thanks to continued support from central government via the Housing Support Fund. A task group is identifying action to tackle food poverty affecting children in schools. We are also doing what we can to support organisations on the ground. This is vitally important because it is these organisations that have the greatest reach into diverse communities. For example, we helped secure £180k to invest in the three food hubs that coordinate the distribution of food waste (Woodberry Aid, Hackney City Farm, Morningside and Gascoyne). Over winter, we designated libraries as warm hubs and are supporting more organisations to develop warm hubs and get onto the online map of hubs. Hackney's energy advice contractor - the London Energy Saving Squad (LESS) are running energy advice drop-in sessions at designated hubs across the borough.
SRCR 0042e - Inflationary pressures - Supporting Residents & Businesses	Management of relief and discounts available to residents and businesses inc Council Tax Rebate and business rates relief. Proactive signposting to additional financial support that is available. Recovery action that encourages payment and	Jackie Moylan	Rob Miller/Neil Clarke /Revenue and Benefits	Sept 24	**December 2023** ● Review guidance issued with bills and council website to ensure its clear to residents / businesses what reductions that they are entitled to from their council tax and business rates bills

	works with residents and business to create sustainable payment plans.				• Staff training to ensure all staff including F2F, Customer services and revenues staff understand what additional support is available to residents and businesses and are able to signpost accordingly • Promote and make access available to all to maximise take-up of the council tax rebate. • Revenue staff to work with residents and businesses to establish affordable payment plans • Recovery when undertaken - work with residents and businesses to avoid where possible actions that increase the debt - ie court and enforcement agent action.
SRCR 0042f - Financial relief	Promote and signpost financial relief and support available to local businesses, promote access to affordable workspace in the borough, and promote access to business income and investment opportunities via the Hackney Business network and other business focused channels and forums.	Dawn Carter-McDonald; Rickardo Hyatt	Stephen Haynes, Suzanne Johnson	Sept 24	**January 2024** • The Hackney Business Network (HBN) website is well established and provides up to date advice and guidance to businesses, including on dealing with financial issues and the cost crisis as well as how to access affordable workspace • Regular enewsletters are also issued to businesses signed up to the HBN with useful information and updates for businesses, including on business advice, support and business grant funding available. • The Hackney Impact Fund (funded by the UK Shared Prosperity Fund) launched in 2023 and provides a range of financial support and advice to businesses. • All of the above channels and programmes also provide advice and support to businesses on becoming greener and responding to the climate emergency.

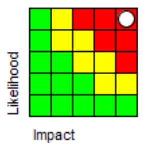
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0021 Cyber / Information Security ***INTERNAL /EXTERNAL RISK*** ***FUTURE RISK***	Cyber threats continue to rise rapidly, with a growing number of large businesses and public sector organisations experiencing cyberattacks similar to the criminal cyberattack on the Council in October 2020. Recent victims include the Post Office, Capita, the system provider for NHS 111 (Advanced), schools,	Chief Executive's; Children and Education; Adults, Health and Integration; Finance &		**November 2023** 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.

	care providers and a wide range of other organisations. 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. An attack could cause an extremely serious impact to how services operate and also present financial, legislative and reputational risks. 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. 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.	Corporate Resources; Climate, Homes and Economy		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). 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. The Council has also responded where needed following cyberattacks on partners which might present a risk to data processed on behalf of the Council. A detailed Cyber Security Hub was launched earlier in the year providing all staff with a clear overview of the Council's approach.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
FR IT 0006a Ensure compliance with the PSN Code of Connection and other applicable standards (including the ICT security requirements for compliance with the NHS IGSoC).	Ensure that good security practice is reflected in the Council's technical architecture and operational practices, including annual PSN Code of Connection compliance assessment (supported by IT health check). This will be an ongoing annual activity (no fixed end date).	Jackie Moylan	Rob Miller	April - 2024	**November 2023** The Council has a current PSN compliance certificate, valid to February 2024.
FR IT 0006b Ensure that all users of the Council's systems and data take appropriate measures to protect these.	The Council has effective policies, guidance, training and measures to enforce compliance for all users (including Members). Further detail on this (and specific policies) can be found on: https://sites.google.com/hackney.gov.uk/hackit-cyber-security-hub/policies-processes-standards-and-guidance	Jackie Moylan	Rob Miller	April - 2024	**November 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. The Cyber Security Hub provides a very detailed overview / support for all staff in awareness of this approach.

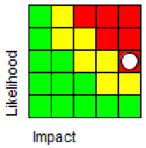
FR IT 0006c Ensure that all hardware and software is supported for security updates.	Ensure that infrastructure and application lifecycle management practices are in place and functioning effectively so that the Council's systems remain supported. More details: https://sites.google.com/hackney.gov.uk/hackit-cyber-security-hub/policies-processes-standards-and-guidance	Jackie Moylan	Rob Miller	April - 2024	**November 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.
SRCR 0041a Modern cloud services	Continued use of the most modern cloud services available, underpinned by the 'web first' and 'zero trust' security model.	Jackie Moylan	Rob Miller	April - 2024	**November 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).
SRCR 0041a Recovering data	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.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Rob Miller	April - 2024	**November 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.
SRCR 0041b Service continuity	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; housing benefits; Council Tax and Business Rates; land charges; and housing services. 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.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	James Groom	April - 2024	**November 2023** Coordination of service continuity and recovery continues and is led by the Corporate Leadership Team / directorate leadership teams.
SRCR 0041c Maximising existing tools	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	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland;	Rob Miller	April - 2024	**November 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.

	using the Amazon Web Services cloud platform and Google Workplace.	Rickardo Hyatt			
SRCR 0041d Communication to residents and staff	Many services that residents depend on were impacted by the attack, and would equally be affected by any future attack	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Rob Miller, Comms team	April - 2024	**November 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.
SRCR 0041e Guidance for safely using Generative AI at work.	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.	Rob Miller	Council Officers	April 2024	**November 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

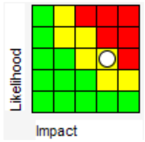
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0001 National and International Economic Downturn - impact on budgets ***EXTERNAL RISK CURRENT & FUTURE RISK***	There is an ongoing risk to the Council's finances arising from 13 years of austerity and the impact of prevailing economic conditions following the pandemic and in the midst of the cost of living crisis. In Hackney, this has been compounded by the effects of the cyberattack. The risk is that 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. London boroughs Core Spending Power will be c.19% (£2.2bn) lower than 2010-11 by 2024-25 in real terms. This risk to financial sustainability could drive reductions in services leading to local dissatisfaction and damage to the Council's	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2023** The pandemic and the Cyberattack both had a very serious impact on the Council, significantly reducing the flexibility and resilience of the Council's financial position. However, increasingly the organisation has moved on from those challenges and now has to deal with the overall cost of living crisis. The specific risks in relation to the cost of living crisis are set out at **SRCR 0042** above. The provisional 2024-25 Local Government Finance Settlement was published on 18 December 2023, the Government announced the funding allocations for 2024-25. These were in line with expectations other than a larger reduction in the Services grant than we were anticipating. Very little detail was given on 2025-26 and beyond but it is likely that local government will suffer a real terms reduction in external funding post 2024-25

	reputation. Tighter finances could result in less capital, affecting potential economic development and social infrastructure.				The Government has confirmed that council funding for 2024/25 will rise by 6.5% (Hackney only 6%), taking total funding to £64bn if all local authorities increase council tax by the maximum allowed without a local referendum. The Local Government Association has warned the increase will not be sufficient for councils facing "severe cost and demand pressures", with the chair saying councils will still face a funding gap totalling £2bn, with services "exposed to further cuts". The overall national feelings about this funding have been described as 'bitter disappointment'. The Council's cumulative budget gap is currently around £30 million which reflects the severe pressures being felt here. Clearly, a one year settlement for 2024/25 does not assist with medium term financial planning and the Council must be prepared to develop significant savings plans in the medium term in anticipation of the reduction in real resources, high inflation and increasing interest rates. In the light of inflation and a reduction in resources in real terms, adding more uncertainty, pressure and challenge to an already problematic situation, the score has been maintained at the maximum. This clearly creates risks for the Council given the high rate of inflation which will almost certainly continue for some time. The latest financial forecast contains a series of proposals that would reduce the budget gap to £8.5m in 2024-25, compared to a 2023-24 Budget MTFP forecast gap of £22m and a still very high cumulative gap of £29m in 2026-27 (down from £57m). The latter must be regarded as an illustrative forecast only though because of uncertainties regarding future external funding and the ongoing impact of the cost of living. Finally, the Fair Funding Review remains a risk but the 2023-24 LGFS announced that it won't be implemented in 2024-25 either. What happens after this is unclear.
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0001B National and International Economic Downturn	There is a need to ensure that the Medium Term Financial Plan accurately reflects best estimates of future funding levels. Financial planning will be constantly diligent and reflect the changing circumstances of budgets available. Also, controls from other related risks are relevant, e.g. Regeneration projects and Recruitment and Retention [increasing access routes into the Council's employ].	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	February 2024	**December 2023** - The MTFP was presented as part of the budget report to Full Council in March 2023. For 2023/24 this included provision for the pay award (which has now been finalised for Dec 2023) and other specific inflationary elements including for energy. One-off resources are being identified for meeting this additional cost for 2023/24 and, now that the amount is clear, this pressure will be built into the base budget going forward.
SRCR 0001A National and International Economic Downturn	Whilst the overall risk is external and largely beyond control of the Council, there is a clear need to identify, implement, monitor and resource the delivery of significant reductions in expenditure and to ensure the services that continue to be provided are resourced adequately. Also, Officers' advice to members	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	February 2024	**December 2023** - action ongoing. The Corporate Leadership Team (CLT), with the Group Director, Finance taking the lead, are overseeing the budget development work to meet the forecast budget gap for the medium term period 2024/25 to 2026/27. This is focussed on specific areas of spend & income identified through a combination of benchmarking and externally commissioned work. Proposals are being developed in close collaboration with Cabinet

	needs to be explicitly clear as to what can and cannot be delivered including the organisations ability to deliver and implement the commitments contained within the local manifesto.				members to ensure transparency around impacts including where there may be service reductions or increases in charges. Given the size of the budget gap Group Directors have also been working to develop a long list of additional budget proposals This work will not offer straightforward solutions, however, and it is anticipated that difficult decisions will still need to be taken. Budget proposals will be subject to a scrutiny process which is currently under development. Budget proposals agreed to date can be found on the following link • 2023/24 Overall Financial Position - May 2023 (pg5) • 2024-25 to 2026-27 Savings • Further proposals will go to January 2024 Cabinet for approval
SRCR 0001D National and International Economic Downturn	Savings proposals are developed and agreed with members in order to bridge the forecast reduction in resources. At the same time, the capital programme is subject to review to ensure that available resources are used to deliver Council priorities. Several measures, including numerous restructures, have been used to reduce overall expenditure levels across the Council. There are also continuing efforts at seeking ways to generate additional income, for example in the use of Corporate Estates for events /major regeneration and building projects / changes in service delivery models etc. This is already resulting in considerable savings to help mitigate the risk of funding cuts.	Dawn Carter-McDonald ; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	February 2024	**December 2023** - ongoing, as noted above regarding savings for future years. A review of capital management has been completed and the first tier of the new structure - the Capital Asset Steering Board (CASB) now in place. A key feature of the new arrangements, is to ensure that the capital strategy remains aligned with the Council's priorities through revised governance and approval processes and that the capital programme is affordable in terms of capital resources available and the impact on revenue budgets through clear links through to the MTFP.
SRCR 0001E Commercialisation	The Council is looking to take advantage of commercial opportunities which are presenting themselves as a new way of raising capital and mitigating impacts of austerity. These more innovative ways of working present opportunities to protect the Council against cuts in other areas.	Dawn Carter-McDonald ; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	February 2024	**December 2023**- The budget development process referred to at **SRCR 0001A** above includes 2 specific work streams with a focus on commercialisation and income generation: • Estates - although this workstream is also concerned with the efficient running of the corporate estate and the potential release of cost savings with post-pandemic hybrid working now embedded further office space is available for commercial letting. 2023/24 Overall Financial Position - May 2023 (pg5) • Income Generation - this workstream is focussed on the development of a corporate approach to commercialisation alongside ensuring existing income generating activities are sustainable and exploring further such opportunities. 2024-25 to 2026-27 Savings (pg3)

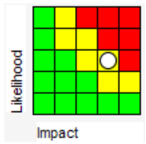
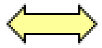
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0002 Management of Capital Programmes / Schemes ***EXTERNAL RISK*** ***FUTURE RISK***	From a financial perspective, as a result of substantial external borrowing to fund the ambitious capital programme, the Council moves from a 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. Additionally, Major Capital Schemes may not be managed or targeted effectively to maximise use of resources available and ensure delivery according to expectations. This poses a risk to the successful completion of such schemes, incurring losses and dissatisfied stakeholders.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 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. 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.

Control Title	Control Description	Lead Responsible Officer(s)	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.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	Feb -2024	**December 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.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	Feb - 2024	**December 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.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Jackie Moylan	Mar - 2024	**December 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	**December 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.

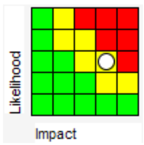
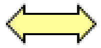
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0010 Pension Fund ***EXTERNAL RISK*** ***CURRENT & FUTURE RISK***	General market volatility (eg – price and pay inflation is more than anticipated), changing demographics, vulnerable asset classes and any legislative changes could pose a risk to investment returns which underpin fund performance and ability to meet future liabilities without additional financial burdens on the taxpayer. If investment returns are poor or the outflow of resources is much larger than expected or an asset category seriously underperforms, this will have serious financial implications for the Pension Fund and ultimately add cost pressures to the Council's budget and other employers in the Fund via increased employer's pension contributions.	Finance & Corporate Resources		**November 2023** - In the immediate aftermath of the pandemic, stock markets crashed and investments almost everywhere went down, although they quickly recovered and continue to generally increase in value. Within the recent political volatility in the UK (especially following the mini budget in September 2022), there were headlines on the impact on pension funds holding a particular type of investment called leveraged liability drive investment or LDI. These investments are common amongst private sector pension funds, where many funds are closed to new members and cannot tolerate much volatility in their investments. The Hackney Pension fund was not affected by this issue. Like all local government pension funds, it is open to new members and can afford to invest for the very long term, and tolerate more volatility than most private sector funds. The fund has therefore chosen not to use LDI approaches to manage its investments, so is unaffected by this. While market conditions remain volatile and uncertain, both our investment strategy and the plan for meeting our liabilities (our future pension payments) stretch over the very long term and we are confident that it is robust. The Fund remains cash flow positive albeit not as strongly as in the past. We will be closely monitoring the situation but we do not expect to make major changes outside of the Fund's investment strategy, a review of which is underway in conjunction with the recent actuarial valuation. We remain committed to the Fund's policy to reduce exposure to carbon reserves and greater focus on ESG matters. The likelihood of this risk occurring is currently rated as possible, whilst the impact if it did occur would be major, given the potential for the Council to be required to pay additional contributions in the event that the funding position were to deteriorate. In Oct 2015, the Government called for the assets of the 91 LGPS funds in England and Wales to be pooled into 8 pools of approximately £25bn+ of assets. The overall aim is to reduce investment costs and improve the resilience of the LGPS through potential performance improvements. The Council has committed to transfer further assets to the London CIV, but the process is ongoing. Transition of assets results in increased transition risks and potential strategic risks so the process continues to be managed carefully.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0010D Pension Fund	The funding of the Pension Fund liabilities continues to be monitored closely and the Fund seeks to mitigate systemic risk through a diversified portfolio of asset classes but it is not possible to make specific provision for all possible eventualities that may arise under this heading. Rebalancing arrangements are 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	August 2024	Updated November 2023 - ongoing.
FRFSV 0052D Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position. Use of external advisers to assist in making investment decisions. There is ongoing monitoring of financial markets and close communication with Pension Fund Investment managers/consultants.	Jackie Moylan	Rachel Cowburn	August 2024	A revised CIPFA framework has been issued and an updated Council Policy was agreed at Pensions Committee in November 2022. An updated training programme will follow an audit against this new policy in the new administration. Detailed reports are considered at Pensions Committee at regular intervals providing them with the assurance that risks are being managed.
FRFSV 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration/improvement are put in place. Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify – financial mismatch / falling risk free returns on government bonds / higher than anticipated inflation / increasing fund maturity / insufficient deficit reduction payments.	Jackie Moylan	Rachel Cowburn	August 2024	Reviewed November 2023 –.The triennial valuation is now complete and, emphasising that this is at a point in time and highly sensitive to market conditions, showed the fund as 106% funded.
FRFSV 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risks where feasible. Also regarding further Asset Pooling, planning for transition is considered as part of the Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Jackie Moylan	Rachel Cowburn	August 2024	Updated November 2023 - All these factors were reflected in the triennial valuation process.
FRFSV 0042E	Monitor proposed changes, consultations and guidance from Government on the pooling agenda,	Jackie Moylan			

Controls related to asset pooling	responding where appropriate to influence outcomes. Amend process where required to ensure compliance. Also maintain good working relationships to ensure the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements.		Rachel Cowburn	August 2024	November 2023 – Transfer of further assets to the London CIV is being considered as part of the current Investment Strategy Review.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0013 Impact of New Legislation ***EXTERNAL RISK*** ***FUTURE RISK***	The Council may not be able to respond to external influences on legislation and updated policies, thus risking the efficiency and effectiveness of service provision. Also if requirements of any new act are not met, there would be an adverse impact on the Council's legal and reputational standing. As a result of new policies, the Council's financial position may be adversely affected, constraining its ability to invest or progress work in new areas. Many of these policies could also have damaging consequences for the local community and many people currently living in Hackney. Additionally, the impact of new legislation could have consequential results for the Council in terms of increased costs / reduction in come for the Council and the associated impact that this can have for residents, particularly the most vulnerable. Further effects of new legislation could be financial, legislative (with a failure to understand the breadth of responsibility) and reputational, directly affecting the local community. There could also be issues amongst the local community in terms of dissatisfaction, lack of understanding and increased financial difficulties.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		 **November 2023** –The first King's speech (this century) was delivered in November 2023 and outlined 21 laws that ministers intend to pass in the next year-long session of Parliament, covering a range of topics including energy, regeneration, housing, anti-social behaviour, climate change, biodiversity and technology. In addition, a number of pieces of legislation which were enacted before the current session of Parliament will have an impact upon the Council and its processes and procedures, for example the Procurement Act 2023, Levelling-Up and Regeneration Act 2023 and Social Housing (Regulation) Act 2023. It is becoming more commonplace for much of the operational detail to be left to later secondary legislation which can impact upon assessing the potential impact and effect of legislation and the timings. For example, the Election Act 2022 introduced significant change with regards to the conduct of elections, including voter ID, which only came into effect following the introduction of later secondary legislation. That said, the recent Mayoral election (Nov 2023) has shown this can be carried out successfully. Furthermore there are other forthcoming examples of proposed legislation that could impact on the carrying out of Council functions, and the risk that needs to be managed is the implementation process and the financial and human resources that may be required. This needs to be kept under review as each legislation is passed and implemented. Risk remains at the same score.

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0013 Impact of New Legislation	The Council continues to monitor and respond to consultations regarding service delivery and other innovations to ensure that it is fully aware of new and changed initiatives and can react accordingly. All managers keep up to date with external developments which may impact on their work. Careful project and programme management is undertaken to deal with any serious reforms and their implementation. There is a quarterly Corporate Law Update outlining all the latest legal developments and their potential impact on the Council.	Dawn Carter-McDonald	Louise Humphreys	Sept 2024	November 2023 - ongoing. A specific example of this would be within Housing, where the Senior Officers have been continually carrying out detailed analysis regarding the likely impact of new (Housing) Act, both internally and with other boroughs and representative organisations. Individually and with other boroughs, the Council continues to respond to policies in order to mitigate the adverse effects of these policies. Once the detailed Statutory Instruments have been published, the likely impacts of the various policies can be more accurately assessed and work can continue on preparations to implement the measures in a way that best mitigates the impacts on the Council and residents.

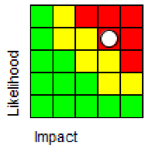
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0018 Workforce & Skills ***INTERNAL RISK*** ***FUTURE RISK***	The continuing implementation of future (post-pandemic) workplace programmes could lead to staff feeling disengaged and unsupported, or impact on effective service delivery. There may be a lack of cohesion within hybrid teams, disproportionate impacts on some groups of staff, and growing perceived disparities between field based and office/home based staff. Also there have been some inconsistencies in the approach of different teams towards time in the office which could affect overall Service / Directorate cohesion. Additionally, the world of technology and work is changing fast and there is a risk that the Council might fail to maximise the potential of these changes, including the potential to transform services through effective use of data, technology and digital approaches and mind sets. As well as the risk of missing opportunities to deliver more cost effective services, this also risks Hackney failing to meet residents' expectations of the Council's services. Embracing new ways of working is important for the organisation. Failure to do this could	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		 **December 2023 –** The pandemic added an increased importance to this risk, but things have settled in the last year to return to a more stable state of affairs. In the immediate aftermath of the lockdown, it became clear that the vast majority of the workforce would need to permanently work from home for a period of months and this would be a challenge to technology. Happily, most risks related to this did not materialise. However, the adaptation towards a (flexible) return to work may now present new challenges. As of 2023, most teams have returned to a hybrid approach to work, of two days in the office and the rest home working.The Cyberattack in October 2020 added a new level of challenges to this risk, which have been worked through over the last year with ongoing workstreams to ensure all services can return to running as normal. Some backlogs do remain however.

	result in the Council lacking the dynamism to succeed in effectively utilising opportunities open to it. There is also the additional risk that amidst an atmosphere of financial reductions and redundancies (and the aftermath of the pandemic), the Hackney workforce become demotivated, leading to a negative atmosphere amongst workers, impacting upon service delivery and leading to dissatisfied stakeholders. Also that restructures and significant senior leadership change may cause temporary loss in efficiency as officers are unsure of how new reporting arrangements, responsibilities and service provisions are put into practice. Recent changes across the Senior management of the Council, both politically and amongst Senior Officers, could threaten effective service delivery as adaptation occurs to new managers, and their ways of working. Knowledge could be lost with a large number of experienced staff taking redundancies or leaving the organisation.				There have been notable change within the Senior Leadership at the Council over the last couple of years (and the resignation of the Mayor in September added to this instability) and further restructures are planned or taking place in different services around the Council. These are being carried out for a variety of reasons including improving team's organisational efficiency, adapting to new ways of working and also in some areas due to cuts to funding. These have contributed to the increase in score of this risk The latest Staff Engagement Survey was completed at the end of 2021 (with another scheduled for 2023/24) and the results shared with all staff. Overall, the results illustrate generally positive feedback from staff, but all areas are being analysed, with CLT pledging to take all issues on board. Also, March 2022, saw the completion of the latest Future Ways of Working survey, with very useful feedback helping this become a genuinely two-way process.

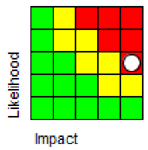
Page 214

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0018 a Workforce & Skills	Investing in staff skills and digital leadership across all services Ensuring that the Council has a joined up approach to workplace - designing technology, workspace, policy and practice to ensure that these come together cohesively to support maximisation of these opportunities. 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 managers took part in the initial pilot 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 is currently underway to test staff engagement/morale levels. Data will be provided at Directorate and Dept level and support provided for Directors to shape action plans. Regular staff insight work has been 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.	Dawn Carter-McDonald; Jackie Moylan	Sandra Farquharson, Rob Miller	Dec 2024	**December 2023** - Updated and ongoing.
SRCR 0018 b Workforce & Skills	There are detailed HR procedures and processes to deal with all relevant areas (including problems/instability created by restructures) and these are carefully adhered to by teams involved. All communication is regular and carefully considered. Staff are well supported in adapting to new ways of working (whether from an IT or HR perspective).	Dawn Carter-McDonald; Jackie Moylan	Sandra Farquharson	Dec 2024	**December 2023** – these controls are in place and continuing. Detailed guidance was drafted in March 2020 to provide staff with detailed instructions and special dispensations (if required) during the Coronavirus crisis. These have been consistently updated since then to reflect the latest position. Most recent guidance in 2022/23, points towards the

					current return to the office with a hybrid approach to work (for most - two days a week). Also clear guidance and support offered for restructures etc.
SRCR 0018 c Workforce & Skills	Ensuring that the Council's strategic plans reflect these opportunities. Also that internal communications effectively relay any developments and changes.	Dawn Carter-McDonald; Jackie Moylan	Policy	Dec 2024	New Corporate and Community Strategy (2018-2028) reflects this, along with other ongoing streams of work within the Policy team.

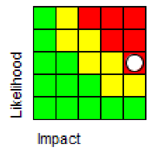
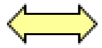
Risk Title	**Description of Risk**	**Directorate**	**Current Risk Matrix**	**Risk - Latest Note**	
FR IT 0001 Information Assets ***INTERNAL RISK*** ***FUTURE RISK***	The Council holds a wealth of information assets across its services. It is essential that this is managed in compliance with requirements such as the Data Protection Act, the NHS IG Toolkit and also the General Data Protection Regulation (which came into effect from May 2018). Failure to do this creates serious regulatory / legislative risks for the Council. It is also essential that the Council is able to use these information assets effectively to commission and deliver high quality services, reduce costs and work in partnership with other agencies and providers.	Finance and Corporate Resources		**November 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. 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.	
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
FR IT 0001a Information management	Ensure effective information management policy and processes are in place so that the Council meets the requirements of the Data Protection Act / other legal and regulatory compliance arrangements. Ensure that the Council's information assets are managed robustly and used effectively to provide insight and to integrate Council and partner services, and deliver the maximum benefit to residents and businesses. This will be an ongoing activity (no fixed end date).	Rob Miller	All Officers	May 2024	**November 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 been submitted to these tools (as they are not private).
FR IT 0001d Third party information sharing	Ensure that we can do business efficiently and seamlessly by having appropriate data sharing agreements in place.	Rob Miller	All Officers	May 2024	**November 2023** Responsibility for appropriate information sharing is the responsibility of Information Asset Owners, supported by the Information Management Team

	It will be critical to ensure that control requirements are assessed and the implications for Hackney users are clear and proportionate (eg. some third parties require controls that would excessively restrict the Council's use of systems and buildings etc, and these may be barriers to information sharing). This is an ongoing activity (no fixed end date).				who provide advice on the application of the relevant Council policies to services' information sharing arrangements.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0020 Corporate (ICT / Business) Resilience. ***INTERNAL RISK FUTURE RISK***	(Risk that) the Council does not have effective and up to date business continuity arrangements which are robust and tested to provide assurance of service continuity in the light of a major incident affecting its business. This could impact on service delivery throughout the organisation. There is also a risk that Business Continuity Plans across the Council's services do not accurately reflect the disaster recovery provision that is available. This could result in services not being able to invoke their continuity plans effectively due to incorrect assumptions.	Finance & Corporate Resources		**November 2023** - Since the cyberattack, the Council's recovery work has accelerated progress in delivering the 'web first' systems model that we had set prior to the attack. This has significantly reduced dependencies between systems and moved services to the most modern cloud based platforms available, meaning that the potential broader impacts of system outages are significantly reduced. The benefits of this approach were demonstrated during the COVID-19 lockdowns where services were able to continue operating effectively throughout the shift to home based working for many staff, and also following the cyberattack of October 2020 (which impacted on all of the Council's internally hosted systems but not cloud hosted services such as Google Workspace, the Council's website and intranet, and other critical systems). BC Plans continue to be consistently reviewed, coordinated by the Council's Emergency Planning team. The Council has plans for further exercising of its ICT recovery plans in 2023/24.

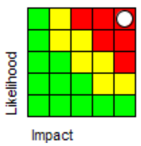
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Date	Control - Latest Note

FR IT 0003a Resilience of ICT systems / Disaster Recovery	Since the cyberattack of 2020 our recovery work has accelerated progress in delivering the 'web first' systems model that we had set prior to the attack. This has significantly reduced dependencies between systems and moved services to the most modern cloud based platforms available, meaning that the potential broader impacts of systems outages are significantly reduced. It must be noted that it is not possible to totally mitigate risks of systems being unavailable so Council services must ensure that their Business Continuity Plans include plans in the event that ICT systems are not available and include plans for extended unavailability of their ICT systems.	Jackie Moylan	Rob Miller	May 2024	**December 2023 .** The ICT service's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly. While a previous audit review in late 2019 provided a significant level of assurance in the Council's DR provision, this relates to the previous architecture which is no longer in use. The Council has plans for further exercising of its ICT recovery plans in 2023/24 and will work with internal audit to plan for review of the new cloud based platform arrangements in due course.
FR IT 0003b Review of Business Continuity Plans across the Council's services.	The Corporate Business Continuity Manager is supporting service managers across the Council in carrying out a review of their Business Continuity Plans. This is designed to identify critical services and their continuity requirements, and will help ensure that their plans are based on accurate expectations of the provision available. It is planned to implement a rolling 18 month schedule of review for all the council's BCPs. This will be in place following the current review of BCPs across all services, which has pretty much been completed within the last six months.	Rickardo Hyatt	James Groom	May 2024	**December 2023** No further specific update. The Council's business continuity arrangements are kept under regular review and reported to the Council's Business Continuity Management Group which meets quarterly**.** Also, the corporate review of Business Continuity Plans has been completed. A Council wide BC training programme commenced in Sept 2023, with all Senior Managers across the organisation required to attend.
SRCR 020A - Corporate Resilience Forum	A Corporate Resilience forum has been established and will take overall strategic lead reporting to CLT. However the specific ICT issues are still managed by ICT themselves.	Rob Miller	Cross Council	Ongoing	From paragraph 1.1-1.2 of the CRF report: 1:1 The CRF oversees the development of all systems and processes for Emergency Planning, Business Continuity Pandemic Planning and Resilience within Hackney Council. 1:2 This group will also ensure that appropriate links are made to other stakeholders in relation to Emergency Planning and Resilience such as NHS, LFB, MPS, EA AND VCS. Regular meetings continue to occur (most recently in September 2023).

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0023 Person suffers significant harm, injury or death ***EXTERNAL RISK*** ***FUTURE RISK***	If risks are not adequately assessed and protected, a child, young person or adult could suffer significant injury or death attributable to the Directorate's failure to take appropriate safeguarding and risk management measures. Additionally, general members of the public or Hackney staff could suffer harm due to a lack of general health and safety measures being in place.	Children and Education; Adults, Health and Integration		 **Update November 2023** – This remains a high risk, and controls are in place to manage this.

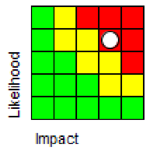
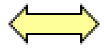
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
CYP 006B Local Safeguarding Children Board (LSCB) reviewed and operating as an effective multi-agency forum.	The City & Hackney Safeguarding Children Partnership (LSCP) has a remit to monitor safeguarding across all partner agencies, including the local authority.	Jacqui Burke	Rory McCallum	Sept 2024	**November 2023** - A range of measures have been put in place to ensure the CHSCP is operating as an effective multi-agency forum. Independent chairing is in place, defined governance arrangements, regular attendance from partners at Executive and relevant sub / working groups and Hackney-specific self-assessment. CHSCP also maintains a risk register covering all key statutory requirements; these actions and progress are regularly reviewed through the CHSCP Executive and full CHSCP.
CYP 006D Ensure staff have the necessary skills to ensure risk and need are properly assessed	The Directorate as a whole understands areas of high risk and works together to mitigate risk in relation to individual children by joint training and development and joint monitoring of practices across the services.	Jacqui Burke	Diane Benjamin	Sept 2024	**November 2023** - Individual case supervision between managers and allocated social workers is the mechanism that ensures that children are safe and plans for them are progressing in timescales that meet their needs. Supervision timescales are monitored as a key deliverable by senior leaders in regular data reports. Work is currently underway to develop an additional reflective group supervision model that will enable sharing of best practice and encourage collective problem-solving. A Workforce Development hub established in the Safeguarding and Quality Assurance service to ensure that staff training needs are met and prioritised in terms of urgency.
CYP 006E Child Protection procedures in place	Children subject to Child Protection Plans and Looked After Children are visited in line with statutory guidance and care plans are monitored, updated and amended as appropriate. Children are to be seen alone.	Jacqui Burke	Diane Benjamin	Sept 2024	**November 2023** - Ongoing, monitored through management oversight and audit, monthly, quarterly and annual performance reports, including statutory returns to DfE and by Independent Reviewing Officers. In April 2022, CFS resumed the use of Mosaic since the cyber attack in October 2020. In July 2022 our digital maturity journey reached another milestone with the resumed use of live reporting tools provided by Qlik Sense, enabling managers once again to closely monitor performance in real time to drive improvement in what we achieve for children.

CYP 006F Risk assessing activities for young people	All activities directly provided and commissioned by the directorate must be subject to rigorous risk assessments.	Jacqui Burke	Diane Benjamin	Sept 2024	**November 2023** - All providers of proposed activities, including the local authority, are required to submit a written risk assessment which is scrutinised and approved / not approved by the service area. Where a risk assessment is not approved, the activity is not able to proceed. Minimum ratios of adults to young people are required. Our external commissioned providers are also expected to demonstrate that they meet health and safety standards as part of their contract including systems and processes for conducting risk assessments of premises and activities. As a result of the pandemic - in-person activities have been subject to risk assessment to ensure that they can be delivered safely, with mitigating actions in place to minimise risk to children and staff such as changing venue, capping numbers and ensuring hygiene measures are in place. Other activities have been provided virtually and we remain responsive to Government guidance in relation to the fluctuating rates of Covid/changes in requirements.
CACH ASC 0005 Implementing a robust safeguarding approach across adult services	The City & Hackney Safeguarding Adults Board's (CHSAB) role is to monitor safeguarding across all partner agencies, including the local authority and has regular meetings of the Board to ensure safeguarding across the partners is being managed effectively and that relevant intelligence is appropriately shared. The Safeguarding Adults Board with the input and support of Adult Services' Head of Safeguarding will continue to oversee the delivery of the recommendations of the Safeguarding Adults Reviews. This will include working with existing projects within the Integrated Commissioning programme such as the Neighbourhood Programme to ensure they support the delivery of these recommendations.	Helen Woodland	Georgina Diba	Sept 2024	**November 2023** - ongoing. The City & Hackney Safeguarding Adults Board have continued to work together to embed the learning from SARs to help mitigate this risk further. This included delivery of SAR learning sessions to multi-agency groups, including voluntary agencies. The Board has also carried out awareness raising activities to help prevent adult safeguarding such as an awareness campaign co-produced with service users to raise awareness of financial abuse.

Risk Title	**Description of Risk**	**Current Risk Matrix**	**Risk - Latest Note**
SRCR 0028 CYPS, SEND funding – Escalating SEND spend has an adverse impact on Hackney Education and Council budgets.	The number of pupils eligible for EHC Plans continues to increase at a significant rate exceeding the population growth in the Borough, the effect of which is to place the SEND budget in deficit. This poses a serious and unsustainable financial risk.		**November 2023:** Actions continue to be appropriate, however, risk rating remains unchanged for the time being. Impact may reduce over time as control measures take effect. This is a national issue with other LAs experiencing similar funding challenges.

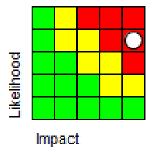
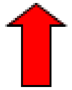
	Statutory override is due to end in 2026 at which point the financial risks will need to be managed by the LA to avoid the potential for Section 114.		The LA is now part of the Better Value Programme, which is currently in the logistics stage.

Control Title	Control Description	Service Manager	Control - Latest Note
SRCR 0028 a Forecasting of financial impact of SEND budget pressures.	Rapid, significant short term reductions in SEND costs and outlays will be difficult to achieve. Ensuring that the policy changes in the action plan result in medium term cost savings that relieve the pressures on the SEND budget, whilst ensuring the operational effectiveness of HE is not detrimentally affected by the overspend, is imperative.	Jacquie Burke; Sajeed Patni	**November 2023:** Hackney is working with the DFE through the Better Value SEND programme to agree an action plan for the deficit. The statutory override which allows the deficit to be carried on the Councils balance sheet has also been extended to March 2026.
SRCR 0028 b Ongoing work to develop plans/strategies to control/manage SEND spending.	SLT has approved a cost management plan to address the pressures placed on the SEND budget by increasing numbers of children and young people being eligible for EHC plans. The cost management plan is regularly reviewed by SLT.	Jacquie Burke, Joe Wilson	**November 2023:** An external finance consultant was commissioned to review funding to special schools. (completed 1st February 2023), additional resource provision and to update the business case for the expansion of places for children with EHC Plans.
SRCR 0028 c Risk 07 - Changing the culture of SEND in schools and Hackney Education to implement the action plan.	If the action plan is to control expenditure and distribute resources fairly, changes in the existing culture in Hackney Education teams and schools must also change to critical assessment and the equitable distribution of limited resources. Collaborative working with schools will be necessary to ensure pupils' SEND needs are met from delegated SEND resources, with EHCP referral only for exceptional needs.	Jacquie Burke, Joe Wilson	**November 2023:** The Graduated Approach and Team Around the School (TAS) commenced in September 2022. Positive engagement, however this is a long term programme to deliver the cultural change required.
SRCR 0028 d – The initiation of EHCP assessments is rigorously reviewed	The decision to initiate assessments needs to be rigorously reviewed to ensure the level of support is appropriate and sustainable. This may include senior managers signing off decisions, or refusing to do so.	Jacquie Burke, Joe Wilson	**November 2023:** Robust panel process in place; 31% of EHCP assessment requests are being refused. But will likely decrease as the system rebalances.
SRCR 0028 e – The costs of providing ECHPs is born equitably across agencies	All agencies need to contribute to the costs of the Education & Health Care Plans through the joint commissioning budget.	Jacquie Burke, Joe Wilson	**November 2023:** Joint Assessment Panel overseas bi and tri funding arrangements.

Risk Title	Description of Risk	Current Risk Matrix	Risk - Latest Note
SRCR 0027 b – Risks posed to children not in school, particularly those attending unregistered schools and settings**.** ***EXTERNAL RISK*** ***FUTURE RISK***	Safeguarding considerations for those pupils who are not registered at a school – Electively Home Educated pupils, children missing from education, children attending unregistered settings, children who are yet to be allocated a school place etc This is the particular focus for current Local Authority Safeguarding Inspection frameworks, and there is an expectation that HE must work with partners to ensure effective and robust identification, tracking, consultation and referral. Unregistered centres are neither known to, nor inspected by Ofsted, raising potential issues relating to the wellbeing and safeguarding of children and young people in the borough. HE does not have any statutory powers or reporting requirements in regard to the registration of independent schools. As well as the potential risk around safeguarding and lack of knowledge and intervention in regard to those young people attending such settings, there are clear reputational risks for HE in this area. Despite the fact that HE holds no powers in regard to either registration or closure, there remains the perception that the Local Authority has not presented sufficient challenge to the status of such settings.		 **November 2023:** Score unchanged. The schools bill was to address this area yet the bill has been cancelled and the DfE will not be pursuing additional powers. Work to implement the controls is ongoing, however the risk remains unchanged. This risk has been merged with the previous Corporate HE risk relating to Serious Safeguarding failure as both are connected.

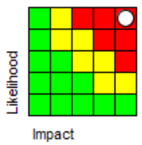
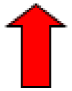
Control Title	Control Description	Service Manager	Control - Latest Note
LT 1415 Risk 18: Co-ordinating multi-agency responses, Hackney Education escalates any issues relating to the safeguarding of children or young people attending unregistered schools or settings.	HE are aware of unregistered schools and settings within the borough, we are escalating to the appropriate authorities Children and Social Care any issues of concern reported to them. HE co-ordinates multi-agency responses in regard to those settings that do not comply with Ofsted registration requirements.	Jacquie Burke; Kate Cracknell	**November 2023:** This continues to be a significant risk both in terms of reputational risk to the Council, and also risk of harm to children in our community. HE coordinates a UES protocol which Ofsted notes as the most successful response they have seen nationally, and Council officers reported to CYP Scrutiny Commission around the risk in January 2023.
LT 1617 Risk 04: Continuing attempts at engagement with unregistered settings are made by Hackney Education to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue and the systems developed through the Out of School setting project which has now ceased, and the unregistered educational settings group.	Jacquie Burke; Kate Cracknell	**November 2023:** Half termly meetings with senior leadership are held to brief them on the situation specifically around UESs, and the Council are in conversation with the secretary of state around our concerns and our restricted capacity to alleviate these. These are supported by a more general meeting looking at our engagement within Children, Families and Education with the Charedi community we serve, and tracking work and progress, and identifying and looking to overcome barriers (where possible).
LT 1617 Risk 03: Ongoing dialogue between HE, DfE and Ofsted around necessary legislation to ensure safeguarding duties can be effectively carried out.	Currently, the roles and responsibilities of LAs, DfE and Ofsted are not clearly defined with regard to safeguarding duties.	Jacquie Burke; Kate Cracknell	**November 2023**: This continues to be true and continues to be one of our biggest risks within Hackney Education. Work is underway to support our Charedi independent schools to comply with the new attendance duties which we hope to use as a lever to establish a secure line of sight for all children in the Charedi community of statutory school age, however the plans for these to become statutory in September are delayed which has impacted their credibility, especially as this follows the schools bill being scrapped in December 2022.

LT 1617 Risk 04: Continuing attempts at engagement with unregistered settings are made by HE to reduce the likelihood of pupils being put at risk.	In the absence of clearly defined statutory responsibility and given the numbers of CYP in such settings, the LA is seeking to raise awareness of safeguarding with all community groups through regular dialogue.	Jacquie Burke; Kate Cracknell	**November 2023**: HE has a good and ever-strengthening relationship with community groups and education leaders within the Charedi community, both at a local and national level. HE officers meet with Charedi colleagues regularly, and have supported them in meetings with DfE to describe the unique challenges faced in their community when it comes to education.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0046 NEW RISK Surplus school places ***EXTERNAL / INTERNAL RISK CURRENT RISK***	Surplus primary school places result in financial pressure on schools and threatens their long-term viability. Projected figures suggest this risk will intensify and increasingly affect secondary schools as the years pass. This places a serious financial burden on HE, and the Council.	Children and Education		 **December 2023**: This risk was proposed by HE SLT to be escalated to the Corporate Risk register in March 2022, and remains at this highest level. This was as a result of the clear reduction in demand for primary school places and the consequent financial impact that would create due to less funding for places. Within HE, the Risk Review Group noted the continued increase in surplus primary places. This risk will be continually reviewed, and maintains its current rating and impact. At a Cabinet meeting on December 11th, it was confirmed that two school will close in September 24 whilst another four will merge (into two).

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
LT 1112 Risk 23 Regular review & oversight of various pupil demand data	Regular review of GLA school roll projections data allows oversight and summary of changes to the potential pupil cohort and ultimately potential future demand for places. School roll projections from GLA (for primary) and internally (for secondary) provide a good indication of future demand.	Jacquie Burke	David Court	Sept 2024	November 2023: Latest primary projections confirm continued downward roll numbers in Reception with the observed fall over recent years predicated to begin to stabilise between 2028 and 2031. Mitigations are summarised in the councils School Organisation Plan
LT 1112 Risk 25 Regular monitoring of reception & secondary transfer applications	Whilst primary applications can be volatile in nature, secondary applications are more predictable. Regular monitoring of numbers of applications received compared to numbers expected allows the Admissions Team to identify and respond to any perceived under-submission. This also gives confidence in the projections being collated.	Jacquie Burke	David Court	Sept 2024	November 2023: the latest secondary projections based on January 2023 primary census data indicate that there will be at least 128 surplus year 7 places each year between 2023 and 2029, with the highest number (392) occurring in September 2029. Hackney Education continues to analyse each release of primary rolls as well as Greater London Authority projections to determine the likely effect on future secondary places.

					Mitigations are summarised in the council's School Organisation Plan .
LT EDU 2122 Risk 26 Regular monitoring by School Place Planning Group & SLT	Review data and make recommendations for SLT decision regarding proposals to manage surplus places	Jacquie Burke	David Court	Sept 2024	November 2023: Monitoring mechanisms in place. Mitigations are summarised in the councils School Organisation Plan

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0030 Pressures on Temporary Accommodation ***INTERNAL RISK*** ***CURRENT RISK***	The demand on temporary accommodation (TA) for homeless households exceeds the supply of property suitable for use, and also causes a clear shortfall between the subsidy provided and the actual cost of meeting TA need. This could result in serious difficulties in providing an effective provision for the accommodation of vulnerable children and adults, and also impact adversely on available budgets. This all 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.	Finance and Corporate Resources		 **December 2023** We have seen a deterioration in the situation this quarter and the Councils ability to mitigate the risks: 1. Temporary accommodation placements have risen by 6.6% YTD on last year. 2. We have been forced to utilise bed and breakfast and commercial hotels for families to accommodate them. We currently have eight families in this type of accommodation with nowhere to move them to. 3. The number of households that are waiting for temporary accommodation continues to grow, rising from 25 to 63 households awaiting a placement to be found. This is unlawful. 4. Homeless households are still presenting on the day and are placed where there is temporary accommodation available, currently Leicester but this often takes a number of weeks to source. 5. 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 twelve households in the last month. 6. The number of rough sleepers in the borough continues to grow, with 15 verified at the annual rough sleeper count during November, containing a growing number of those with failed asylum applications. 7. Temporary Accommodation providers are leaving the market with currently 220 rising from 207 properties requested back from the Council. 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. 8. The number of children living in TA continues to grow, with nearly 4000 children currently housed. 9. Rates for nightly procured emergency accommodation has risen by 25% in the last quarter and is continuing to rise. 10. 14 Ukrainian households are now placed in temporary accommodation.

Update

London Local Authorities have made it very clear that we are now experiencing a temporary accommodation crisis as well as a housing crisis.

The amount of temporary accommodation needed to fulfil demand for homeless households in Hackney continues to increase. Currently 3141 (up from 3020) households are placed in TA, with 1037 placed outside the borough and 124 placed outside London despite the use of all void regeneration properties, the creation of a number of new TA hostels and a small RTB buy back scheme to boost social housing availability. Despite c.2000 temporary accommodation units within the borough, demand far outstrips supply.

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.

Overall for 2023/24 we have seen successful homelessness and relief outcomes achieved by the Council fall by 23%, this has been exacerbated by the cost of living crisis, shrinking of the private rented sector and the lack of affordable housing.

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%.

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.

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.

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.

Context

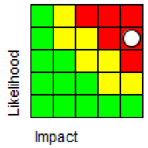
Local authorities have a statutory duty to provide accommodation for homeless households that have been defined as being in priority need and unintentionally homeless, and are obliged to secure temporary accommodation (TA) for that household as an interim measure whilst a longer-term alternative becomes available.

				The number of 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 2023/24 the total number of approaches is up by 6.3% on the previous year, which was at an all time high.

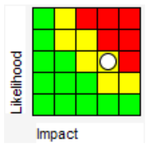
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0030a Utilising all available accommodation	Utilise 100% of all regeneration voids as additional temporary accommodation reducing the need for costly nightly paid TA provision.	Jackie Moylan	Jennifer Wynter	Dec 2023	**December 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 means that less units of this type will be available to mitigate TA costs and keep families in the borough.
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	Dec 2023	**December 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. 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. The number of private rented sector (PRS) lets achievable are dependant on three variables: • 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. • 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. 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, reduced membership fees, reduced headcount and changed ethos to pursue out of London procurement for privately rented properties. This is still not enough to increase the number of properties procured.

					Capital Letters are averaging the provision of one property per month to the Council. Previous out turn is below: 2018-19 = 88 2019-20 = 118 2020-21 = 466 2021-22 = 391 2022-23= 175 2023-24= 24 YTD
SRCR 0030c Observe pan London cap on nightly paid accommodation procurement	Maintain influence on the rental market by continued observation and no breaches (except emergency disabled accommodation) of the agreed Pan London TA rent cap.	Jackie Moylan	Jennifer Wynter	Dec 2023	**December 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.
Page 226 **SRCR 0030d** Provide appropriate accommodation with support for mental and physical needs	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.	Jackie Moylan	Adults Social Care Commissioning	Dec 2023	**December 2023** - This function has now transferred to the Benefits and Housing Needs Service from Adult Social Care on 27/08/23. 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: • 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) Preliminary calculations indicate total average annual costs of support (not including accommodation costs) to be in the region of up to £6.2m per annum. It is important to note that these costs are indicative, based on the assumption that contracts will be awarded that are favourable to providers across the sector, e.g. for a term that is at least five years with the option of two annual extensions (5 + 1 + 1). The costs assume CPI+1 - 11%, but taking account of the current volatile economic climate and the assumption that procurement and implementation will be phased, an average annual value including 15% is presented as the maximum cost. It's also useful to note that increased capacity of this type of preventative provision is significantly less at £286.37 pwk than the cost of registered/supported living provision which currently costs the Council an average of c£1,345 per week *[costs recorded on Mosaic as at Oct 2023 - do not take account of additional costs, eg waking night, extra hours, etc].*

					The Council is requesting a whole systems approach to funding from health partners.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note	
SRCR 0036 – Universal Credit full roll out ***EXTERNAL RISK FUTURE & FUTURE RISK***	**Financial**: Universal Credit places the responsibility on the claimant to manage their claim and pay their rent from a one monthly payment. The five-week delay in first payment and monthly payment can lead to increased rent arrears for council tenants and make it more difficult for the council to recover other debts. Since the pandemic there has been an increase in the number of tenants not paying rent and cancelling direct debits (e.g. council tax). The impact of the Cyber Attack compounds these issues. **Strategic**: An increasing number of vulnerable residents struggling with their finances will put pressure on other public services. For example, employment and skills services as well as the health and care system. The five-week wait for a first payment remains and the use of an advanced payment reduces future income. **Reputational**: There is an expectation that the Council helps those who face barriers to making and maintaining a claim and those struggling to manage their finances. The Council's position as a large social landlord creates further pressure on the organisation to balance its approach between collecting payments and supporting residents who may be struggling financially. This is made even more the case by the impacts of the Cyber Attack and the approach the Council takes to debt recovery.	Chief Executive (leads on this)		**December 2023** - During 2023/24, the focus of DWP is on households claiming tax credits only (working tax credit and/or child tax credit) - which means they are in employment. Throughout 2024/25, all cases with tax credits (including those on both Employment and Support Allowance and tax credits), all cases on Income Support and Jobseeker's Allowance (Income Based) and all Housing Benefit cases (including combinations of these benefits) will be required to move to Universal Credit. We expect there to be greater impact on more vulnerable groups next year and until we can understand the timetable and scale of impact, this remains a corporate risk, and the score remains high. Universal Credit is the main welfare benefit for working age adults who are unemployed or on lower incomes and it is administered by the Department for Work and Pensions. Universal Credit combined six separate benefits into one: Housing benefit, income-related employment and support allowance (ESA), income-based Jobseeker's Allowance (JSA), child tax credit, working tax credit and income support. Universal Credit was introduced in Hackney from March 2016 for job-seeking singles only. Hackney was one of the last boroughs to move onto Universal Credit because of the numbers who would be affected. Universal Credit began for all new claimants in October 2018.	
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
FR RV Impact of Universal Credit	A partnership involving DWP JCP, several Council services and external partners maintains a partnership plan which identifies and addresses key risks under review. Main actions include: Close partnership working with DWP, communications with Hackney tenants, resident sustainment activity, partnership working to	Jackie Moylan; Dawn Carter McDonald	Sonia Khan	30-July -2024	**December 2023 -** DWP have confirmed that roll out will be phased and have shared which groups on which benefits will be impacted first. The initial cohorts are small.

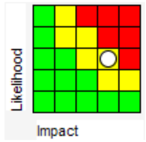
	ensure that claimants can access the DWP funded Help to Claim service delivered by the Citizens Advice Bureau, funding the advice sector and working closely with them to meet demand. Hackney is also adopting a poverty reduction framework which will help us to respond to the impacts arising from UC through better co-ordination of wider support.				We have discussed further with DWP to understand what transitional support will be in place and identify actions to mitigate impacts together and have asked then to start briefing council services and partners, work that began this month.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0035 – Setting up Council owned companies ***INTERNAL RISK*** ***FUTURE RISK***	The Council has been setting up a number of (Council owned and controlled) companies for a variety of reasons - ranging from a need to explore commercial opportunities, to being a vehicle which can help to deliver the Mayor's housing objectives, or saving money and improving convenience for the residents of the borough. If the resources, governance, expertise and capacity needed to establish these functions is not satisfactorily in place, and/or the necessary legal due diligence is not done, these companies will not be fit for purpose and the Council may run the risk of severe financial and reputational impacts.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**November 2023** - The ways in which a Council can invest in or establish a company can vary depending on the type of delivery vehicle it seeks to set up. For the purposes of clarity, this risk covers the governance arrangements for Council Owned and Controlled Companies. This is where a company limited by shares is incorporated with the Council as the sole shareholder. Examples would include: Hackney Housing Company Ltd - encompassing PRS and HLR and fully operating since 2019. Hackney Commercial Services (London Limited) - which is a commercial waste company and was incorporated on 25th October 2021 and started trading in February 2022. Hackney Light and Power (HLP) was launched at the beginning of November 2019, promising some considerable future benefits for the Borough. HLP is an energy services arm of the Council which is still looking at options for operating as a separate entity. An area of concern relates to some PIRs (Public Interest Reports) that have been published within the last couple of years, specifically relating to Council owned companies / subsidiaries (at Nottingham, Croydon and Northampton). In each instance the Council has suffered severe losses due to poor decision making, a frequent lack of governance and a near complete lack of approved business cases. With public money clearly being lost here, the PIRs highlighted a regular lack of visible scrutiny and challenge - and these clearly serve as examples to avoid for Councils pursuing this course of action. The lessons learnt stress the importance of clear roles, scrutiny, challenges, business cases and overall decision making. Further commentary from professional service firms on this have suggested the quality of risk assessment and risk management arrangements when investing in commercial activities has often been poor at some councils. Sometimes the

				desire for them to be a success has overshadowed an appreciation of risk management, with large amounts borrowed to invest in companies, yet lacking the level of risk oversight one would expect to see at equivalent commercial investment management companies. Analysis suggested some councils chose to continue funding companies rather than face the reputational damage of winding up a loss making company.The importance of independent, high quality and impartial investment advice was stressed. Oversight and proper governance will always be essential here.

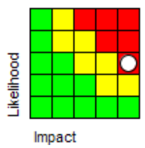
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0035a- Setting up Council Owned Companies	All companies are being developed in accordance with prescribed procedures which will ensure that the resources, expertise and capacity needed to establish these functions is in place, and the necessary legal due diligence is done, with appropriate support provided by relevant Senior Officers, and where necessary, external parties. At Hackney there is: • Strong emphasis on the role of statutory officers, including regular meetings of Chief Finance Officer and Monitoring Officer with Mayor on governance matters. • Excellence in Governance Group supports CLT with strategic and operational governance considerations. • Revised Code of Conduct for Councillors in 2022, based on LGA Model Code. • A Code of Corporate Governance, Financial Management Code and Alternative Service Delivery Vehicle (ASDV) Framework to evidence how the Council's approach to governance, finance and ASDVs empowers Councillors and officers in decision-making. • Companies report to Cabinet as shareholder annually with a business plan and accounts, with Chief Finance Officer (Ian Williams) acting as "intelligent shareholder"	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Louise Humphreys	Dec 2024	**November 2023** – A guidance note on Alternative Service Delivery Vehicles was agreed by CLT in August 2021 for use when such vehicles are under consideration. This sits alongside a guidance note prepared by the Legal Service on Directors' Responsibilities. A protocol on the Governance of Council Interests in Companies has been developed for inclusion in the Council's Constitution. The revised edition of the Constitution was adopted by Full Council in July 2023 and came into force on 4/9/23. This Protocol will ensure: - New or significant changes in the operations of a company must be agreed by Cabinet. This is in accord with the Mayor's Scheme of Delegation dated January 2017 which states that, "..the Council's representation on …companies…where the representation relates to an executive responsibility or function" shall be undertaken by the Mayor and Cabinet." - Cabinet (in its capacity as representing the Council as shareholder) will receive, on an annual basis, a report from each local authority company for financial reporting and reporting as against the business plan. This enables Cabinet to maintain its oversight, ensure the Council is seeing a return on its investments where appropriate and ensure that there is transparency for the public.

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

SRCR 0036 Insourcing ***INTERNAL RISK FUTURE RISK***	The Council makes a decision to insource more services that it can properly handle and this has a negative impact on service delivery. It also proves a false economy as initial savings become overtaken by increased costs when potentially unseen demands of bringing a service back in-house unfold. Yet, there is also an opportunity to this risk. If the decisions on insourcing are taken judiciously with regards to in-house capabilities, strategic objectives and potential savings, there is the chance for the Council to benefit from a decision to bring work back 'in-house'.	Chief Executive's; Children and Education; Adults, Health and Integration; Finance & Corporate Resources; Climate, Homes and Economy		**December 2023** - Contracts have been brought back in house in the past and in recent years in areas like Housing Benefit, Waste, Internal Audit and Payroll. The latest example is the parking enforcement contract which has been brought in-house when the current (outsourced) contract expired in March 2022. Also some internal cleaning contracts. There is a clear emphasis on this being a leading objective for the Council - to "reclaim" services worth close to £12 million a year from private firms. Between January 2020 and March 2022, five services worth £11.6m will have been insourced under the policy, including: School caretaking and cleaning services, worth £2.5m, with 116 staff brought back in-house to the council and schools in January 2020. Gully and winter cleansing service, worth £300,000, brought back in-house in September 2020. Office cleaning service, worth £1.8m, with 110 staff brought back in-house in January 2021 Fleet maintenance service, worth £1.4m, with 10 staff due to be brought back in-house in April 2021 and a long-term commitment to bring close to 400 staff back into direct council employment overall. Parking enforcement, worth £5.6m, with 132 staff was brought back in-house in March 2022. In order to provide further assurance to Audit Committee about the Council's approach to Insourcing, a 'deep dive' was carried out (overseen by the Chair of the Audit Committee) into various elements of the approach and guidance papers, and this was signed off at the Committee meeting in January 2021, and distributed to all relevant parties.

Page 230

Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0036a Insourcing – approach.	The Council has produced a Guidance Paper that will ensure that before it makes a decision, questions will be asked under five key criteria. These include local policy and business strategies, the performance of the service, quality improvement and value for money, workforce issues and overall risks. Through a careful application of these criteria and asking pertinent questions, any risks or opportunities concerning insourcing should be satisfactorily managed.	Dawn Carter-McDonald; Jackie Moylan; Jacqui Burke; Helen Woodland; Rickardo Hyatt	Rotimi Ajilore	Sept 2024	**December 2023** - this was newly escalated to the Corporate register in January 2020. The guidance paper has been reviewed. Plans for such projects are also committed to including extensive consultation with staff and trade unions. This emphasis on Insourcing is delivering on the Council's 2018 manifesto to look at how we step up our commitment to insourcing in Hackney. Officers and Councillors involved in this commitment are clear that the process will often involve service redesign, relocating services across different parts of the council, and taking quite a different approach to service delivery than might have been done in the past. It's also been acknowledged that Coronavirus has shown the importance of flexibility and being able to turn services round rapidly. When you deliver them directly within your organisation, that can be done. Also, bringing staff back in on Hackney terms and conditions once they have moved over helps the organisation.

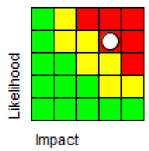
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0039 Climate Change / Climate Emergency ***EXTERNAL RISK*** ***CURRENT & FUTURE RISK***	The Council fails to meet its own commitments to take constructive steps to tackle the climate emergency. The expectation of change required (conducting extensive work on decarbonisation) may not be matched by the available capital. This could be as a result of overly ambitious targets, a lack of overall awareness or 'buy in' to the concept or a lack of resources to proactively bring about change. Without a coordinated response, the task will be more difficult. Failure to achieve positive change would have reputational impacts but most importantly would contribute negatively to the continued emergency in climate matters, both within our local community and the world at large. With the addition of more ambitious targets set by the Environment Bill 2021, this risk will continue to grow and increase in importance.	Climate, Homes and Economy leading (but applying to all Directorates)		**December 2023** The impact is categorised as 5, as despite having our net zero targets, which are clear, the consequences of not achieving them (both operationally and reputationally) would be severe. The likelihood remains at level 3. The Climate Action Plan (CAP) was approved by full Council in May (2023). The Council's actions for the next three years are set out in the Implementation Plan and this went to Full Council in July. There is still a significant amount of cross organisational work to be undertaken to embed climate action, and whilst the funding and resourcing strategy identifies those actions that have planned spend, and those that have a sound business case, funding for decarbonisation on some other more ambitious actions remains a key issue. In light of the clear evidence of climate change only progressing ever more rapidly, along with time moving closer towards the 2040 target (2030 for net zero across key functions), it seemed reasonable to raise the likelihood from a 2 to a 3 at the end of last year (the score remains the same) - the impact necessarily remains at the maximum score. The CAP provides the strategic framework to work through a number of key issues and challenges, utilising recently completed evidence assessments to underpin a more strategic approach for future delivery and integrate better with external stakeholders. The plan is for everyone - and, through our consultation and the ongoing actions in the plan, the CAP intention is that we want to make sure that everyone knows how they can influence and benefit from a greener Hackney. The CAP is set out under five key themes - consumption, buildings, transport, adaptation and environmental quality - it sets out how residents, businesses and institutions, community groups and organisations and the Council could work together to tackle the climate and ecological crisis. Alongside this plan is the Council's draft three year Implementation Plan (IP) that sets out the key actions that the Council will progress in the period of the CAP, considering where the Council has direct control and most influence to maintain momentum with its own climate response. The IP will be reviewed annually and form part of the current annual reporting commitments, detailed service delivery plans for the specific projects will sit underneath. Further, whilst the Council's own emissions only contribute to 5% of the Borough's emissions, the Council must continue to lead by example, and has

				therefore rejoined the UK100 network of Councils, committing us to reaching net zero emissions by 2030 across key functions. The Council's ability to deliver capital and resource intensive actions within the implementation plan is largely contingent on the impact of recent economic shocks in the UK and beyond. These are likely to have a bearing on the capacity of the Council to deliver our climate responses in the short and medium term; particularly if there is a reinvigorated period of public sector austerity.	
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0039a Councillors have approved motion committing to a series of actions	Council commitment: - To tell the truth about the climate emergency we face, and pursue its declaration of a climate emergency with the utmost seriousness and urgency. - Pledge to do everything within the Council's power to deliver against the stretching targets set by the IPCC'S October 2018 1.50C Report, across the local authority's full range of functions, including a 45% reduction in emissions against 2010 levels by 2030 and net zero emissions by 2040, and seeking opportunities to make a greater contribution. - Call on the UK Government to provide powers and resources to make the 2030 and 2040 targets possible. - Actively campaign to change national policy where failure to tackle the challenge of heating our homes without fossil fuels, fossil fuel subsidies, insufficient carbon taxation, road-building, and airports expansion, for example, has actively undermined decarbonisation and promoted unsustainable growth. - Support the campaign to create a just transition for workers and users and be part of the creation nationally of a million public sector climate jobs with particular reference to extending sustainable accessible and integrated public transport, retrofitting housing stock, energy democracy, heating and cooling from renewable energy and eco build, food and waste. - Involve, support and enable residents, businesses and community groups to accelerate the shift to a zero carbon world, working closely with them to establish and implement successful policies, approaches and technologies that reduce emissions across our economy while also improving the health and wellbeing of our citizens. - Produce an annual update to Full Council on the progress made against the Council's decarbonisation commitments, and conduct an annual Citizens Assembly comprised of a representative group of local residents to allow for effective public scrutiny the Council's progress and to explore solutions to the challenges posed by global warming. - Work with other local governments (both within the UK and	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Sam Kirk	Ongoing	**December 2023** - These are ongoing commitments but essential to adhere to in order to comply with ambitious targets. The Council are resolved to follow this. From a political level, these actions are being strongly supported by Members. An annual report on the progress on decarbonisation was considered by Council in July. The CAP was approved in May 2023, having been out for consultation Autumn / Winter 2022. Rejoined UK100 Network bringing the emissions target for council functions to 20230. Executive response to the recommendations of Scrutiny Panel Overarching Review into Net Zero approved by Cabinet in October 2023. Citizen's Jury in preparation to be undertaken in Spring.

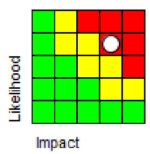
	internationally) to determine and implement best practice methods to limit Global Warming to less				
SRCR 0039b Hackney Light and Power.	Hackney Light and Power has been created to support the Council to meet declared targets and become a zero-net carbon borough by 2040. HLP is an energy services arm of the Council which is still looking at options for operating as a separate entity. To maximise carbon emission reduction the energy services arm will: - deliver annual rounds of the Green Homes Program – the first borough wide thermal efficiency housing program in London - deliver annual rounds of the Hackney Community Energy Fund - support the installation of innovating renewable heating measures - support the rolling out of electric vehicle charging points - Install 1MW generation of solar PV on Hackney residential buildings each year from 2024 - supply the grid with green energy - reduce fuel poverty - improve residents' health and well being - promote an inclusive economy and contribute to the nationwide green agenda - help make Hackney a sustainable, green borough	Jackie Moylan; Rickardo Hyatt	Jason Powell	Ongoing	**December 2023**: Hackney Light and Power was officially unveiled as a publicly-owned energy services arm of the Council on November 1st (2019). From the off, the primary objective of the energy arm is to help deliver the ambitious decarbonisation pledges included in its climate emergency motion. At the launch of this, HLP confirmed it had already delivered 50% renewable electricity for the Council and many local schools' needs on 1 April, and would switch to 100% in 2020. The clear aim was to establish a publicly-owned clean energy company. Plans to set up the company have been adapted in line with the market landscape. Two projects are planned to be rolled out in 2024: the Colville Heat Network and Residential Solar - operations to be transferred to the municipal energy company once established.
SRCR 0039c Communication	Communication is key, with the Council getting the correct message out both internally and externally	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Comms	Ongoing	There has already been lots of coverage in local papers and online about Hackney's progress. External communications strategy developed, and launch of climate action plan undertaken using personal stories linked to each of the themes. Using behaviour change principles, the three core ambition's of the strategy are: • Hackney as London's climate leader • Increasing awareness, informed and participation levels among disengaged groups • Growing our green-interested audiences in the borough
SRCR 0039d Cross Council involvement at all levels	Across all Divisions / services, any service plans or overall strategic documents need to pick up on this ongoing challenge and commitment. Any new projects / directives / initiatives need to consider climate change and our approach to it, in determining how to carry out work. Evidence of this happening can be seen within Fleet services and the ongoing work with the NLWA.	Dawn Carter-McDonald; Jackie Moylan; Jacquie Burke; Helen Woodland; Rickardo Hyatt	Sam Kirk	Ongoing	**December 2023** - This will become embedded as part of standard processes in the future. The Environmental Sustainability Board is meeting regularly to support the Council's approach here. As part of the Council's internal audit plan, the audit team is undertaking an audit with the main objective being to review evidence of the extent to which officers across the whole Council are adequately engaged in managing preparedness to respond effectively to climate change events and emergencies and associated risks. Acknowledging the breadth and complexity of climate change and output from recent deep dive and Scrutiny reviews, this audit will focus on specific aspects of internal officer engagement and

					operational risk management of climate event preparedness and its implications for delivering the relevant goals outlined in the CAP.
SRCR 0039e North London Waste Authority (NLWA) Partnership	Hackney is a part of a seven borough partnership with the NLWA, who are currently procuring a large infrastructure project (North London Heat & Power Project) to deliver new facilities to manage waste and recycling from the constituent boroughs. An experienced Programme Director has been appointed by NLWA. Also, lead Member and Key Officer Groups, continue to manage Hackney's engagement with NLWA on the development of new facilities, recycling performance, waste prevention and operations' matters. A Programme Committee made up of members of each of the boroughs has been established to focus on the implementation of the North London Heat & Power Project. This is a decision-making Committee and is in addition to the various Steering Groups and Partnership Boards which Lead Members and Key Officers attend. The Vice Chair of the NLWA is Hackney's current Cabinet Member for Finance and Housing Needs, which ensures the Borough is directly involved in the leadership of the partnership. NLWA, with the boroughs, is undertaking a piece of work to produce a best estimated long term levy tonnage forecast, to establish likely levy costs for boroughs. Officers will review the current recycling service to ensure that it provides the best solution on the basis of technical, economic, environmental and practical factors Hackney's partners in NLWA (Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest) work together to deliver services for over two million residents that live in the NLWA area. NLWA is responsible for helping the seven north London boroughs dispose of the 850,000 tonnes of waste they collect every year.	Jackie Moylan; Rickardo Hyatt	Sam Kirk	Ongoing	**December 23** - The appointment of a Head of Partnerships, shared amongst all Director's of Environment, will ensure a more joined up approach amongst all facets of NLWA engagement. Also, the Council's Lead Member for Environment and Transport now the Vice Chair of NLWA.
SRCR 0039f Restricting residual waste	In May 2020 Cabinet agreed to introduce fortnightly collections for residual waste for Hackney street properties. The drivers for this are not only to improve recycling performance and reduce the amount of residual waste being incinerated. This will help insulate the Council against the expected rise in residual waste disposal costs in the medium to long term. Further, and most importantly, by structurally reducing the amount of black bag waste sent for incineration we can eliminate the associated carbon dioxide emissions, reducing the carbon intensity of Hackney's waste system.Residual waste restriction will play an	Rickardo Hyatt	Sam Kirk	30 June 2024	**December 2023** This service is now business as usual. The recycling rate improved last year after the introduction of fortnightly waste collections, and reached a high of 31% but the end of year out turn was 29%. Reductions in recycling rates have been seen across North London boroughs, likely reasons due to light weighting of packaging, consumer choices, in part due to the cost of living crisis, and the impact of a very dry summer.

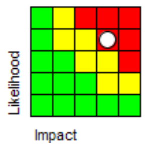
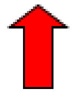
	important role in helping the Council achieve the highly ambitious decarbonisation targets set out in the climate emergency motion passed at Full Council, June 2019. The expected outcomes of introducing fortnightly collections of residual waste include: • Reduction of approx. 4,400 tonnes of street level black bag waste being incinerated against current levels by 2022, which is a 21% reduction of waste per household; • Reduction in disposal costs of £246k per annum (based on current tonnage and levy charges) by 2022. The scope to increase disposal savings will increase proportionately with the levy charge; • Increase in recycling rate to 31% by 2022/23. This will see Hackney move from position 8 of 13 inner London borough's recycling rates to 4th (based on current data); • Reduction in emissions associated with incinerating black bag waste, contributing to achieving the 45% reduction in emissions against 2010 levels by 2030 and net zero by 2040. Using Zero Waste Scotland's Carbon Metric Publications, directing 4,400 tonnes of black bag waste to recycling/composting, shows a benefit of -661 to -610kg C02eq per tonne of material recycled/composted. This would indicate a potential benefit of around 2,910 to 2,680tonnes C02eq savings.				The Reduction & Recycling Plan has been approved by the GLA and contains recycling rate forecasts and a list of actions to reduce waste and increase recycling in the borough for the next three years

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0043 Recruitment and Retention / Workforce. ***EXTERNAL / INTERNAL RISK CURRENT RISK***	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. Also, with various restructures within Directorates 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. 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.	Finance & Corporate Resources		**December 2023** This remains on the Corporate register, reflecting its severity. Previously, it had been recorded as a risk at (ICT) Service level but was taken off this register following the successful completion of the ICT restructure in 2020. 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.

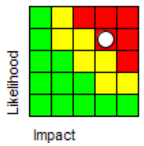
Control Title	Control Description	Lead Responsible Officer(s)	Service Manager	Due Date	Control - Latest Note
SRCR 0043a Recruitment and Retention (ICT)	ICT are working with HR / OD to carry out the following suggested mitigations: - review recruitment strategy and identify other measures which can be taken to promote Hackney Council as a great place to work in technology and attract high quality candidates - review salary supplements to ensure that these are providing market competitive salaries and are also fair and transparent - review career development paths within the service and also ensure that apprenticeships / graduate trainee opportunities are being used effectively to develop internal talent.	Jackie Moylan	Rob Miller	31-Aug-2024	**December 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. 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/).
SRCR 0043b Training and development	Training and development needs for all staff should be captured by the ongoing 'check-in' process. All HR procedures need to be followed correctly to ensure staff are valued and treated appropriately whilst at work. Where possible acting up and secondment opportunities are made available to staff. This helps contribute to an improved experience of working at Hackney and to an extent, mitigates the risks of absences and departures.	Sandra Farquharson	All managers	31-Aug-2024	**December 2023** Staff training and development needs will be assessed as part of the work to deliver and embed the new service structure for ICT.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0045 NEW RISK Reduction of the use of residential placements ***EXTERNAL / INTERNAL RISK CURRENT RISK***	The main areas of pressure for Children and Family Services continue to be on looked-after children (LAC) and leaving care (LC) care arrangements costs. Corporate Parenting is forecast to overspend by £3.1m after the use of £1.4m commissioning reserves (as at November 2023), largely driven by a change in the profile of care arrangements linked to the complexity of care for children coming into the service. There are also more children within high cost bespoke packages than in previous years and this has caused upward pressure on cost for the service this financial year. At the start of this financial year we have seen a reduction in the use of residential care arrangements, however the costs are increasing in residential care and semi-independent care arrangements due to care providers being faced with the challenges of	Children and Education		**December 2023 -** One of the main risks for the directorate is the cost of living and fuel price crisis, and the potential impact that it will have on the cost of service delivery going forward. It is difficult to estimate the impact that the cost of living crisis will have across services, however we can expect care providers to seek greater inflationary uplifts to care placements than in previous years.

	rising inflation and the cost of living crisis. The risk relates to the increasing financial pressures this is placing on the Council.			This risk was a new escalation to the Corporate register in Dec 2022 - a reflection of the intense pressures the economy is placing on Services.	
Control Title	**Control Description**	**Lead Responsible Officer(s)**	**Service Manager**	**Due Date**	**Control - Latest Note**
SRCR 0043a Reduction of the use of residential placements	Management actions of £0.8m have been identified and these are factored into the forecast when delivered. These include reductions in the number of residential placements . A forensic review of the top 30 high cost placements; As part of the forensic analysis of residential placements, the service is targeting a reduction of 5% on high cost residential placements .	Jacquie Burke	Diane Benjamin	31/5/24	**December 2023 -** These controls will be assessed throughout 2024 with regular reporting on progress to SMT and through the monthly OFP report.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0047 NEW RISK Adult Social Care Budgets ***INTERNAL RISK*** ***CURRENT RISK***	That the existing budget and resources are not sufficient to meet demand. This poses clear financial and reputational risks, as well as poor service user outcomes and experiences. Demographic pressures (and lack of in–Borough provision) are causing an increased demand on budget. The cost of living is contributing to increased rates across the market and a reduction in the ability of individuals to contribute towards care. Pressure on the provider market and social care workforce may mean insufficient resources to meet demand. Covid-19 and cyber recovery costs have added cost pressures across the system.	Adults Health and Integration		**Reviewed November 2023, and newly escalated to the Corporate register**  **Risk has increased** • Demand for ASC continues to rise, with substantial increase in numbers needing long term care and support with hospital discharge. • Unit costs of providing care are also rising, alongside impact from cost of living. • The cyber attack further added to these pressures as resources were diverted to work on the recovery. Payment processes were severely impacted - we were unable to complete financial assessments for new service users for ~18 months, resulting in a significant loss of care-charging income. Challenges now exist in claiming back this income. • The cost of the pandemic for the directorate significantly exceeded amounts provided by grants or corporate funding. • The funding settlement outlined in the Government White paper 'People at the Heart of Care' is widely thought to be insufficient to meet the current or future demands on social care. • These risks continue to be monitored and reported through the monthly OFP report and through monthly updates at ASC SMT and AH&I DLT.

Control Title	Control Description	Responsible Officer	Service Manager	Control latest note
AH&I AS 001A **Financial Controls**	1. A department savings tracker has been implemented and is coordinated by Finance, Head of Service Lead and relevant officers, and reported to ASC SMT monthly. 2. Mosaic Follow On work has priority areas around finance (Stream 7 of Mosaic Project Plan) 3. Quality assurance process for care and support commissioning 4. Closely monitoring future funding arrangements for hospital discharge pathway, including review being undertaken in winter 2022/23. 5. Commissioned a provider to identify opportunities to make financial savings safely - work to implement to commence in 2023/24.	Helen Woodland	Georgina Diba, Director Adult Social Care Operations	This is ongoing and escalated to the Corporate register after the latest review in **November 2023**.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
SRCR 0048 NEW RISK Sustained failure of Education's case management system (Synergy) caused by fragile IT infrastructure, inadequate data security and chronic under-resourcing results in a failure to deliver statutory and core education services. ***INTERNAL RISK*** ***CURRENT RISK***	The Synergy case management system provides business critical support to Hackney Education's statutory and financial services including SEND (EHCP), Admissions, Early Year payments and Attendance. For example, 3300 children's EHC plans are maintained in part through Synergy. The work to oversee the circa 570 new requests for statutory educational assessments is also completed within Synergy. And each year over 5000 transfers into Reception and Secondary schools are facilitated via Synergy. Furthermore the FIS module supports the Council's distribution of £32 million of early years funded entitlement to settings supporting disadvantaged and working families in the borough every year. And a little over 13 thousand children gain access to free school meals thanks in part to Synergy. Implementation and business as usual operations are facing significant risk as a result of under resourcing, infrastructure fragility, ICT delays, migration and implementation issues. If the migration or system experiences a significant problem or issue this will impact service continuity, potentially ceasing service activity. This may result in reputational damage and financial loss.	Children & Families (Hackney Education)		**December 2023:** Controls to address this risk remain delayed and off track and as a result the risk profile has increased. Senior leadership in Hackney Education have requested that the risk be escalated to the Corporate Risk Register.

Control Title	Control Description	Responsible Officer	Service Manager	Control latest note
SRCR 0048a **Fragile infrastructure 01:** **On-premises infrastructure enhancements**	The on-premises infrastructure is ageing and unable to sufficiently support Synergy. The databases are sitting on old, obsolete and degraded servers. This has resulted in users being unable to log into the system or key functionality being intermittently available. An ICT infrastructure architect funded by resources secured by the Project Sponsor is working to improve the infrastructure's resilience and performance in the short-term while a longer term solution is progressed (see below).	Jacquie Burke; Paul Senior	Colin Cowdrey	**NEW - December 2023**: Work to improve the resilience and performance of the on-premises infrastructure has continued. The compute portion of an enhanced infrastructure has been assembled as has the networking element. A few issues have been encountered. For example, the updating of firmware and access requirements. These are being worked on. Furthermore, a solution to the storage requirement is also in progress. However, this is taking longer than had been anticipated. It is expected to be completed before the Christmas closure period. Currently, there is real vulnerability at the Tomlinson Centre site should one or both iservers fail. However, the situation would not be catastrophic if one server was to fail at the Tomlinson Centre. The situation is worse at 1 Reading Lane where there is no redundancy (spare capacity), and if a single server was to fail the issue could be catastrophic.
SRCR 0048b **Fragile infrastructure 02:** **Move to hosted solution for Synergy**	The long-term solution to resolve the infrastructure risks is to move the Synergy infrastructure to a hosted environment. The Technical Design Authority (TDA) agreed that the databases should be moved to Access UK Ltd's hosted solution in June 2022. An ICT project team was established to facilitate the move. However, ICT capacity within the project team was limited. In the light of the infrastructure risk posed by the ageing servers, in late 2022 the ICT hosting project team agreed to move the databases to Access's hosted solution ahead of having a multi-factor authentication (MFA) solution in place for each route to the data. In short, it was agreed that the Council would accept the same level of security risk as the existing arrangements posed. As a result of the ICT re-organisation, membership of the ICT hosting project team changed. And with that so did the ICT view on how to proceed. It was subsequently determined that to comply with corporate security requirements, MFA would be needed before the databases could be moved to the hosted solution. This negated the then hosting timetable.	Jacquie Burke; Paul Senior	Rob Miller	Hosting dry runs scheduled and started in April 2023. The hosting dry run was terminated part way through given the change in approach to managing both the infrastructure and security risks. The TDA has approved in principle MFA solutions for each route to the data. The ICT Hosting project team is now looking to find when Access UK Ltd resources allow and mindful of C&E teams' statutory deadlines in 2024 when the databases might be hosted.

	This work is in abeyance, pending the identification of multi-factor authentication (MFA) solutions for each route into the two databases (Synergy Core Education and EISi Case Management and the three portals, parent portal, provider portal and the school access module portal.			
SRCR 0048c **Implementation of data security requirements**	The Council’s ICT security policy necessitates the implementation of appropriate security arrangements. This includes having multi-factor authentication (MFA). In June 2021, a formal work package was assigned to ICT management colleagues to put MFA solutions in place for each route to the data.	Jacquie Burke; Paul Senior	Mal Morris	Papers suggesting solutions have been taken to the Technical Design Authority (TDA) meetings in late November 2023 and early December 2023. The TDA has approved in principle solutions. Plans for their implementation now need to be drawn up with service managers.
SRCR 0048d **Application Support team**	Establishment of a Synergy Application Support team consisting of 4 permanent posts. This will provide the minimum level of support required given the scale of the Synergy infrastructure. Team staffing compliment Synergy System Manager x 1 Synergy System Analyst x 2 Associate Synergy System Analyst x 1	Jacquie Burke; Paul Senior	Monica Imbert	The recruitment campaign, offering 12 month fixed term contracts failed. Not one of the 3 posts was filled. Meetings were held with ICT senior managers and Head of MISA to review what options are available to provide the support required. As was an Extraordinary Synergy Board meeting. Following the Board meeting the following two actions are underway: 1. Project Sponsor Monica Imbert is securing the funding for 3 permanent posts from CLT & 2. Head of MISA Simom Utting is securing short-term agency support 3. Non-urgent work has been rescheduled.
SRCR 0048e **Data Quality Framework**	Capacity is in place to enhance and oversee the suite of data quality reports needed to ensure errors and duplicates are captured in a timely fashion.	Jacquie Burke; Paul Senior	Simon Utting	Work to implement the data quality framework and review the findings from the suite of existing data quality reports is in abeyance until additional capacity is made available.

Hackney

1.

Title of Report	**AUDIT AND ANTI-FRAUD PROGRESS REPORT TO JANUARY 2024**
For Consideration By	**Audit Committee**
Meeting Date	**31 January 2024**
Classification	**Open**
Ward(s) Affected	**All**
Group Director	**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 31 December 2023 (Appendices 1 - 4).

3. **REASONS FOR DECISION**

3.1. The Public Sector Internal Audit Standards (PSIAS) came into force in April 2013 and apply to all internal audit service providers. These Standards were updated in April 2016 and again in April 2017.

3.2. The PSIAS requires the Chief Audit Executive (or equivalent) to report functionally to a board and to communicate the internal audit service's performance relative to its plan and other matters. For the purposes of the PSIAS the Audit Committee has been designated the 'board'.

4. **BACKGROUND**

4.1 The Audit Committee approved the 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 December 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 December 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	£761,700
No Recourse to Public Funds	£141,255
Blue Badge/Parking	£8,570
Total	£911,525

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

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 service's performance and opinion. There are no immediate legal implications arising from the report.

Appendices

Appendix 1 - Internal Audit Progress Report to 31 December 2023
Appendix 2 - Progress with planned audits 2022/23
Appendix 3 - Definitions of audit assurance levels
Appendix 4 - Audit Investigation Service statistics to 31 December 2023

BACKGROUND DOCUMENTS

None

Report Author	Michael Sheffield Corporate Head of Audit, Anti-Fraud & Risk Management michael.sheffield@hackney.gov.uk 0208 356 2505
Comments for the Interim Group Director, Finance	Jackie Moylan Interim Group Director, Finance Jackie.moylan@hackney.gov.uk 0208 356 3032
Comments for the Acting Director of Legal, Democratic and Electoral Services	Louise Humphreys Acting Director, Legal, Democratic & Electoral Services Louise.humphreys@hackney.gov.uk 0208 356 4817

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Audit & Anti-Fraud Progress Report

1 April 2023 - 31 December 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 31 December 2023. It covers the areas of work undertaken, progress with implementing audit recommendations and information on current developments in the service.

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 two posts that are 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 2023/24 against key indicators is shown in Table 1. Post audit survey results are summarised in paragraph 3.3.

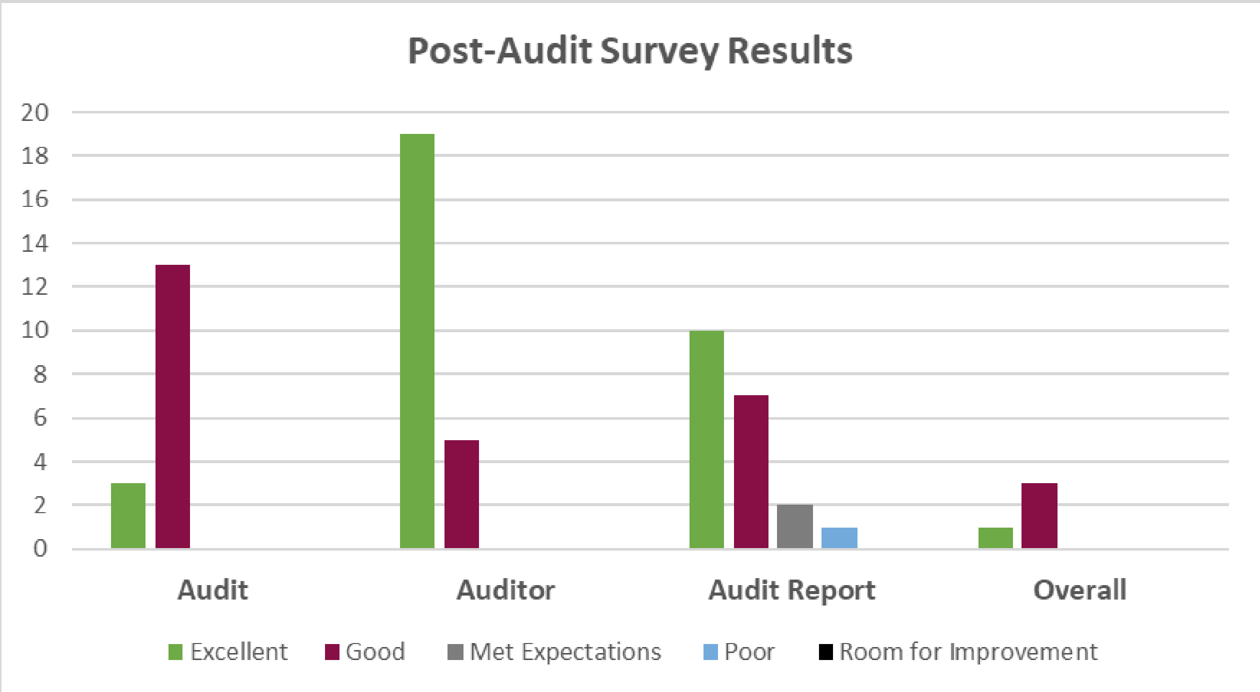
Objective	KPIs	Targets	Actual
Cost & Efficiency *To ensure the service provides Value for Money*	1) Percentage of planned audits completed to final/draft report stage 2) Average days between the end of fieldwork & issue of the draft report.	1) 90% by year end 2) Less than 15 working days	1) 31% complete or at draft report stage 2) 6 days
Quality *To ensure recommendations made by the service are agreed and implemented*	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) High - 100% - fully implemented. Medium - 87% fully implemented (8% partially implemented)
Client Satisfaction *To ensure that clients are satisfied with the service and consider it to be good quality*	1) Results of Post Audit Questionnaires 2) Results of other Questionnaires 3) No. of Complaints / Compliments	1) Responses meeting or exceeding expectations 2) Satisfactory 3) Actual numbers reported	1) 98% met expectations (95% exceeded expectations or excellent) 2) N/A 3) None

** See paragraph 6.2 for explanation

Table 1

3.2 As at 31 December 2023 a total of 36 internal audit reviews have been started from the 2023/24 Plan, 14 have been completed and a further six 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 31 December 2023 continue to show that overall expectations of auditees are met or exceeded with 95% 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	18	33
Fieldwork in progress	16	30
Draft report issued	6	11
Completed	14	26
Total work completed and in progress	**54**	**90%**
Original Plan	65	
Additional requests	2	
Cancelled or Postponed	7	
Total Revised Plan	**62**	

Table 2

4.2 The table shows 90% 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. If the deferral request identifies such issues the review area will be highlighted as likely to result in limited or no assurance in the table below. It is acknowledged that there is a greater degree of subjectivity to this assessment than would be the case if it resulted following an Internal Audit review.

Cancelled reviews	**Reason for Cancellation**	**Assurance concern identified?**
Energy & Carbon Management - Hackney Schools	A re-evaluation by Internal Audit & the Auditee has identified that the risks to the process are not significant and therefore the audit is not required at this time.	N/A
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.	N/A
Postponed reviews	**Reason for Deferral**	
Leasehold major works debt recovery	System availability and resource constraints that are impacting on business functions and preventing audit review.	No assurance
Procurement of Homecare	This audit was previously deferred on two occasions but the Homecare contract has now been considered as part of a wider review of expiring contracts (which resulted in a reasonable assurance rating).	N/A
Elections	Recent announcements. Resources/ Capacity	N/A
ICT Governance	Delay to audit to avoid duplication with external assurance work	N/A
Freedom of Information	Delay to audit to avoid duplication with external assurance work	N/A
Additional reviews	**Reason for Addition**	
The Garden School	Hackney Education Request	N/A
Changing Places Fund Grant	Management Request. Grant Usage Validation & Certification	N/A

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 YTD**	**2022/23**	**2021/22**
No	0	0	1
Limited	2	0	0
Reasonable	12	7	8
Significant	14	17	5
Not Applicable	0	0	0

Total	**28**	**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 31 December 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.	3	3
Medium	Important issues which should be addressed by management in their areas of responsibility.	43	19
	Total	**46**	**22**

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 31 December 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	12	0	0	0	12
Finance & Corporate Resources	1	0	0	0	1
ICT	0	0	0	1	0
Chief Executive's	0	0	0	0	0
Corporate	1	0	0	0	1
Total number	15	0	0	1	15

Percentage (%)*	100%	0%	0%	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 15 'High' priority recommendations, the implementation rate currently stands at 100% fully implemented.

6.3 Of the 133 'Medium' priority recommendations followed up 87% were assessed as implemented and 8% 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	9	0	0	0	9
Children & Education	2	0	0	0	2
Climate, Homes & Economy	44	4	0	0	48
Finance & Corporate Resources	45	4	5	1	54
ICT	1	1	1	5	3
Chief Executive's	7	0	0	0	7
Corporate	8	2	0	3	10
Total number	116	11	6	9	133
Percentage (%)	87%	8%	5%	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	2	1	0	1	3
Medium	74	8	16	6	98
Total Number	76	9	16	7	101
Percentage (%)	75%	9%	16%	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, albeit that it continues to impact our ability to undertake a small number of audits.

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), it is a requirement that an independent External Quality Assessment (EQA) should take place at least every 5 years. The most recent review was completed in November 2023 and concluded that the service 'generally conforms' with the PSIAS standards. This is the second highest of four possible outcomes (the highest rating of 'fully conforms' is acknowledged to be a difficult benchmark to achieve because of the high number of assessment criteria and the degree of subjectivity involved in the review process). The report will be shared with Committee members imminently, the findings have not changed substantially from the summary that was provided to the October Audit Committee meeting

8. ANTI FRAUD SERVICE

8.1 Investigation activity has been fully resumed following the disruption caused by the pandemic, although impacts continue to be felt from backlogs that have built up in the criminal justice system.

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.

Appendix 2

Internal Audit Annual Plan *Progress to 31 December 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	0	0	**Significant**	Final Report
2223CE03	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/Draft ToR issued
2324LBH04	Equal Pay	0	1	**Significant**	**Draft Report**
2324LBH05	Gifts & Hospitality	1	1	**Reasonable**	**Final Report**
2324LBH06	Public Interest Reports (PIRs) Lessons Learnt				Q4/Scoping
Chief Executive's					
2324CEX01	Recent Election Act				Deferred
2324CEX02	Internal Communications - Google Contacts	0	4	**Reasonable**	**Draft Report**
2324CEX03	Matrix ICT Contract (Digital Market Place)				Q4/ToR issued
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				Q4/ToR Scoping
2324AHI04	Direct Payments Financial Assessment Process				Q4/ToR Scoping
2324AHI05	Residential Care				Q4/ToR issued
2324AHI06	Mortuary				Q4
2324AHI07	Supporting Families Programme Grant	0	0	**Reasonable**	**Quarterly/Final Report**
2324AHI08	DLUHC Changing Places Fund Grant	0	0	**Reasonable**	**Quarterly/Final Report**

Appendix 2

Children & Education					
Children & Families					
23243CE01	Development of Children & Family Hubs (Advisory)				WiP/Ongoing
2324CE02	Joint Agency Funding - Children with Complex Needs				Q4/Scoping
2324CE03	Foster Care Payments				Q4/ToR issued
2324CE04	CFS Residential Placements - LAC	0	1	**Significant**	**Draft Report issued**
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				WiP
2324CE08	Traded Services	0	4	**Reasonable**	**Draft Report**
2324CE09	Unregistered Settings				Q4
Schools					
Primary Schools & Children's Centres					
2324SCH01	Colvestone Primary	0	3	**Significant**	**Final Report**
2324SCH02	New Wave Federation	0	3	**Significant**	**Final Report**
2324SCH03	Viridis Federation				WiP
2324SCH04	Jubilee Primary & Fernbank Nursery School	0	2	**Reasonable**	**Final Report**
2324SCH05	Shoreditch Primary School (Formerly Whitmore Primary)				Q4/ToR issued
2324SCH06	Baden Powell Primary School				WiP
2324SCH07	Simon Marks Primary School	0	3	**Significant**	**Final Report**
2324SCH08	Benthal Primary School	0	2	**Significant**	**Final Report**
2324SCH09	St.Pauls with St. Michaels Primary				Q4/ToR issued

	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/ToR issued
FINANCE & CORPORATE RESOURCES					
Financial Management					
2324FCR01	Risk Management				WiP
2324FCR02	Main Accounting System				WiP
23243FCR03	Accounts Payable				WiP
2324FCR04	Pensions				Q4/ToR issued
2324FCR05	VAT Compliance on Income				WiP
2324FCR06	Service Payroll				Q4/Scoping
2324FCR07	Fleet Management	1	1	**Reasonable**	**Final Report**
Procurement					
2324FCR09	Reprocurement of Expiring Contracts	0	4	**Reasonable**	**Final Report**
2324FCR10	Energy & Carbon Management in Hackney Schools				Cancelled
Revenues & Benefits					
2324FCR11	Money Hub	0	3	**Reasonable**	**Draft Report**
Strategic Property					
2324FCR12	Commercial Property Income				WiP
ICT					
2324ICT01	3 year ANA				n/a
2324ICT02	ICT Governance				Deferred
2324ICT03	ICT Asset Management				WiP

2324ICT04	Key IT Systems & their Functionalty Post Cyber Attack				Q4
2324ICT05	Cloud Platform				WIP
2324ICT06	FOI				Deferred
2324ICT07	Follow-up of Recommendations				Q4
2324ICT08	Assurance on New Systems, Repairs, Asset Management & Community Safety				Q4/Scoping
Climate, Homes & Economy					
Housing					
2324CHE01	Rent Arrears - Incl. Effect of UC on Tenant Arrears				Q4/Scoping
2324CHE02	Complaints Handling - Housing				Q4/ToR issued
2324CHE03	Right to Buy Scheme				Q4/Scoping
2324CHE04	Leasehold Major Works- Debt Recovery				Deferred
2324CHE05	Wenlock Barn TMO				WiP
2324CHE06	Downs TMO	0	1	**Significant**	**Draft Report**
Public Realm					
2324CHE07	Use of Infrastructure Levy/Section 106				Q4/ToR issued
2324CHE08	Planning Enforcement				Q4/ToR issued
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 October 2023 to 31 December 2023

1. Investigations Referred

The Anti-Fraud service has received 447 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	4	6	8	10	23
	Tenancy Fraud	86	61	425	205	278
	Parking	72	43	69	115	142
Children's & Education	Children's	1	1	0	3	5
	No Recourse to Public Funds (NRPF)	31	24	36	98	64
	Hackney Education	0	0	5	3	2
Adults, Health & Integration	Adults, Health & Integration	2	2	3	5	4
Finance & Corporate Resources (F&CR)	Finance & Resources	1	2	7	5	5
	Covid19 Business Grants	0	0	0	0	2
Chief Executive's Directorate	Chief Executive's Directorate	1	1	1	3	2
Total		198	140	554	447	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	0	0	0	16	19
Other Local Authority / Housing Association	23	23	0	84	65
HMRC	6	6	0	20	6
Police	5	5	0	27	21
Immigration	4	4	0	12	2
DWP	4	4	0	13	4
Other	4	4	0	11	5
Total	46	46	0	183	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	15	22	22
Housing Benefit	1008	0	833	32
Housing Tenants	2,969	80	609	79
Right to Buy	506	0	65	0
Housing Waiting List	n/a	n/a	n/a	n/a
Concessionary travel / parking	825	3	704	292
Creditors	7,180	3	6,784	8
Pensions	268	32	135	220
Council Tax (SPD)	25,852	1,483	2,512	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	3	18	n/a
Total	38,702	1,619	11,682	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	2	2	1
Resigned as a result of the investigation	0	3	2
Referred to Police or other external body	2	3	3
Prosecution	3	8	3
Referred to Legal Services	0	9	8
Investigation Report/ Management Letter issued	7	7	7
Council service or discount cancelled	7	40	75
Covid business grants cancelled	0	1	3
Blue Badges recovered	41	61	66
Other fraudulent parking permit recovered	1	4	18
Parking misuse warnings issued	26	39	61
Penalty Charge Notice (PCN) issued	18	37	91
Vehicle removed for parking fraud	16	29	56
Recovery of tenancy	9	29	49
Housing application cancelled or downgraded	0	0	2
Right to Buy application withdrawn or cancelled	3	4	11

Table 4

The 3 prosecution outcomes listed above all relate to parking investigations. Two cases involved the misuse of a Blue Badge and one case involved the use of a fraudulent resident permit.

The investigations which led to the 2 disciplinary cases concerned one case 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 October 2023 to December 2023 a total of 9 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 £378,000.

During this period three Right to Buy (RTB) applications were 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 £383,700 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 October to December 2023, 7 support packages were cancelled or refused following AAF investigations. This equates to a saving in the region of £2,709 per week, if these had been paid for the full financial year it would have cost Hackney approximately £141,255

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 41 Blue Badges or other parking permits, which equates to £4,200, and enforcement charges of £4,370 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. There were no grant overpayments 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	2023/24 YTD	2022/23
Production	8	14	3
Restraint	0	0	0
Compensation	0	0	0
Confiscation	0	1	0
Total	8	15	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.

AUDIT COMMITTEE WORK PROGRAMME

	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	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: PUBLIC iNTEREST REPORTS	For information and comment	Interim Group Director, Finance
11.	DEEP DIVE: SCHOOL BUDGETS AND FINANCIAL SUSTAINABILITY	For information and approval	Interim Group Director, Finance
12.	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.	DEEP DIVE: COST OF CAPITAL AND BORROWING	For information and comment	Interim Group Director, Finance
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

	2024/2025 Meeting 3	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	For information and comment	Interim Group Director, Finance (Pradeep Waddon)
7.	TREASURY MANAGEMENT STRATEGY 2025/26	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.	AUDIT COMMITTEE WORK PROGRAMME	For information and approval	All

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