



AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **28 January 2016 at 7.30 pm.**

John Lynch
Head of Democratic Services

Enquiries to : Jackie Tunstall
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Despatched : 20 January 2016

Membership

Councillor Satnam Gill OBE (Chair)
Councillor Olly Parker (Vice-Chair)
Councillor Raphael Andrews
Councillor Richard Greening
David Bennett

Substitute Members

Councillor Alex Diner
Councillor Clare Jeapes
Councillor Robert Khan
Councillor Alice Perry

Quorum: is 3 Councillors



A. Formal Matters	Page
1. Apologies for Absence	
2. Declaration of substitute members	
3. Declarations of interest	

If you have a **Disclosable Pecuniary Interest*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

***(a) Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.

(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

(d) Land - Any beneficial interest in land which is within the council's area.

(e) Licences- Any licence to occupy land in the council's area for a month or longer.

(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to **all** members present at the meeting.

4. Minutes of previous meetings	1 - 8
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B. Items for Decision - Audit (Advisory) Committee	Page
1. Internal Audit Interim report 2015/2016	9 - 22
2. Annual Treasury Management Strategy	23 - 46

3.	Whistleblowing Report April 2015 to December 2015	47 - 48
4.	Internal Audit Fraud Investigation Report: April 2015 to November 2015	49 - 56
5.	The Council's Use of Surveillance Under the Regulation of Investigatory Powers Act 2000	57 - 60

C. Items for Decision - Audit Committee Page

1.	Council Taxbase and National Non Domestic Rates 2016/17	61 - 68
2.	Review of recruitment of agency workers to directly employed posts	69 - 74
3.	Bribery Act Risk Assessment	75 - 90
4.	Personnel Sub-Committee: Amendment of Terms of Reference and Appointment of Membership 2015/16	91 - 94

D. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

E. Exclusion of press and public

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

F. Confidential/exempt items Page

1.	Whistleblowing Report exempt appendix	95 - 98
2.	Regulation of Investigatory Powers Act - exempt appendix	99 - 102

G. Urgent exempt items (if any)

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit Committee and Audit Committee (Advisory) will be on 17 March 2016

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London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 22 September 2015

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 22 September 2015 at 7.30 pm.

Present: **Councillors:** Raphael Andrews, Satnam Gill, Olly Parker and Richard Greening

Also Present **Councillors:** Martin Klute and Gary Doolan

Independent Member: David Bennett

Councillor Satnam Gill in the Chair

52 **APOLOGIES FOR ABSENCE (Item A1)**
Councillors Andrews and Greening for lateness.

53 **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**
None.

54 **DECLARATIONS OF INTEREST (Item A3)**
None.

55 **MINUTES OF PREVIOUS MEETING (Item A4)**
RESOLVED:
That the minutes of the meeting of the Committee held on 4 June 2015 be confirmed as a correct record of the proceedings and the Chair be authorised to sign them.

56 **MATTERS ARISING FROM THE MINUTES (Item)**
Training of Members for Audit – Minute 48(b)

The Chair stated that he had still not received a response on this and that he would investigate this and inform Members of the Committee.

57 **CHAIRS REPORT (Item)**
The Chair stated that the item on Dismissal arrangements for Statutory Officers would be deferred until the Local Government Association had produced procedures on this and hopefully would now be considered at the next meeting of the Committee.

58 **INTERNAL AUDIT ANNUAL REPORT (Item B1)**
The Head of Internal Audit, Michael Bradley, outlined the report during which the following main points were made :-

- Overall the Council's systems for control, risk and governance were generally adequate with some improvement required and the Council had moderate assurance.
- In relation to the areas of Planning and Building Control, management were aware of the risks.
- With regard to Braithwaite TMO officers from Housing were investigating this.

Audit Committee and Audit Committee (Advisory) - 22 September 2015

- Reference was made to paragraph 5.5 of the report in relation to SEN and the transition to adult social care and it was stated that this would be likely to be reviewed in 12 months by Audit and there was legislation coming out around this.

RESOLVED:

That the report be noted.

- 59** **ANNUAL REPORT ON STANDARDS AND MEMBER CONDUCT (Item B2)**
Discussion took place as to whether it would be useful for Members to receive regular briefing notes on the Code.

In addition it was stated that Members should be reminded that if in doubt, they should declare relevant interests at the meeting, as well as in the written declaration of interests, given the recent decision in the Flowers case that was referred to at paragraph 3.10 of the report.

RESOLVED:

- (a) That the Assistant Chief Executive Governance and HR be requested to provide regular briefing notes to Members reminding them of their responsibilities under the Standards and Members Code of Conduct.
- (b) That the details of the recent Flowers case, as referred to above, be circulated to Members of the Council for information.

- 60** **PRINCIPAL RISKS - INTERIM RISK MANAGEMENT UPDATE (Item B3)**

RESOLVED:

That the report be noted.

- 61** **STATEMENT OF ACCOUNTS 2014-15 (INCLUDING PENSION FUND ACCOUNTS) AND ANNUAL GOVERNANCE REPORTS, INCLUDING KPMG REPORT (Item C1)**

Mohammed Sajid, Chief Accountant gave a presentation to the Committee, a copy of which is interleaved. Representatives of KPMG were also in attendance and presented their Annual Governance Report.

During consideration of the report the following main points were made:–

- There was a general fund balance of 3% of net spend and this was reviewed every year as part of the budget process.
- A representative from KPMG commented that the quality of the Council's financial reporting processes, supporting work papers were of a consistently high standard and that KPMG anticipated issuing an unqualified audit opinion on the Council's finance statements and the Pension Funds financial statements.
- KPMG reported that the Council performed well compared to other Councils however, they would not be in a position to issue an audit certificate as they were considering elector queries relating to 2013/14 and 2014/15.

RESOLVED:

- (a) That the 2014/15 audited statement of accounts and the accompanying Annual Governance statement be approved.
- (b) That the Auditor's Annual Governance Reports and value for money conclusion be noted.
- (c) That the action plan in Appendix 1 of the Annual Governance report be agreed.
- (d) That the letter of representation, set out in Appendix B of the report, be agreed.

62 **POLLING DISTRICT REVIEW (Item C2)**

Debra Norman, Assistant Chief Executive HR and Governance and Andrew Smith, Head of Registration and Electoral Services were present for discussion of this item and an amended report was laid round.

Councillor Martin Klute and Gary Doolan were also present for discussion of this item and made representations to the Committee.

During consideration of the report the following main points were raised:–

- The use of Popham Community Centre was not considered acceptable and that it was not as accessible as New North Academy and this would impinge on the democratic process.
- Councillor Greening referred to the proposal around Highbury West and the accessibility of voters to the polling station at Hind House and the Arsenal hub.
- Discussion took place as to the letter from the Chair of Governors at New North Academy and that previously when using the school year 6, who would be taking their SATS in May, had been accommodated in the school, whilst the election was taking place.
- It was noted that there were difficulties for disabled access at Popham Community centre and voters had to go through alleyways to get there in some instances, which was not satisfactory.
- There was also an issue about continuity of polling places for voters and that New North Academy had been used for a number of years.
- Councillor Klute stated that he would be happy to contact the school to discuss this matter and how the school could be best accommodated whilst maintaining it as a polling station.
- In response to a question it was stated that the Council had legal authority to use a school as a polling station if this was required.
- In response to a question it was stated that there had been no feedback on using churches from voters of other faiths.
- In response to a statement the Head of Registration and Electoral Services stated that premises that could be used as polling stations were kept under regular review and that any suggestions for alternative suitable venues would be welcomed.

RESOLVED:

- (a) That the changes set out in the report be agreed in relation to Highbury West and the Head of Registration and Electoral Services investigating the issue raised by Councillor Greening above.
- (b) That New North Academy continue to be used as a polling place, rather than Popham and Cumming Community Centre, and Councillor Klute be requested to discuss with the school how they can be best accommodated when polling takes place.
- (c) That the comments be noted in relation to Barnsbury, Highbury East, Mildmay and St.Georges wards.
- (d) That it be noted that all other wards remain unchanged.

63 **LONDON SCALE OF ELECTION FEES AND EXPENSES (Item C3)**

Debra Norman, Assistant Chief Executive HR and Governance was present and accompanied by Andrew Smith, Head of Registration and Electoral Services, who outlined the report.

RESOLVED:

- (a) That the proposed scale of fees and expenses, as outlined in Appendix 1 of the report, be approved with effect from the date of the report
- (b) That the London wide scale of fees and expenses, as agreed by the Leaders Committee of London Councils from time to time, be adopted

64 REVIEW OF VOLUNTARY REDUNDANCY SCHEME (Item C4)

The Assistant Director HR and Governance, Debra Norman, and the Director Financial Management, Alan Layton, were present for discussion of this item.

During consideration of the report the following main points were made:–

- Discussions had taken place with the Trade Unions on the pilot scheme and this would be for one year and would then reduce back down to £500 unless a further report was submitted to Audit Committee in 12 months time.
- In response to a question it was stated that it was difficult to ascertain how many voluntary redundancies there would be in 2016/17, however in 2011/12 there were 140/150 redundancies, 82 of which were voluntary.
- The Chair referred to the fact that if voluntary redundancy payment was only £500 it would be only those staff with a pension available who would take this, which may cause a pension strain, whereas staff further down the pay scale may be tempted with a higher redundancy payment.
- A Member expressed the view that he was in favour of reducing compulsory redundancies if possible.
- A Member indicated that there may be a ‘landslide’ of lower graded staff applying at £5000 and there needed to be a limit on the number who can apply for this and enquired whether there would be a sufficient budget and where will the money come from if there are more people applying for voluntary redundancy than are needed.
- A Member stated that perhaps a limit should be set on the maximum budget set aside for VR.
- Members were informed that it was difficult to set a precise budget for redundancy payments, however there is £2.7 million set aside for redundancy payments next year and if a precise budget was set this may affect ongoing savings
- Concern was expressed that if there were shared services what would be the situation and it was stated that when voluntary redundancies were accepted in shared services with Public Health they had been agreed with Camden
- Redundancy could only be paid if a post was deleted. This proposal would make it an easier process to go through and would achieve savings on officer time and limit the possibility of legal action from staff
- A Member expressed the view that perhaps a compromise figure of £2500 could be agreed and this be reviewed in 12 months time, if necessary.

RESOLVED:

That the information in the report concerning the voluntary redundancy schemes over the last 5 years be noted and approval be given to a payment of £2500 being offered to volunteers accepted under the voluntary redundancy scheme on a pilot basis for the 2015/16 scheme.

65 TERMINATION PAYMENT POLICY (Item C5)

Debra Norman, Assistant Chief Executive HR and Governance was present and outlined the report.

During consideration of the report the following main points were made:–

- It was noted that in relation to paragraph 4.4 of the report it was stated that approvals of further payments by the Audit Committee may delay reorganisations and that once the Government had completed on the consultation on the cap of redundancy payments this would be reported back to Audit Committee for discussion
- In relation to recommendation (iii) of the PPS Committee it was stated that the Chief Executive could approve these, in consultation with the Chair of Audit Committee
- In response to a question it was stated that in relation to recommendation (iv) of the PPS Scrutiny Committee that this issue would be dealt with in relation to the Government legislation on termination payments to Council staff

RESOLVED:

- (a) That the content of the report be noted and that the Government intended to implement legislation to impose new governance arrangements in respect of termination payments to Council staff.
- (b) That a further report on termination payments be submitted to the Audit Committee when the legislation was in place, in order that the Council's processes could be amended to comply with the new requirements.

66 TERMINATION PAYMENTS POLICY EXEMPT APPENDIX (Item E1)

The meeting ended at 9.45 pm

CHAIR

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Audit Committee and Audit Committee (Advisory) - 6 October 2015

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 6 October 2015 at 7.30 pm.

Present: **Councillors:** Satnam Gill (Chair), Raphael Andrews and Richard Greening

Councillor Satnam Gill in the Chair

67 **APOLOGIES FOR ABSENCE (Item A1)**

Apologies were received from Councillor Parker and David Bennett

68 **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**

None.

69 **DECLARATIONS OF INTEREST (Item A3)**

There were no declarations of interest.

70 **REVIEW OF VOLUNTARY REDUNDANCY SCHEME (Item B1)**

The Assistant Chief Executive, Governance and HR, Debra Norman, outlined the report.

Following consideration it was –

RESOLVED:

- a) That the information contained in the report and Appendix be noted.
- b) That the additional payment offered to volunteers accepted under the voluntary redundancy scheme be increased to £5,000 on a pilot basis for the 2015/16 scheme.

The meeting ended at 7.35 pm

CHAIR

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Report of: **Head of Internal Audit**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	28 th January 2016		

Delete as appropriate		Non-exempt	
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SUBJECT: Internal Audit Interim Report 2015/16

1. Synopsis

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that supports the delivery of the Council's Strategy.
- 1.2. This report summarises the work that Internal Audit has undertaken from 1st April 2015 to 31st October 2015, identifies the key themes that we have identified across the authority, and also highlights how responsive management have been in implementing recommendations.

2. Recommendations

- 2.1. To note the content of this report and the information provided in Appendix A.

3. Background

- 3.1. The provision of a continuous internal audit service assists the Council in ensuring it has an effective control environment and so supports the delivery of the Council's services.

3.2. The Internal Audit Programme (Annual Plan) was approved by this Committee in March 2015. The findings from the execution of that work programme to October 2015 are attached as Appendix A.

4. Implications

4.1. Financial implications

The programme of audit work was met from within the existing Internal Audit revenue budget

4.2. Legal Implications

The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit Regulations 2003, amended 2006 and 2011). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS). Any officer or member must supply necessary documents and other records and provide any necessary information and explanation required in the course of an internal audit.

4.3. Resident Impact Assessments

There are no direct Resident Impact Assessment implications arising from the recommendations in this report.

5. Conclusion and reasons for recommendations

This report indicates the level of work being undertaken by Internal Audit in order to provide assurance over Islington's control environment.

Final Report Clearance

Signed by



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.....
Corporate Director of Finance

Date

Received by

.....
Head of Democratic Services

.....
Date

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London Borough of Islington

Internal Audit 2015/16 Interim Report

January 2016

1. Purpose of this report

This report summarises the work that Internal Audit has undertaken from 1st April to 31st October 2015 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority.

2. Overview of Year to Date

From 1st April 2015 to 31st October 2015 we have issued the following (details of individual reports can be found in Service Summaries below):

- Five **No Assurance** reports (for comparison, one no assurance report was issued in full financial year 2014/15)
 - One report – Cross-Cutting VCS organisation (E&R, HASS, Chief Exec’s Office)
 - One report – HASS (TMO)
 - Three reports – Children’s Services (School, Children’s Centre, Personal Budgets)
- Two **Limited** Assurance reports
- Five **Moderate** Assurance
- One **Substantial** Assurance
- Six management letters

We are on track to complete the audit plan as agreed by end March 2016. Deferrals may need to be made to accommodate high priority/urgent pieces of work as necessary; these will, however, be discussed and agreed with management.

3. Update on progress on implementation of 2013/14 recommendations

The following areas were reported in the 2014/2015 Annual Report as either:

- assurance had not increased from limited to moderate on follow up; or
- high priority recommendations were still outstanding on follow up.

The current status is detailed below:

Dep	2013/14 Audit	Original Assurance Rating	Revised Assurance Rating	Position – 2014/15 Annual Report	Position as at 31 st October 2015
HASS	Braithwaite TMO	Limited	Indicative of Moderate Assurance	In June 2015, this remained at limited assurance. Of the twelve medium recommendations made, eight remain outstanding. Revised target dates were March 2015.	Following an update from the TMO manager, it was noted that the majority of outstanding recommendations have now been fully implemented with two medium priority recommendations being a work in progress. A full audit would have to be undertaken to formally raise the assurance rating, however, feedback from management suggests that this is now indicative of moderate assurance.

Dep	2013/14 Audit	Original Assurance Rating	Revised Assurance Rating	Position – 2014/15 Annual Report	Position as at 31 st October 2015
E&R	Planning/S106/ Building Control	Limited	Limited	<p>Follow up of reports originally issued in 2011/12. Originally 31 recommendations were made, of which 15 were high priority, 13 medium and 3 low). All three areas remain limited, with the following remaining outstanding:</p> <ul style="list-style-type: none"> • 5 high priority recommendations • 2 medium priority • 2 low priority <p>The outstanding recommendations relate to, or are associated with, the M3 system in place preventing adequate management information allowing effectiveness in the process and monitoring of planning/building control applications.</p>	<p>Internal Audit understands that management have put manual work-arounds in place to counteract the issues with M3 and mitigate the risks; the effectiveness of the controls have not been independently verified by Internal Audit, however, a review of the M3 system is being carried out in Q4 2015/16 which will seek to ascertain whether these issues have been addressed. Consideration will also be given to including a full review of these areas in the 2016/17 plan.</p>
DST	Change Management	Limited	TBC	<p>As reported in the 2014/15 Annual Report, the underlying root cause for the non-implementation of findings was that management took a decision to re-design the suite of IT management policies and procedures during 2014/15. Thus the control frameworks in place changed from the time of our original audits. The current status of this project overall is that whilst re-designed policies have been approved by the Council, only exemplars have been translated into formalised processes and procedures to be followed by staff. Therefore, many of the improvements have not yet been fully implemented in practice and the risks and recommendations identified in our original audit reports have not been fully addressed. Management are aware of this and are working towards this as part of the implementation of the new policies.</p>	<p>Internal Audit are currently revisiting the outstanding recommendations to establish the subsequent level of implementation following the embedding of the redesigned policies. Report due by 31st January 2016.</p>
DST	3 rd Party Management	Limited			
DST	Network Security	Limited			
DST	IT Asset Management	Moderate			
DST	Server Management	Moderate			
DST	PARIS Upgrade	Moderate			
DST	Network Starters & Leavers (12/13)	Moderate			
DST	Service Desk & Delivery	Moderate			

4. Update on progress on implementation of 2014/15 recommendations (as at 31st October 2015)

Department	2014/15 Audit Title	Original Assurance Rating	Revised Assurance Rating	Position as at 31 st October 2015
HASS	Brunswick TMO	Limited	Limited	Ten recommendations (two high, seven medium, one low priority) remain outstanding. Revised targets are November 2015 and January 2016.
HASS	Taverner & Peckett TMO	Limited	Moderate	Assurance increased on follow up. Sixteen recommendations originally reported; twelve (including the one high priority) have been fully implemented, three medium partially implemented and one low priority not implemented. Revised target dates between November 2015 and March 2016.
Cross-Cutting	Leaseholder service & Major Works charges - Partners	Limited	Moderate	The original report issued in March 2015 was rated at Limited Assurance, with the high priority finding relating to arrears recovery. Subsequent follow up in June 2015 highlighted that six recommendations (including the high priority) have been fully implemented and three recommendations have been partially implemented with full implementation due July 2015. As a result of the rate of implementation of recommendations, the level is now indicative of 'moderate' assurance, which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up.
E&R	Cemeteries	Moderate	Moderate	Moderate - in the previous report three recommendations (one high and two medium) were made; our follow up audit revealed that all three recommendations have been fully implemented
E&R	HEEP	Moderate	Moderate	In the previous report four recommendations (one high and three medium priority) were made; our follow up audit revealed that three recommendations have been fully implemented and the remaining moderate recommendation superseded.
Cross-Cutting	Development of Council Land	Moderate	Moderate	In the previous report five recommendations (one high, three medium and one low priority) were made; our follow up audit revealed that three recommendations have been fully implemented and two recommendations (one high priority and one medium priority) have been partially implemented. This will be actioned by October 2015.
Children's Services	Schools Traded Services	Moderate	Moderate	In the previous report seven recommendations (one medium and six low priority) were made; our follow up audit revealed that five recommendations have been fully implemented; one recommendation has been partially implemented (medium priority); and one recommendation (finding three; low priority) has not been implemented. This follow up covers phase one of the audit which reported solely on control design findings. Phase two i.e. assessment of the controls operating in practice, will be undertaken after December 2015 when the new procedure have been introduced.
E&R	E&R Income Processes	n/a - Management Letter	n/a - ML	In the previous report seven recommendations (four high, two medium and one low priority) were made. Our follow up audit revealed that: five recommendations have been fully implemented; one high priority recommendation has been partially implemented; one recommendation has not been implemented. The recommendation relates to the development of the M3 Public Protection database. Revised implementation date September 2015.

Department	2014/15 Audit Title	Original Assurance Rating	Revised Assurance Rating	Position as at 31 st October 2015
Cross-Cutting	Programme Management	n/a - Management Letter	n/a - ML	As a management letter was originally issued, an assurance statement was not created. Internal Audit noted the following observations: there is a lack of consistency between Directorates in the engagement with the PMO because the use of the PMO is not mandated. As a result, the Transformation Project Officer has only a limited view of programme management activity at the Council and means the sharing of good practice may not be optimised. Although there is a template risk register and guidance available through the PMO on formulating and managing programme risks, risk structures may be inconsistent and the management of key risks may not be optimised. As the PMO is a light touch advisory function, there is no body within the Council who has oversight of the reporting lines for all core transformation programmes and ensure there is sufficient senior input into each programme. The Corporate Governance Group has begun to review the risk management arrangements which provide some corporate assurance on this key element of programme governance.

The remaining follow ups for 2015/16 will be undertaken during Q3 and Q4 2015-16.

5. Service Summaries: Reports Issued 1st April – 31st October 2015

5.1. Cross-Cutting/Corporate Reviews

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Sunnyside Community Gardens	No Assurance	Cross-Cutting across E&R, HASS and Chief Exec's (VCS team). Three critical findings were identified relating to financial management, governance and safeguarding. Four high findings related to financial management, benefits realisation, policies and procedures. A further three medium priority issues were identified.
Operational Business Continuity	Limited	Two high priority findings have been raised within this report regarding the business continuity arrangements in place for suppliers/partners/external establishments; and the alignment between the Council's business continuity framework and ICT resources and Disaster Recovery Plan.

b) Work in Progress as at 31st October 2015

Audit ref	Audit title	Status
CC15_7	Use of Agency Staff	Draft Report due January 2016
CC15_6	Information Assurance	Draft Report due January 2016

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
CC15_2	Health & Safety
CC15_4	Digital Strategy and Technology Roadmap
CC15_8	Public Health*
CC15_3	Cross Council Savings
CC15_5	Anti-Social Behaviour

*joint with Camden

5.2. Chief Executive's Office

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Payroll Controls (addition to plan)	n/a – management letter	Internal Audit was requested to undertake a review of the controls in place to prevent and identify salary overpayments with the payroll system, Several control weaknesses and two high priority findings were identified.
FPCH	In collaboration with HASS, Internal Audit have been offering on-going support and additional scrutiny to the review of FPCH.	

b) Work scheduled 1st November to 31st March

Audit ref	Audit title
CE15_1	Governance and Member Support
CE15_2	Islington Assembly Hall
CE15_4	Film Service

5.3. Environment and Regeneration

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Vehicle Maintenance (Extended Follow Up) (addition to plan)	n/a – management letter but indicative of “no assurance”	There remain several outstanding recommendations following the 2013/14 Internal Audit review of Council Fleet Management and this wider review of vehicle maintenance raised a further nine high risk issues.
Street Environment Services Agency Staff (addition to plan)	Limited	The two high priority recommendations relating to the vetting and identification of agency workers, and the accuracy of information held over the number of agency workers used. Matters arising within this report will be incorporated into the cross-cutting review of agency workers and consultants currently in progress.
E&R Purchase Orders (addition to plan)	n/a – management letter	As a management letter was originally issued, an assurance statement was not created. Internal Audit performed limited testing of the purchasing systems, which found these to be operating as intended and no areas of concern were identified surrounding the compliance with control or the legitimacy of spend. However, our review did identify areas where there is scope for improvement regarding the design and operation of purchasing systems/controls. It is also the opinion of internal audit that there may be scope for Management to streamline and/or combine purchasing systems in order to improve the efficiency and effectiveness of purchasing systems/control.

b) Work in Progress as at 31st October 2015

Audit ref	Audit title	Status
FR15_2	Trading Company - IcO	Draft Report due January 2016
FR15_7	M3	Fieldwork Q4 2016/17

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
ER15_6	Leisure Centre Contract Arrangements
ER15_3	Waste Management
ER15_5	Flooding

d) Work which has been cancelled or deferred to 2016/17:

Audit ref	Audit title	Status
ER15_2	Libraries	Management requested that this be deferred due to service changes in 2015/16.

5.4. Housing and Adult Social Services

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Harry Weston TMO	No Assurance	Seven high risk issues were identified relating to financial management. A further four medium and four low risk issues were identified relating to governance issues and insurance arrangements.
Stock Procedures	Moderate	Two medium, three low priority findings. The medium risk findings related to the accuracy and completeness of stock management information; and the procedure in place for van stock takes.
Partners Unavailability (addition to plan)	Moderate	One high and three low priority findings were identified. The high priority finding related to the accuracy of reporting unavailability.
Housing Allocations	Moderate	The four medium priority findings relate to the consistency of the Housing Options manual with published guidance; the accuracy and supporting documentation available to calculate the housing needs points; the timeliness of the processing of Housing Register applications; and the lack of functionality in iWorld to allow management to monitor applications

Report Title	Assurance Rating	Key issues arising
Direct Payments	n/a – management letter	Overall, our review has not highlighted any areas of concern. We identified that a robust control environment is in place and controls were found to be operating effectively. We have raised one recommendation regarding the way in which the Direct Payment Support Service records and manages data/information surrounding services that it provides to service users. Whilst as part of this review we confirmed the existence of key controls in other areas of the self-directed care/personalisation process that interact closely with the management of direct payments (including assessment and eligibility, resource allocation, and financial assessments), a full and in-depth assessment was not performed in these areas. Internal Audit will consider undertaking additional reviews in the areas prescribed above going forward, further to discussions with management as part of the 2016/17 audit planning process.
FPCH (addition to plan)	In collaboration with Chief Executive's Department, Internal Audit have been offering on-going support and additional scrutiny to the review of FPCH.	

b) Work in Progress as at 31st October 2015

Audit ref	Audit title	Status
AD15_18	Holbrook TMO (addition to plan)	Final Report due January 2016
HASS15_3	Moving Forward Programme - Benefits Realisation	Final Report due January 2016
HASS15_1	Safeguarding Adults	Final Report due January 2016
HASS15_7	Housing Needs Service Overspend	Draft Report due Q4
HASS14_8_3	Bemerton TMO (addition to plan)	TBC with Tenant Management Team

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
HASS14_2	Occupational Therapy Service
HASS14_8_4	Wenlake TMO
HASS14_8_4	Arch Elm TMO
HASS15_9	Repairs & Maintenance - in-house reintegration

5.5. Children's Services

a) Reports finalised

Report Title	Assurance Rating	Key issues arising
Personal Budgets	No Assurance	Issues relate to eligibility criteria, consistency of the assessment approach, financial monitoring, supporting documentation and review care packages. Management action is being taken to address all of the issues identified.
Canonbury Primary	No Assurance	Six high priority findings have been identified relating to safeguarding and financial management. Whilst a number of high priority findings relating to control design/operational weaknesses were identified, we found no indication of impropriety, fraud or intentional wrongdoing. It was noted that the new School Business Manager has already begun to address some of the issues highlighted within this report. The school is being given post-audit advice and support from the School's Finance team.
The Factory Children's Centre	No Assurance	The critical priority finding relates to a lack of segregation of duties in internet banking. The nine high priority findings relate to: financial reporting; budget setting; budget monitoring; financial management; bank reconciliations; contract management; petty cash; staff taxi travel; registers of interest; trustee roles and responsibilities; risk register; ransomware incident; and IT assets.
Highbury School	Moderate	One high priority finding was identified relating to HR and Payroll and five medium priority findings related to financial management, data protection and safe security.
School Admissions	Substantial	Four low priority findings identified.
Stronger Families	n/a – management letter	<p>May 2015 - Management letter issued; assurance statement not created. Internal Audit were satisfied that the claim made for May 2015 was accurate based on the sample testing performed.</p> <p>September 2015 - Management letter issued; assurance statement not created. The Financial Framework for the expanded programme which began in April 2015 specifies that each local authority's Internal Auditor should verify a sample of results for each claim "before it is made". Historically, the Council has performed these checks retrospectively, however within each future claim window time should be assigned for the internal audit of the claim prior to its submission and no claim should be submitted without internal audit approval. The first claim for the expanded programme was made in September 2015 and Internal Audit were satisfied that the claim was accurate based on the sample testing performed.</p> <p>The next claim for the expanded programme will be made by the Council in January 2015.</p>

b) Work in Progress as at 31st October 2015

Audit ref	Audit title	Status
CS15_2	Schools Support Services	Final Report due Q4
CS15_4	Asylum Seekers - Children	Final Report due Q4

Audit ref	Audit title	Status
CS15_1_7	Tufnell Park School	Final Report due Q4
CS15_7	Alternative Provision	Fieldwork Scheduled Q4

c) **Work scheduled 1st November to 31st March**

Audit ref	Audit title
CS15_8	Virtual School
CS15_1_6	The Bridge School
CS15_1_5	St Aloysius School
CS15_5	Post 16 Budget

a) **Work which has been cancelled or deferred to 2016/17:**

Audit ref	Audit title	Status
CS15_1_3	St John's Highbury Vale School	Deferred to accommodate review of The Virtual School
CS15_1_4	St Jude's and St Paul's School	Deferred to accommodate review of The Virtual School

5.6. Finance and Resources

a) **Reports finalised**

Report Title	Assurance Rating	Key issues arising
Bank Account Transfer	Moderate	The high priority finding related to the absence of segregation of duties for payroll BACS payments. The medium priority findings relate to protocols on banking and payments, access configuration for bank accounts, bank accounts transfer procedures. During our review, we observed that the Council maintains good control over its monthly bank reconciliations. This enabled all balance transfers to be traced, thereby significantly decreased the risk of balances having not been transferred accurately or completely
Supplier Amendment & Control (addition to plan)	n/a – management letter (findings indicative of limited assurance)	Management letter issued; findings indicative of limited assurance rating. The revised processes developed for the creation and amendment of suppliers provide scope for the creation of false suppliers as well as significant scope for mandate fraud to successfully take place. It is, however, noted that progress is being made in developing additional exception reports to identify duplicate suppliers

Report Title	Assurance Rating	Key issues arising
IT Shared Service Business Case (addition to plan)	n/a – management letter	Management letter issued; assurance statement not created. Internal Audit provided input into validating the IT Shared Service Business Case.

b) Work in Progress as at 31st October 2015

Audit ref	Audit title	Status
FR15_2	Trading Company - IcO	Joint work with E&R. Draft Report due January 2016
FR15_6	PCI Compliance	Fieldwork scheduled Q4
FR15_5	PSN Audit	Fieldwork scheduled Q4
FR15_7	M3	Joint work with E&R. Fieldwork scheduled Q4

c) Work scheduled 1st November to 31st March

Audit ref	Audit title
FR15_1	Continuous Auditing/KFS Audits
FR15_3	Income maximisation from Corporate Property

Report of: Corporate Director of Finance and Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	28 January 2016		

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Annual Treasury Management and Investment Strategy 2016-17

1. Synopsis

1.1 This report discusses the council's 2016-17 annual treasury management strategy and investment strategy.

2. Recommendations

2.1 To consider the council's 2016-17 annual treasury management strategy and investment strategy before full council's approval at its budget and council tax setting meeting on 25 February 2016. The strategy covers

- The balance sheet and treasury position
- Prospects for interest rates
- Borrowing requirement and strategy
- Debt rescheduling
- Investment strategy and policy
- HRA Self Financing

2.2 To note the key points of the treasury strategy summarised below:

Summary of the key points of the treasury strategy

- £48.8 m is estimated to be required to be borrowed over the next 3 years
 - £37.6 million to replace existing borrowing that matures
 - £11.2 million of new borrowing to fund capital expenditure
- The borrowing strategy is to minimise borrowing costs, through
 - Using surplus internal cash, and
 - Borrowing at optimal times at either variable or fixed rates which can include borrowing in advance of need
- It is expected that sums for investments will be minimal. Investment activity is restricted to institutions set in para 3.6.7 and Appendix C gives the details
- The Council's investment priorities in order of importance are :
 - security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity

3. Background

3.1 INTRODUCTION

- 3.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as “the management of the organisations’ investments and cashflow, its banking, money market and capital market transactions; the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.
- 3.1.2 Treasury management activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 26th February 2002. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. The Council has incorporated the changes from the revised 2011 CIPFA Code of Practice into its treasury policies procedures and practices.
- 3.1.3 The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. The Council is required to set out an Annual Treasury Strategy outlining at the least the expected treasury activity for the forthcoming three years.
- 3.1.4 A key requirement of this report is to explain both the risks, and the management of the risks, associated with treasury management which include:

- Liquidity Risk (Inadequate cash resources).
- Market or Interest Rate Risk (Fluctuations in interest rate levels).
- Inflation Risk (Exposure to inflation).
- Credit and Counterparty Risk (Security of Investments).
- Refinancing Risk (Impact of debt maturing in future years).
- Legal and Regulatory Risk.

3.2 Scope

3.2.1 This Treasury Management Strategy considers the impact of the Council's revenue budget and capital programme on the balance sheet position, the prospects for interest rates, borrowing requirement and strategy, debt rescheduling, investment strategy and policy, monitoring, members training and advisors.

Balance sheet and treasury position

3.2.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR represents the level of borrowing for capital purposes. Revenue expenditure cannot be financed from borrowing. Net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need, up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of the invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements.

3.2.3 The CFR together with balances and reserves are the core drivers of Treasury Management activity. The estimates, based on the current revenue budget and capital programmes and in advance of any changes to the 2016-17 budget to be considered in February, are set out in **Table 1** below:

Table 1 – Capital Financing, Balances and Reserves Forecasts

	31/03/2016 Estimate £m	31/03/2017 Estimate £m	31/03/2018 Estimate £m	31/03/2019 Estimate £m
General Fund CFR	122	124	124	123
HRA CFR	442	442	442	442
Long term liabilities- PFI	155	145	135	126
Total CFR	719	711	701	691
Less Balances and Reserves	164	125	102	98
Net Balance Sheet Position	555	586	599	593

3.2.4 The Council's level of physical debt and investments is linked to these components of the balance sheet. Market conditions, affordability, interest rate expectations and credit risk

considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position.

3.3 Prospects for interest rates

3.3.1 Treasury management activities such as borrowing introduce risk to the Council via the impact of unexpected adverse movements in interest rates. The Council employs Arlingclose treasury consultants, to advise on the treasury strategy, to provide economic data and interest rate forecasts, to assist planning and reduce the impact of unforeseen adverse movements.

Appendix A draws together a number of current forecasts for short-term and longer-term fixed interest rates. The forecast is for official UK Bank rates to rise in September 2016 and a further increase thereafter to give a 0.75% average rate for 2016/17. Due to uncertainties surrounding the timing of UK and US monetary policy and global growth weakness, gilt yields are projected to rise in the medium term but with short term volatility in prices.

3.4 Borrowing requirement and strategy

3.4.1 The Council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement (CFR). To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision (MRP) for debt redemption from within the revenue budget each year.

3.4.2 Capital expenditure not financed from internal resources (i.e. capital receipts, capital grants and contributions, revenue or reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce an increased requirement to charge MRP in the revenue account. The Council's borrowing requirement is shown in the **Table 2** below.

	2015-16	2016-17	20-17-18	2018-19
	estimate £M	estimate £M	estimate £M	estimate £M
New Borrowing	0	6.0	2.7	2.5
Replacement borrowing	21.9	11.1	14.4	12.1
TOTAL	21.9	17.1	17.1	14.6.

3.4.3 In conjunction with advice from our Treasury Advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the Public Works Loan Board (PWLB), other local authorities, the market and other sources up to the available capacity within the Authorised Limit (contained within the Prudential Indicators in **Appendix B** to be adopted in the 2016-17 budget).

3.4.4 The chief objective of the council when borrowing money is achieve an appropriate risk balance between securing low interest rates and cost certainty over the periods for which funds are required. Given the significant cuts to public expenditure and in particular local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer term stability of the debt portfolio. The types of borrowing that are still appropriate for a low interest rate environment from the PWLB are :

- Variable rate borrowing.
- Medium term equal instalments of principal (EIP) or annuity loans.
- Long term maturity loans where affordable.

3.4.5 The Council's strategy is to minimise its borrowing costs over the medium to longer term and maintain maximum control over its borrowing activities as well as flexibility on its loans' portfolio. The use of internal resources in lieu of borrowing and short to medium term borrowing will continue because of the "cost of carry" (that is the differential between debt costs and investment earnings.) Exposure to variable loans including PWLB rates will be kept under regular review. Even though, the Bank Rate is expected to rise during 2016-17, it still remains at historically low levels. As at 31 December 2015, the council had agreed long term loans of £46.5m. All these loans are from other local authorities over periods of 2 to 6 years at an average rate of 1.75%.

3.4.6 Capital expenditure levels, cash flow projections, market conditions and interest rate levels will be monitored in conjunction with our Treasury Advisors, Arlingclose, to determine the most appropriate option.

3.4.7 The Council's borrowing requirement over the next three years is estimated to be around £48.8 million. £37.6 million of this borrowing will be used to replace existing PWLB debt taken in the 1980's that matures over the next three years. If market rates were to fall considerably or future rates were expected to rise, then some borrowing could be taken ahead of spend. The borrowing strategy will therefore consider opportunities to borrow not only for 2016-17 but ahead for the next two financial years.

3.5 **Debt rescheduling**

3.5.1 The factors affecting any decision on debt rescheduling will include, the generation of cash savings and / or discounted cash flow savings in interest cost, helping to fulfil the strategy outlined in the paragraphs above; enhancing the balance of the fixed to variable rate debt in the portfolio and, amending the maturity profile. All rescheduling activity will comply with the accounting requirements of the local authority Statement Of Recommended Practice (SORP) and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No. 573 as amended by SI 2008/414)

3.6 **Investment strategy and policy**

3.6.1 To comply with the Government's guidance, the Council's general policy objective is to invest its surplus funds prudently.

3.6.2 The Council's investment priorities, in order of importance, are:

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

3.6.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

3.6.4 Investment instruments identified for use in the financial year are categorised under the 'Specified' and 'Non-Specified' Investments based on the CLG guidance.

Specified Investments

3.6.5 Specified investments are described in the guidance as those identified as offering high security and high liquidity, and can be relied on with minimal formalities. All must be in sterling and with a maturity of no more than one year. All such short-term investments with the UK Government, other local authorities, or Parish Councils will automatically be considered "specified", for other deposit takers a "high" credit rating is required which the authority defines. This Council's definition is included at the end of this report.

Non-Specified Investments

3.6.6 Non-specified investments carry a higher degree of potential risk, and the guidance requires the types of investments that can be used be set out in the Strategy, and limits to be set on how much can be held in these investments at any time during the year. The guidance states that it is not the objective to discourage investment in any type of instrument, but to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies that are not highly credit rated.

3.6.7 Potential instruments for the Council's use within its investment strategy are listed in the specified and non-specified investment schedule attached as **Appendix C**

3.6.8 The Council has reviewed the way it formulates its counterparty criteria. The lending list criteria is devised from the use of rating agencies which will include Fitch, Moody's Investor Services, Standard & Poor's (or other rating agency where necessary) as well as other factors. The main sovereign states whose banks are to be included are Australia, Canada, Finland, France, Denmark, Germany, Netherlands, Switzerland and the US. These countries and the Banks within them have been selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+ minimum short term F1).
- Credit Default Swaps.
- GDP; Net Debt as a Percentage of GDP.
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution.
- Share Price.

3.6.9 The Council will also take into account information on corporate developments and market sentiment towards the counterparties. The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.

3.6.10 The Council's internally managed investment as at 31 December 2015 totalled £56 million and the forecast position for the end of March through 2016-17 will average £60million. The Council has restricted its investment activity to the following institutions while conditions in the financial sector are monitored for stability and cashflow positions are averaging around £60M

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure).
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV).
- Deposits with other local authorities.
- Business reserve accounts and term deposits. These have been primarily restricted to UK institutions that are rated at least A+ long term.

3.6.11 If the cash flow positions were to increase because of forward borrowing then investments criteria will revert to credit ratings as stated in paragraph 3.6.8

3.6.12 A copy of the Council's current lending list and the institutions actually lent to as at December 2015 is attached as **Appendix D** for information. In addition the Council has borrowed £5m short term, from other Local Authorities & Public Bodies – this has proved to be a cheaper alternative to variable rate PWLB borrowing.

3.6.13 The UK bank rate has been maintained at 0.5% since March 2009 and it is anticipated to remain at low levels throughout 2016-17. Short-term money market rates are likely to remain at low levels for an extended period.

3.6.14 The economic interest rate outlook provided by the Council's Treasury Advisor, Arlingclose, is attached as **Appendix A**. The Council will reappraise its strategy with evolving market conditions and expectations for future interest rates.

3.6.15 The Corporate Director of Finance and Resources under delegated powers will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. All investments will be made in accordance with the Council's investment policies and prevailing legislation and regulations.

3.7 **Housing Revenue Account policy on apportioning interest**

3.7.1 Central Government completed its reform of the Housing Revenue Account Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with determinations issued by the Department for Communities and Local Government. The CIPFA Code recommends that authorities present this policy in their TMSS.

3.7.2 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. New long-term loans borrowed are 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) are charged/ credited to the respective revenue account.

3.7.3 **Internal borrowing**

Where the HRA or GF has surplus cash balances which allow either account to have external borrowing below its level of CFR (internal borrowing), the rate charged on this internal borrowing will be based on the 14.5 -15year PWLB fixed loan rate to reflect the assumed opportunity cost forgone.

3.8 Monitoring

3.8.1 Treasury management monitoring will be incorporated in the regular Executive financial monitoring reports. The Executive Member for Finance is regularly briefed on treasury activities. At the end of the financial year, an outturn report will be prepared on the Council's investment activity as part of its Annual Treasury Report. The Audit committees will scrutinise the Annual Treasury Strategy Statement before Council approval at its budget and council tax setting meeting.

3.9 Members Training

3.9.1 CIPFA's revised Code requires the Director of Finance to ensure that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

3.10 Advisors

3.10.1 Arlingclose, our appointed Treasury Advisors, undertake their role as advisors to enable the Council to make informed decisions.

4 Implications

4.1 Financial Implications

The treasury management function has resource implications on the council's revenue budget. The paramount objective of the treasury management function is capital security and the pursuit of optimum performance must be consistent with the risk undertaken.

4.2 Legal Implications

Local authorities have restricted freedoms with regard to the investment of surplus funds. The rules are prescribed by statute and are laid out under section 15(1)(a) of the Local Government Act 2003. Local authorities are also required to have regard to supplementary guidance provided by the Office of the Deputy Prime Minister (ODPM; now Communities and Local Government) and by CIPFA. CIPFA's guidance is defined as a proper practice for these purposes.

4.3 Equalities Impact Assessment

4.3.1 The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975.)"

4.3.2 An equalities impact assessment has not been undertaken at this stage because this report is an update on an existing policy that is agreed at the annual council tax and budget setting.

4.4 Environmental Implication

None applicable to this report.

5. Conclusion and reasons for recommendations

Appendix A - Arlingclose Economic & Interest Rate Forecast December 2015

Underlying assumptions:

- The global economy is facing a period of slower growth, as China reorients slowly towards domestic demand. Lower demand for raw materials will depress growth in mainly developing countries where extraction is the primary industry and countries particularly reliant on exports will also face more challenging conditions.
- Countries with stronger domestic demand, such as the UK and US, will be able to weather a temporary global slowdown, helped by lower commodity prices. However, persistently slower growth will have economic repercussions for these countries.
- Additional US monetary policy tightening will be gradual and not pre-planned. The US economy will absorb the rise in interest rates without choking off growth.
- UK economic growth will slow further but remain within the long term trend range. Economic growth softened in Q3 2015 but remained reasonably robust at 2.3% year-on-year.
- Inflation is currently very low and will likely remain so over the next 12 months, on the back of low commodity prices and expectations that UK monetary policy will be tightened (strengthening sterling). The CPI rate will to rise towards the end of 2016.
- Domestic demand is key for UK growth. Household spending has been and will remain the key driver of GDP growth through 2016. Consumption will continue to be supported by real wage and disposable income growth.
- On the back of strong consumption, business investment has strengthened, which should drive some productivity growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Annual average earnings growth was 2.4% (including bonuses) in the three months to October. With low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the medium term and may alleviate the wage pressure on companies. The development of wage growth is one of the factors being closely monitored by the MPC.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressures.

Forecast:

- We have maintained our projection for the first rise in Bank Rate in Q3 2016. Risks remain weighted to the downside. We project a slow rise in Bank Rate. The appropriate level for Bank Rate will be lower than the previous norm and will be between 2 and 3%.
- We project medium term gilt yields on a shallow upward path in the medium term, with interest rate and inflation expectations remaining subdued.
- The uncertainties surrounding UK and US monetary policy, and global growth weakness, are likely to continue to prompt short term volatility in gilt yields.

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
Official Bank Rate														
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.31
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.12
Downside risk			-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-0.73
3-month LIBID rate														
Upside risk	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.36
Arlingclose Central Case	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.50	1.60	1.65	1.70	1.75	1.24
Downside risk		-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20	-1.20	-0.83
1-yr LIBID rate														
Upside risk	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.41
Arlingclose Central Case	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15	2.15	1.82
Downside risk	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25	-1.25	-0.88
5-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	1.30	1.38	1.45	1.53	1.60	1.68	1.75	1.83	1.90	1.98	2.05	2.13	2.20	1.75
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
10-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	1.90	1.95	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.40	2.45	2.50	2.20
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
20-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	2.50	2.53	2.55	2.58	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.65
Downside risk	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20	-1.20	-0.89
50-yr gilt yield														
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	2.50	2.55	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.83	2.85	2.69
Downside risk	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15	-1.15	-0.84

EXTERNAL DEBT INDICATORS

1							
Authorised Limit for External Debt (including PFI)							
			2015-16 £000s Approved	2015-16 £000s Revised	2016-17 £000s Estimate	2017-18 £000s Estimate	2018-19 £000s Estimate
Borrowing			538,000	457,000	474,000	491,000	506,000
Other Long Term Liabilities			155,000	145,000	145,000	135,000	126,000
TOTAL AUTHORISED LIMIT			693,000	602,000	619,000	626,000	632,000

The Authorised Limit for External Debt sets the maximum level of external borrowing that the Council can incur. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the Council's expected maximum borrowing need with headroom for unexpected cashflow. The limit also provides scope for the Council to borrow in advance of need. Other long-term liabilities include items such as PFI schemes and finance leases.

2							
Operational Boundary for External Debt (including PFI)							
			2015-16 £000s Approved	2015-16 £000s Revised	2016-17 £000s Estimate	2017-18 £000s Estimate	2018-19 £000s Estimate
Borrowing			488,000	417,000	434,000	451,000	466,000
Other Long Term Liabilities			145,000	145,000	135,000	125,000	116,000
TOTAL OPERATIONAL BOUNDARY			633,000	562,000	569,000	576,000	582,000

The Operational Boundary for External Debt is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an early warning indicator to ensure the authorised limit is not breached. Similarly to the authorised limit it also provides scope for the Council to borrow in advance of need. Other long-term liabilities include items such as PFI schemes and finance leases.

3							
Actual External Debt (including PFI)							
							31.3.15 £000s Actual
Borrowing							305,000
Other Long Term Liabilities							155,000
TOTAL EXTERNAL DEBT							460,000

This is the actual external debt that the Council held at 31st March 2015. Other long-term liabilities include items such as PFI schemes and finance leases.

TREASURY MANAGEMENT INDICATORS

4	
Adoption of CIPFA's Treasury Management Code of Practice	
	The Council formally adopted CIPFA's Code of Practice on Treasury Management on 26th February 2002 and CIPFA's revised Code of Practice on Treasury Management on 25th February 2010.

5							
Upper Limit for Fixed Interest Rate Exposure							
		31.3.15 £000s Existing (Benchmark) Level	2015-16 £000s Approved	2015-16 £000s Revised	2016-17 £000s Estimate	2017-18 £000s Estimate	2018-19 £000s Estimate
Net principal relating to fixed rate borrowing/investments		222,000	345,000	230,000	240,000	250,000	260,000

This indicator identifies a maximum limit for the level of debt (net of investments) taken out at fixed rates of interest

Upper Limit for Variable Interest Rate Exposure							
		31.3.15 £000s	2015-16 £000s	2015-16 £000s	2016-17 £000s	2017-18 £000s	2018-19 £000s
		Existing (Benchmark) Level	Approved	Revised	Estimate	Estimate	Estimate
12	Net principal relating to variable rate borrowing/investments	111,000	175,000	120,000	115,000	125,000	130,000

This indicator identifies a maximum limit for the level of debt (net of investments) taken out at variable rates of interest and its purpose is to help the Council to manage its exposure to adverse movements in interest rates.

Maturity Structure of New Fixed Rate Borrowing							
					31.3.15 Existing (Benchmark) Level %	2016-17 Upper Limit %	2016-17 Lower Limit %
13	Under 12 months				14.0%	100%	0%
	12 months and within 24 months				4.0%	100%	0%
	24 months and within 5 years				13.0%	100%	0%
	5 years and within 10 years				10.0%	100%	0%
	10 Years and within 20 years				21.0%	100%	0%
	More than 20 years				39.0%	100%	0%

These limits are set to reduce the Council's exposure to large fixed rate sums of borrowing falling due for refinancing in any one year.

Upper Limit for Total Principal Sums Invested for over 364 Days							
			2015-16 £000s Approved	2015-16 £000s Revised	2016-17 £000s Estimate	2017-18 £000s Estimate	2018-19 £000s Estimate
14	Total principal sum invested		30,000	40,000	40,000	40,000	40,000

These limits are set to reduce the need for the early sale of an investment, and are based on the availability of investments at each year-end.

Credit Risk

- 15**
- The Council considers security, liquidity & yield in that order when making investment decisions. It uses credit ratings along with a range of other criteria such as sovereign support mechanisms, credit default swaps & share prices to assess the credit strength of a counterparty. A full description of credit criteria used is included in section 6.2 of the Strategy Statement of the Councils Treasury Management

Islington Council Specified Investments

All "Specified Investments" listed below must be sterling-denominated, with maximum maturity one year.

** If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Investment	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Max period
Debt Management Agency Deposit Facility* (DMADF) * this facility is at present available for investments up to 6 months	Yes	Government-backed.	In-house and by external fund managers	1 year *
Term Deposits with the UK Government or other UK Local Authorities and Police Commissions	Yes	High security although the majority of Local Authorities do not have credit rating with one of the three recognised credit rating agencies.	In-house and by external fund managers	1 year
Term Deposits with credit-rated deposit or UK Government backed (banks and building societies), including callable deposits.	Yes	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £30 m per institution Plus Council Bankers Overnight, weekend & Public Sector Reserve – Maximum of £10m For late funds only	In-house and by external fund managers	1 year

Investment	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Max period
<p>Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 year.</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Yes	<p>Fitch IBCA Short-term F1</p> <p>Maximum 10% of fund with fund manager.</p>	To be used in house or by fund managers;	1 year
<p>Gilts : with maturities up to 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Yes	<p>Government-backed</p> <p>Minimum credit rating: AA+</p>	<p>(1) Buy and hold to maturity or trade: to be used in-house after consultation / advice from Arlingclose.</p> <p>(2) trading by external cash fund manager(s) only subject to the guidelines agreed.</p>	1 year
<p>Money Market Funds</p> <p><i>These funds do not have any maturity date</i></p>	Yes	<p>Minimum credit rating: AAA</p>	<p>In-house and by external fund managers subject to the guidelines agreed.</p>	subject to cash flow / liquidity
<p>Forward deals with credit rated or UK government backed banks and building societies plus other Local Authorities < 1 year (i.e. negotiated deal period plus period of deposit)</p>	Yes	<p>Minimum Short Term Ratings</p> <p>Fitch F1</p> <p>Moodys P-1</p> <p>S & P A-1</p> <p>Minimum Long term Ratings</p> <p>Fitch A+</p> <p>Moodys A1</p> <p>S & P A+</p> <p>Maximum Deposit</p> <p>£30m per institution</p>	In-house and fund managers	1 year in aggregate
<p>Gilt Funds and other Bond Funds (dependent on set-up structure)</p>	Yes	<p>Minimum Rating:</p> <p>Fitch: A+</p> <p>Moody's: A1</p> <p>S&P: A+</p>	<p>External fund managers only subject to guidelines agreed</p> <p>*Important : In choosing the manager we</p>	

Investment	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Max period
<p>*** These are open-end mutual funds investing predominantly in UK Government gilts and corporate bonds. These funds do not have any maturity date and would hold highly liquid instruments.</p>			<p>will ensure that the fund is not a body corporate by virtue of its set up structure</p>	
<p>Treasury bills [Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value]</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Yes	Government-backed	In- house or External fund managers subject to the guidelines and parameters agreed	1 year
<p>Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities under 12 months</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Yes	AA+ (Government-backed)	<p>(1) Buy and hold to maturity or trade: to be used in-house after consultation / advice from Arlingclose</p> <p>(2) trading by external cash fund manager(s) only subject to guidelines agreed</p>	1 year
<p>Bonds issued by multilateral development banks (as defined in SI 2004 No 534) with maturities under 12 months</p>	Yes	AAA	<p>(1) Buy and hold to maturity or trade: to be used in-house after consultation/ advice from Arlingclose</p> <p>(2)) trading by external cash fund manager(s) only subject to guidelines agreed</p>	1 year

Investment	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating **	Circumstance of use	Max period
<i>Custodial arrangement required prior to purchase</i>				
UK Sterling Denominated Corporate Bonds issued by UK PLC's or Public Sector Bodies (From 01/04/2012)	Yes	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long Term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £10m per institution	(1) Buy and hold to maturity or trade: to be used in-house after consultation/ advice from Arlingclose (2)) trading by external cash fund manager(s) only subject to guidelines agreed	1 year

***Open ended funds continually create new units (or shares) to accommodate new monies as they flow into the funds and trade at net asset value (NAV).

Islington Council Non Specified Investments

<u>Investment</u>	<u>Share/ Loan Capital?</u>	<u>Repayable/ Redeemable within 12 Months?</u>	<u>Security / Minimum Credit Rating **</u>	<u>Capital Expenditure?</u>	<u>Circumstance of Use</u>	<u>Maximum Held at Any One Time During the Year</u>	<u>Maximum Maturity of Investment</u>
						£M	
Term deposits with UK government or other local authorities and Police Commissions (with maturities in excess of 1 year)	No	No	High security although the majority of Local Authorities do not have credit rating with one of the three recognised credit rating agencies	No	In-house and fund managers	100	5 years
Term deposits with credit rated deposit takers or UK government backed (banks and building societies) with maturities greater than 1 year	No	No	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £30m per institution		In-house and fund managers	100	5 years
Certificates of Deposit with credit rated deposit takers or UK government backed (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	No	Yes	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £30m per institution	No	To be used by fund managers. To be used in-house "buy and hold" or trade after consultation / advice from Arlingclose.	100	5 years

APPENDIX C

<u>Investment</u>	<u>Share/ Loan Capital?</u>	<u>Repayable/ Redeemable within 12 Months?</u>	<u>Security / Minimum Credit Rating **</u>	<u>Capital Expenditure?</u>	<u>Circumstance of Use</u>	<u>Maximum Held at Any One Time During the Year</u> £M	<u>Maximum Maturity of Investment</u>
<p>Callable deposits with credit rated deposit takers or UK government backed (banks and building societies) with maturities greater than 1 year</p>	No	No	<p>Minimum Short Term Ratings Fitch F1 Moody's P-1 S & P A-1</p> <p>Minimum Long Term Ratings Fitch A+ Moody's A1 S & P A+</p> <p>Maximum Deposit £30m per institution .</p>	NO	<p>To be used by fund managers.</p> <p>To be used in-house "buy and hold" or trade after consultation / advice from Arlingclose.</p>	100	5 years in aggregate
<p>UK government gilts with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	No	Yes	Government backed	No	<p>(1) Buy and hold to maturity or trade: to be used in-house after consultation / advice from Arlingclose</p> <p>(2) for trading: by external cash fund manager(s) only subject to the guidelines and parameters agreed with them.</p>	100	10 years including but also including the 10 year benchmark gilt
<p>Sovereign issues ex UK Government gilts : any maturity</p>	No	Yes	AAA	No	<p>(1) Buy and hold to maturity or trade: to be used in-house after consultation/ advice</p>	100	10 years

APPENDIX C

<u>Investment</u>	<u>Share/ Loan Capital?</u>	<u>Repayable/ Redeemable within 12 Months?</u>	<u>Security / Minimum Credit Rating **</u>	<u>Capital Expenditure?</u>	<u>Circumstance of Use</u>	<u>Maximum Held at Any One Time During the Year</u> £M	<u>Maximum Maturity of Investment</u>
<i>Custodial arrangement required prior to purchase</i>					from Arlingclose		
Forward deposits with credit rated or UK government backed banks and building societies plus other Local Authorities and Police Commissions for periods > 1 year (i.e. negotiated deal period plus period of deposit)	No	No	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long Term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £30m per institution For Maturities > 2 years Long Term Minimum AA	No	(2) for trading: by external cash fund manager(s) only subject to the guidelines and parameters agreed with them To be used by fund managers. To be used in-house after consultation/ advice from Arlingclose	100	5 years in aggregate
Bonds issued by a financial institution that is guaranteed by the United Kingdom Government (as defined in SI 2004 No 534) with maturities in excess of 1 year	Yes	Yes	AA+ / government guaranteed	No	(1) Buy and hold to maturity or trade: to be used in-house after consultation/ advice from Arlingclose (2) for trading: by external cash fund manager(s) only, subject to guidelines and parameters agreed	100	10 years
<i>Custodial arrangement required prior to purchase</i>							
Bonds issued by multilateral development banks	Yes	Yes	AAA or government guaranteed	No	(1) Buy and hold to maturity or trade: to be used in-house after	100	10 years

APPENDIX C

<u>Investment</u>	<u>Share/ Loan Capital?</u>	<u>Repayable/ Redeemable within 12 Months?</u>	<u>Security / Minimum Credit Rating **</u>	<u>Capital Expenditure?</u>	<u>Circumstance of Use</u>	<u>Maximum Held at Any One Time During the Year</u> £M	<u>Maximum Maturity of Investment</u>
(as defined in SI 2004 No 534) with maturities in excess of 1 year <i>Custodial arrangement required prior to purchase</i>					consultation/ advice from Arlingclose (2) for trading: by external cash fund manager(s) only, subject to the guidelines and parameters agreed with them		
UK Sterling Denominated Corporate Bonds issued by UK PLC's or Public Sector Bodies (From 01/04/2012)	No	No	Minimum Short Term Ratings Fitch F1 Moodys P-1 S & P A-1 Minimum Long Term Ratings Fitch A+ Moodys A1 S & P A+ Maximum Deposit £10m per institution	No	(1) Buy and hold to maturity or trade: to be used in-house after consultation/ advice from Arlingclose (2) for trading: by external cash fund manager(s)	100 Max £10m per institution	10 years

APPENDIX D

COUNTERPARTY LIST AS AT DECEMBER 2015

Minimum criteria	A+	F1	A1	P-1	A+	A-1									
	Fitch L/T	Fitch S/T	Moodys L/T	Moodys S/T	S & P L/T	S & P S/T	Sovereign Rating - F/M/S&P	5 year CDS	Share Price	Maximum Limit - £	Maximum Term	LBI	Arlingclose Current Advice		
UK Banks															
Barclays	A	F1	A2	P-1	A-	A-2	AA+/Aa1/AAAu	62	214	30,000,000	36 Months	Council Bankers from Mar 2015 - overnight liquidity only	Limit to 100 Days - CHECK !!!		
HSBC	AA-	F1+	Aa2	P-1	AA-	A-1+	AA+/Aa1/AAAu	72	1519	30,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Lloyds	A+	F1	A1	P-1	A	A-1	AA+/Aa1/AAAu	52	72	30,000,000	36 Months	SUSPENDED !!!	Limit to 13 Months - CHECK !!!		
RBS	BBB+	F2	A3	P-2	BBB+	A-2	AA+/Aa1/AAAu	61	293	30,000,000	36 Months	SUSPENDED !!!	Limit to 35 Days - CHECK !!!		
Santander UK	A	F1	A1	P-1	A	A-1	AA+/Aa1/AAAu/ BBB+/Baa2/BBB+(Spain)	65	N/A	30,000,000	36 Months	SUSPENDED !!!	Limit to 6 Months - CHECK !!!		
Standard Chartered	A+	F1	Aa2*-	P-1	A+	A-1	AA+/Aa1/AAAu	140	537	30,000,000	36 Months	Limit to 6 Months - CHECK !!! Watch CDS	Limit to 6 Months - CHECK !!! Watch CDS		
UK Building Societies															
Nationwide	A	F1	A1	P-1	A	A-1	AA+/Aa1/AAAu	N/A	N/A	30,000,000	36 Months	SUSPENDED !!!	Limit to 6 Months - CHECK !!!		
Non UK Banks															
Australia															
Australia & NZ Banking Group	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	80	N/A	15,000,000	36 Months	Limit to 6 Months - CHECK !!!	Limit to 6 Months - CHECK !!!		
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	80	N/A	15,000,000	36 Months	Limit to 6 Months - CHECK !!!	Limit to 6 Months - CHECK !!!		
National Australia Bank	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	80	N/A	15,000,000	36 Months	Limit to 6 Months - CHECK !!!	Limit to 6 Months - CHECK !!!		
Westpac Banking Group	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	80	N/A	15,000,000	36 Months	Limit to 6 Months - CHECK !!!	Limit to 6 Months - CHECK !!!		
Canada															
Bank of Montreal	AA-	F1+	Aa3	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Bank of Nova Scotia	AA-	F1+	Aa2*-	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Canadian Imperial Bank of Commerce	AA-	F1+	Aa3	P-1	A+	A-1	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Royal Bank of Canada	AA	F1+	Aa3	P-1	AA-	A-1+	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Toronto-Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+	AAA/Aaa/AAA	N/A	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Finland															
Germany															
Deutsche Bank	A-	F1	A3	P-2	BBB+	A2	AAA/Aaa/AAAu	100	N/A	15,000,000	36 Months	SUSPENDED !!!	Limit to 35 Days - CHECK !!!		
Netherlands															
ING Bank	A	F1	A1	P-1	A	A-1	AAA/Aaa/AAAu	50	N/A	15,000,000	36 Months	SUSPENDED !!!	Limit to 100 Days - CHECK !!!		
Rabobank	AA-	F1+	Aa2	P-1	A+	A-1	AAA/Aaa/AAAu	50	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Sweden															
Svenska Handelsbanken	AA-	F1+	Aa2	P-1	AA-	A-1+	AAA/Aaa/AAAu	50	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Nordea Bank AB	AA-	F1+	Aa3	P-1	AA-	A-1+	AAA/Aaa/AAAu	60	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Switzerland															
Credit Suisse	A	F1	A2	P-1	A	A-1	AAA/Aaa/AAAu	85	N/A	15,000,000	36 Months	SUSPENDED !!!	Limit to 100 Days - CHECK !!!		
USA															
JP Morgan Chase	AA-	F1+	Aa3	P-1	A+	A-1	AAA/Aaa/AA+u	80	N/A	15,000,000	36 Months	Limit to 13 Months - CHECK !!!	Limit to 13 Months - CHECK !!!		
Other															
Deutsche Bank Global Liquidity Fund			Aaa / MR1+		AAA m		N/A	N/A	N/A	15,000,000	N/A	OK - Limit to 0.5% of Fund Size (approx £25M)	OK - Limit to 0.5% of Fund Size (approx £25M)		
UK Local Authorities							N/A	N/A	15,000,000(per authority)	36 Months		OK	56,000,000		
Supra-National Bonds (EIB)	AAA		Aaa		AAA		N/A	N/A	Unlimited	Unlimited		SUSPENDED !!!	OK - CHECK !!!		
UK DMADF	AA+		Aa1		AAA		N/A	N/A	Unlimited	6 Months		OK			
TOTAL FUNDS INVESTED												<u>56,000,000</u>			

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Report of: The Corporate Director of Finance and Resources.

Audit Committee	Date: 28th January 2016	Ward(s): N/A
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Delete as appropriate	Exempt	
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Whistleblowing Report April 2015 to December 2015

1. Synopsis

- 1.1 The report confirms that the Whistleblowing arrangements in place are effective and that reporting fraud is an integral part of the Council's Anti-Fraud Strategy going forward.
- 1.2 The report gives detail to the types of whistleblowing referral made and the quantities of referrals between April 2015 and November 2015. This is compared against the quantities made the previous year.

2. Recommendations

- 2.1 Consider and comment on the contents of the report

3. Background

- 3.1 Robust Whistleblowing arrangements are a key element of effective governance arrangements within the Council. It is a mechanism to "empower the honest majority" in the fight against fraud and corruption.

4. Implications

Financial implications:

4.1 None arising from the content of this report

Legal Implications:

4.2 None arising from the content of this report

Environmental Implications

4.3 None

Resident Impact Assessment:

4.4 There are no direct Resident Impact Assessment implications arising from this report.

5. Reasons for the recommendations / decision:

5.1 The report presents the Council’s use of the Whistleblowing arrangements from April 2015 to December 2015.

5.2 The Council is obliged under the Public Interest Disclosure Act to maintain a Whistle-blowing Policy, designed to encourage staff, elected Members, contractors and the public to raise legitimate concerns about wrong-doing within the Council without fear of reprisal.



Signed by
Corporate Director of Finance Date

Received by
Head of Democratic Services Date

Appendices

- Appendix A Exempt

Background papers:

- None

Report author: Michael Bradley, Head of Internal Audit
Tel: 07979834012
E-mail: michael.bradley@islington.gov.uk



Report of: **Head of Internal Audit**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	28 th January 2016		

Delete as appropriate		Non-exempt	
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SUBJECT: Internal Audit Fraud Investigation Report: April 2015 to November 2015

1. Synopsis

- 1.1. The provision of a Fraud Investigation Service that focus's on prevention and detection of fraud and protects the Council's valuable resources by ensuring that they are not lost through fraud. Providing the Council with assurance that on the control environment that supports the delivery of the Council's Strategy.
- 1.2. This report summarises the work that has been undertaken by the Council in changing the Anti – Fraud approach to create a robust anti-fraud culture across the Council. It also provides information relating to the work of Internal Audit Investigations and Whistle Blowing from April 2015 to November 2015

2. Recommendations

- 2.1. To note the content of this report.

3. Background

3.1. The provision of an Investigation Service assists the Council in ensuring that fraud risk is reduced and so supports the delivery of the Council's services.

4. Implications

4.1. Financial implications

Fraud investigation work in Internal Audit is being met from within the existing Internal Audit revenue budget

4.2. Legal Implications

None

4.3. Resident Impact Assessments

There are no direct Resident Impact Assessment implications arising from the recommendations in this report.

5. Conclusion and reasons for recommendations

This report indicates the level of work being undertaken by Internal Audit Investigations. The Audit Committee should use this report to gain assurance that Islington's Counter-Fraud arrangements are robust..

Final Report Clearance

Signed by



Corporate Director of Finance

13 January 2016

Date

Received by

.....
Head of Democratic Services

.....
Date

Report author: Michael Bradley, Head of Internal Audit

Tel: 07979834012

E-mail: michael.bradley@islington.gov.uk

London Borough of Islington

Internal Audit

Fraud Investigation Report

April 2015 to November 2015

Contents

1. Introduction	P3
2. Anti-Fraud Strategy	P3
2.1 Background	P3
2.2 Approach and Progression	P3
2.3 Anti-Fraud Strategy – Aims and Objectives	P3
3. Housing Benefit/Council Tax Benefit/Council Tax Reduction Fraud	P4
3.1 Ongoing Fraud Work: Post transfer of staff and work to the Department of Work and Pensions	P4
4. Anti-Fraud Work: Internal Audit/Housing Investigations	P4
4.1 Schools Admissions Service	P4
4.2 No Recourse to Public Funds (NRPF)	P5
4.3 Fraud Awareness Training	P5
4.4 Fraud Cases	P5
4.5 Caseload referred: 2015/2016	P5
4.6 Housing Investigations	P5

1. Introduction

1.1. Purpose of this report

This report summarises the work that the Council and Internal Audit (Investigations) have undertaken from April 2015 to September 2015. It provides details on the work undertaken so far in reviewing and changing the Council's Anti-Fraud strategy, details of the changes within Housing Benefit Fraud Investigation (with staff transferring to the Department of Work and Pensions, Single Fraud Investigation Service) and details of anti-fraud work undertaken by Internal Audit Investigations. There is also a report on Whistle Blowing.

2. Anti Fraud Strategy

2.1. Background

In December 2014, Internal Audit submitted a report to CMB on fraud investigation. The report described how a unified corporate approach to fraud investigation and prevention created opportunities to change Islington's counter fraud approach to ensure that the Council met its objectives and was getting value for money. CMB agreed that closer working and utilising the expertise of the fraud investigation community within the Council, signified an opportunity to refresh the anti-fraud strategy to strengthen the Council's stand against fraud.

2.2. Approach and Progression

To progress, the Corporate Director for HASS set up a short term project group to:

- a. Agree a fraud strategy covering priorities, joint planning, and collaboration.
- b. Develop a training and awareness programme
- c. Agree an implementation plan for the strategy
- d. Agree governance arrangements, including rapid deployment of skilled staff when there are spikes in specific areas.
- e. An Anti-Fraud Strategy and implementation plan was designed and formally agreed through CMB in June 2015 and the Trade Unions at the Joint Secretaries Meeting in July.
- f. A Corporate Prosecution and Enforcement Policy has been written and agreed through Legal Services. It is necessary to set the standards and guidelines that will assist in the decision making process when prosecution or enforcement action is necessary as part of the commitment to protecting the Council's funds, assets and reputation.
- g. A Fraud Response Plan is currently being written. This will enable all who need to refer a potential fraud, the knowledge of where to refer it to. To complete this work, we are working on identifying the fraud risks associated with each Directorate. From this we will be able to name the risk and give guidance of where to refer fraud cases, if the need arises.
- h. Work is currently being undertaken to identify the training needs of all Council Directorates. We have provided all Council DMT's with a list of Teams within their Directorates and asked them to identify the training needs of their teams by fraud risk. We have asked them to think about the work which they undertake and evaluate which level of fraud awareness training their staff will need.
- i. The Council's fraud forum has been revived and led by the Corporate Director HASS, which has become part of the governance arrangements. The first meeting was held on the 28th September 2015, with a subsequent meeting held on the 19th November.
- j. The Strategy adheres to the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and fits into the National Strategy of "Fighting Fraud Locally," in ensuring that leaders of public sector organisations take responsibility to embed effective standards for countering fraud and corruption in their organisations and to support good governance in demonstrating effective financial stewardship and strong public financial management. The governance arrangements will ensure that this happens.
- k. A robust Council-wide fraud reporting mechanism will be available to comply with the governance arrangements.

2.3. Anti-Fraud Strategy – Aims and Objectives

Through this Strategy the aims and objectives are to:

- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used to provide quality services to Islington residents and visitors.
- The strategy is linked to current corporate policies.
- Create and promote a robust 'anti-fraud' culture across the organisation which highlights the Council's zero

tolerance of fraud, corruption and theft through service area management teams.

- Strengthen governance and fraud reporting.
- Ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled.
- Ensure that an appropriate level of fraud training, dependent on fraud risk is given to all staff.
- To actively work with Schools, Tenancy Management Organisations and the Voluntary Sector to promote fraud awareness.
- Proactively deter, prevent and detect fraud, corruption and theft.
- Investigate suspected or detected fraud, corruption and theft.
- Enable the Council to apply appropriate sanctions and recover all losses.
- Provide recommendations to inform policy, system, risk management and control improvements, thereby reducing the Council's exposure to fraudulent activity.
- Create an environment that enables the reporting of any genuine suspicions of fraudulent activity and ensuring the rights of people raising legitimate concerns are properly protected (whistleblowing). However, the Council will not tolerate malicious or vexatious allegations or those motivated by personal gain and, if proven, disciplinary or legal action may be taken.
- Work with partners and other investigative bodies to strengthen and continuously improve the Council's resiliency to fraud and corruption.

3. Housing Benefit/Council Tax Benefit/Council Tax Reduction Fraud

3.1. Ongoing Fraud Work: Post transfer of staff and work to the Department of Work and Pensions. Current position.

The Single Fraud Investigation Service (SFIS) has taken over the investigation of Housing Benefit and residual Council Tax Benefit fraud from 1st August 2015. There are now no Benefit Fraud Investigators within the Council, having transferred the resource to the DWP.

Internal Audit (Investigations) has employed one of the Housing Benefit Investigators in the role of the Single Point of Contact (SPOC) role between the Council and SFIS. This Officer will also take on some Corporate Fraud Investigations.

There is still a legislative requirement within the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 that, from the 1st April 2013, local authorities will undertake fraud prevention, detection and prosecution work in relation to the localised Council Tax Reduction Scheme (CTRS). SFIS has no legal power to investigate Council Tax Reduction cases. The investigation of fraud against CTRS will be undertaken by the Council's Internal Audit Investigation officers.

The Council has appointed the Internal Audit Investigation officers as "Authorised Officers" who are authorised to obtain specific information in relation to Council Tax Reduction investigations. Authorised powers are set out in The Council Tax Reduction scheme (Detection of Fraud and Enforcement) (England) Regulations 2013 in accordance with section 14A of the Local government Finance Act 1992.

Concerns have been raised with SFIS management regarding responses to the fraud referrals made since transfer. From 20 referrals made, only 2 have been progressed to investigations. The cases which are referred go through a triage process, to ensure that only quality referrals are made.

SFIS stated that there was currently a backlog of some 7,000 referrals, resulting in delays of 6-7 weeks at the Referral Centre. There were no guarantees that if cases reached the investigators, that it was possible that no investigation would take place due to lack of investigative resources. It was confirmed that there is currently no provision for feedback on the progress of referrals from LA's other than an automated email to acknowledge receipt of the referral at the Referral Centre.

SFIS have requested documents and system information on 45 cases (cases not referred by the Council). It was acknowledged that Islington response times and quality of information supplied to SFIS was one of the best in London.

Responsibility for maintaining benefit fraud awareness within Finance Operations will lie jointly with SFIS and Internal Audit.

4. Anti-Fraud work: Internal Audit/Housing Investigations

4.1. Schools Admissions Service

Investigators have been working closely with the Schools Admissions Service. A referral pathway has been opened and the Admissions Team will now contact Internal Audit on a regular basis to assist in confirming whether applications are genuine. We have encouraged some self-reliance in giving them tools to undertake further checks such as access to the

CRM system and encouraged them to use the internet and social media for open source information.

We have also assisted in putting together a strong anti-fraud message for next year's Admissions Brochure.

4.2. No Recourse to Public Funds (NRPF)

Work with the NRPF team has commenced with scoping out how Internal Audit can assist in preventing fraud. We have provided them with relevant fraud awareness, false document and false identity training in September 2015. We have also opened a referral pathway into Internal Audit, where cases can be reviewed and advice given to the Team.

4.3. Fraud Awareness Training

Internal Audit and Housing Investigations provided fraud and identity fraud awareness training to Council officers involved in Right to Buy in August 2015. This included officers from Valuations and Legal Services.

A fraud awareness presentation was made at the Schools Business Managers conference in June 2015. The presentation was schools orientated and gave an overview how fraud, both internal and external could affect Schools.

4.4. Fraud Cases

Internal Audit currently has 23 live investigations. (Four cases carried forward from 2014/2015) 2 cases have been reopened after receiving new information. 11 cases are complex frauds. 2 Cases are with the Crown Prosecution Service. 2 Cases are with the Police.

4.5. Caseload referred 2015/2016

Caseload	No.	Directorate	No.
Total Cases Referred	41	HASS	15
Current Live Investigations	21	E&R	7
Total Cases Investigated	20	CE	8
Total Closed: Irregularity	7	Children's	3
Total Closed: Advice Given	10	Education	4
Total Closed: No Fraud Found	4	Finance	4

4.6. Housing Investigations Team

Housing Investigations had 117 live cases at the end of October 2015. As a result of their investigations, 52 properties have been returned to the Council.

LBI Cases- Civil	Apr	May	Jun	Jul	Aug	Sep	Oct
Cases brought forward	115	120	110	112	96	95	99
Cases referred	22	15	11	21	9	22	26
Cases closed	17	25	9	5	10	18	8
Cases carried forward	120	110	112	96	95	99	117
Total possessions obtained by HIT	8	10	6	9	6	9	4
LBI Cases- Criminal							
Cases brought forward						2	2

In addition, the team have 2 ongoing criminal investigations under the Prevention of Social Housing Fraud Act. Information has been laid and summonses issued by Highbury Magistrates Court in one case. Case was adjourned in October 2013 with a hearing date due in November 2015. The 2nd case has been referred to Legal.

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Report of: **Corporate Director of Finance & Resources**

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	28 January 2016		All

Delete as appropriate		Non-exempt
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SUBJECT: THE COUNCIL'S USE OF SURVEILLANCE UNDER THE REGULATION OF INVESTIGATORY POWERS ACT 2000

1. Synopsis

- 1.1 The report updates the committee on the council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA).

2. Recommendations

- 2.1 To note the level and nature of covert surveillance undertaken by the council.

3. Background

- 3.1 RIPA provides a statutory framework regulating the use of directed surveillance and the conduct of covert human intelligence sources (informants or undercover officers) by public authorities. The Act requires public authorities, including local authorities, to use covert investigation techniques in a way that is necessary, proportionate and compatible with human rights. RIPA also provides for the appointment of a Chief Surveillance Commissioner to oversee the way in which public authorities carry out covert surveillance.
- 3.2 Directed surveillance is covert surveillance that is conducted for the purposes of a specific investigation or operation and it is likely to result in the obtaining of private information about a person. Private information includes any aspect of a person's private or personal relationship with others, including family and professional or business relationships. Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information.
- 3.3 The use of covert surveillance techniques by local authorities has been the subject of some controversy in recent years. The Government introduced significant changes under the

Protection of Freedoms Act 2012 which came into effect on 1 November 2012. The changes mean that a local authority can now only grant authorisations under RIPA for the use of directed surveillance where it is for the purpose of investigating criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco. A magistrate's approval is also required before the RIPA authorisation can take effect.

3.4 All RIPA authorisations must be signed by an authorising officer. Authorising officers must be trained before issuing any authorisations and they should also attend regular refresher training. The council currently has 5 authorising officers:

- Corporate Director Housing & Adult Social Services
- Director of Operations (Housing)
- Service Director Public Protection
- Director Public Realm
- Audit Manager (Investigations)

Home Office Codes of Practice

4.

4.1 In December 2014 the Home Office issued revised codes of practice – Covert Surveillance and Property Interference Code of Practice and Covert Human Intelligence Sources Code of Practice – replacing the previous codes of practice issued in 2010. Public authorities may be required to justify, with regard to the codes of practice, the use or granting of authorisations in general or the failure to use or grant authorisations where appropriate.

4.2 The Covert Surveillance and Property Interference Code of Practice sets out that elected members of a local authority should annually review the authority's use of RIPA. The code also provides that public authorities should appoint a Senior Responsible Officer (SRO) to be responsible for the authority's compliance with RIPA. The SRO will engage with the OSC inspectors when they conduct their inspections and where necessary oversee the implementation of post-inspection action plans. Within local authorities, the SRO should be a member of the corporate leadership team and the Corporate Director of Finance & Resources has been nominated to this role for the council.

5. OSC inspection

5.1 The OSC carries out an inspection of the council's management of covert activities every 2 to 3 years. The last inspection was on 15 November 2013 and was carried out by Assistant Surveillance Inspector, Mr L W Turnbull.

5.2 An action plan was drawn up to address the inspector's recommendations and this was considered at Audit Committee on 29 September 2014. The action plan is reviewed quarterly by the SRO and an exempt copy of the updated action plan is at annex A to this report.

5.3 The council maintains a central register of authorisations. The register was previously maintained by Internal Audit but following the recommendation of the OSC Inspector the register is now maintained by Legal Services. Legal Services is now also responsible for issuing the unique reference numbers (URNs) for investigations.

5.4 Legal Services has recently provided training to the council's authorising officers and investigating officers on RIPA, the use of social media for covert investigation and the revised codes of practice.

6. Use of RIPA

- 6.1 During this financial year since 1 April 2015 the council has authorised directed surveillance on 1 occasion for Housing Operations to investigate a case of criminal damage, harassment and intimidation on a council estate. The RIPA authorisation was given judicial approval by a magistrate.
- 6.2 For the previous financial year (1 April 2014 to 31 March 2015) the council authorised directed surveillance on 4 occasions for Housing Operations to investigate:
- 2 cases of anti-social behaviour and drug-dealing
 - 1 case of harassment & racially motivated hate crime
 - 1 case of unlawful subletting & benefit fraud
- All 4 authorisations were given judicial approval by a magistrate.
- 6.3 The council has not authorised the use of a covert human intelligence source since October 2010.
- 6.4 The trend in the number of RIPA authorisations has been downwards. By comparison the council has granted the following number of directed surveillance authorisations in previous years:
- 2014/15 – 4
 - 2013/14 - 6
 - 2012/13 – 17
 - 2011/12 – 15
 - 2010/11 – 23
 - 2009/10 – 34
 - 2008/09 - 38

7. Implications

7.1 Financial implications:

There are no financial implications arising directly from this report. Robust anti-fraud activity is an integral part of the council's strategy for safeguarding its assets and maximising its use of resources. The use of investigatory surveillance is one of the tools the council uses to achieve these aims.

7.2 Legal Implications:

RIPA was introduced to ensure that covert surveillance undertaken by public authorities is undertaken in accordance with the European Convention on Human Rights and the Human Rights Act 1998.

The council can only undertake covert surveillance if the proposed operation is authorised by one of the council's authorising officers and subsequently approved by a magistrate. A local authority can only use directed surveillance if it is necessary to prevent or detect criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco. The authorising officer must also be satisfied that the proposed directed surveillance is proportionate to what is sought to be achieved.

There has been a reduction in the number of directed surveillance authorisations granted by the council since 1 November 2012 when the Protection of Freedoms Act 2012 introduced significant changes to local authorities' use of RIPA. However, the council could still face a legal challenge to the way in which covert surveillance is conducted. This could lead to the evidence obtained being ruled as inadmissible and/or a complaint to the Investigatory Powers Tribunal.

7.3 Environmental Implications:

Nil

7.4 Resident Impact Assessment:

A resident impact assessment has not been conducted as this report only provides monitoring information and a legal update for the Committee.

8. Conclusion and reasons for recommendations

- 8.1 The OSC made recommendations as to how the council could improve the management of its covert activities and these recommendations are being implemented.
- 8.2 The Protection of Freedoms Act 2012 has introduced additional safeguards to the use of RIPA and the impact of covert surveillance on the privacy of those under investigation. This has seen a reduction in the use of directed surveillance by the council.

Appendix A (exempt) - Updated action plan to implement recommendations of OSC Inspection Report

Background papers: (available on request)

Home Office Code of Practice: Covert Surveillance and Property Interference

Home Office Code of Practice: Covert Human Intelligence Sources

Final report clearance:

Signed by:



Corporate Director for Finance and Resources

Date

Received by:

Head of Democratic Services

Date

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Report of: Corporate Director of Finance and Resources

Meeting of:	Date	Agenda Item	Ward(s)
Audit Committee	28 th January 2016		

COUNCIL TAX BASE AND NNDR 2016-17

1. SYNOPSIS

- 1.1 This report sets out the Council Tax base calculation and National Non Domestic Rates (NNDR) estimate for the financial year 2016-17.

2. RECOMMENDATIONS

- 2.1. To agree that the Council Tax base for the whole area for 2016-17 (or until rescinded) shall be 75,339.6 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.2 and Appendix A**)
- 2.2. To agree that the Council Tax base for meeting the special expenses issued by the Lloyd Square Garden Committee for 2016-17 (or until rescinded) shall be 44.4 Band D equivalent properties after adjusting for non-collection. (**Paragraph 4.3 and Appendix B**)
- 2.3. To note the Council Tax forecast for 2015-16. (**Paragraph 5.1 and Appendix C**)
- 2.4. To agree the business rates estimate for 2016-17 and delegate authority to the Corporate Director of Finance and Resources for finalising the NNDR1 Form (detailed business rates estimate) in line with this estimate. (**Paragraph 6.1**)
- 2.5. To note the NNDR forecast for 2015-16. (**Paragraph 6.2 and Appendix D**)

3. BACKGROUND

- 3.1. The Local Government Finance Act 1992 (as amended) and associated Regulations require the Council to calculate its proposed Council Tax base for 2016-17 during the period commencing 1st December 2015 and ending 31st January 2016. The Council Tax base will be used to calculate the level of Council Tax to be set by Full Council on 25th February 2016.
- 3.2. The Local Government Act 2003 enables the Council to delegate responsibility for determining the Council Tax base to a committee or sub-committee. On 26th June 2008, the Council established an Audit Committee and delegated responsibility for determining the Council Tax base to that committee.

- 3.3. The Lloyd Square Garden Committee, under The Levying Bodies (General) Regulations 1992, issues a levy on the Council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. The Local Government Finance Act 1992 requires authorities to carry out separate calculations for all areas that are subject to special expenses. It is therefore necessary for the Council to calculate separately the tax base for the Lloyd Square Garden area.

4. COUNCIL TAX BASE ESTIMATE 2016-17

- 4.1. The Council Tax base calculation is based on the number of dwellings in the borough, the approved local Council Tax support scheme and the collection rate, as follows:
- 4.1.1. The number of dwellings reflects those on the Valuation List as at 30th November 2015, adjusted for exemptions, discounts and disabled relief.
- 4.1.2. The Council Tax support scheme (unchanged from the 2015-16 scheme) was formally approved by Council on 3rd December 2015.
- 4.1.3. The estimated collection rate for 2016-17 is 97.0% (increased from 94.5% in 2015-16).
- 4.2. The Council Tax base calculation for the Council's whole area for 2016-17 is set out at **Appendix A**; applying a collection rate of 97.0% results in a Council Tax base figure of 75,339.6.
- 4.3. The Council Tax base calculation for the Lloyd Square Garden area for 2016-17 is set out at **Appendix B**; applying a collection rate of 97.0% results in a Council Tax base figure of 44.4.

5. COUNCIL TAX FORECAST POSITION 2015-16

- 5.1. In the 2014-15 Statement of Accounts the final Council Tax position was a surplus of £6.8m, of which £5.0m was budgeted in setting the 2015-16 Council Tax base and £1.8m was an additional unbudgeted surplus carried forward to 2015-16. A further £2.2m in-year surplus is forecast in 2015-16, resulting in a total forecast Council Tax surplus of £4.0m in 2015-16 (£3.1m Islington Council share; £0.9m Greater London Authority (GLA) share). This is set out at **Appendix C**. This one-off Council Tax surplus has arisen due to growth in the tax base, a buoyant collection rate and joint work with the GLA to improve arrears recovery. The GLA will be notified of this position and the Council share of the one-off surplus will be included in the 2016-17 budget.

6. NATIONAL NON DOMESTIC RATES 2016-17 ESTIMATE AND 2015-16 FORECAST POSITION

- 6.1. The Council estimates that it will collect £192.5m in business rates in 2016-17, with £57.8m (30%) to be retained by Council and £96.2m (50%) and £38.5m (20%) to be paid over to Central Government and the GLA respectively. It is recommended that authority is delegated to the Corporate Director of Finance and Resources for finalising the NNDR1 Form (detailed business rates estimate) in line with this estimate.
- 6.2. In 2015-16 the NNDR account is forecast to be in balance. This is set out at **Appendix D**

7. IMPLICATIONS

Financial Implications

- 7.1. The financial implications of this report will be directly incorporated in the 2016-17 Budget Report and statutory Council Tax calculations to be considered by Executive on 4th February 2016 and Full Council on 25th February 2016.

Legal Implications

- 7.2. The Council, as billing authority, is required to calculate the amount which will be its Council Tax base for the next financial year by 31st January of the preceding financial year. (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of Council Tax Base) Regulations 2012).
- 7.3. The Council must make similar calculations in relation to any items of expenditure which relate to a part only of the Council's area. This enables the Council to collect, as Council Tax, the contributions of the local residents for these expenses. In Islington, the expenses of meeting the special levy issued by the Lloyd Square Garden Management Committee qualify and the Council can take such expenses into account in calculating its budgetary requirements provided it has defined them as "special expenses" in a resolution in force at the time it calculates such requirements (Section 34 of the 1992 Act and the 2012 Regulations).
- 7.4. The precepting authorities must be notified by the Council of its Council Tax base calculation between 1st December and 31st January to enable those authorities to calculate their budgetary requirement for the following year and the precept they will issue to the Council before 31st March. If the Council fails to comply with the end of January deadline, the regulations prescribe a notional formula for the precepting authorities to use in default, which will bind the Council. Similar rules require the precepting authorities to notify the Council of relevant prescribed information between 1st and 31st December of the preceding year.
- 7.5. The calculation of the Council Tax base may, but no longer has to, be approved by Full Council. It may be approved by a Council committee or sub-committee, but not by the Executive (Section 84 of the Local Government Act 2003 and Regulation 4(9) to (11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended)).
- 7.6. The Council must set the Council Tax for the next financial year before 11th March of the preceding financial year (although it will not be invalid merely because it is set on or after that date). Before the Council can decide this amount, it has to complete a further series of statutory calculations to establish its budgetary requirements for 2016-17. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11th March of the preceding financial year and are usually made at the same time as the Council Tax is set.
- 7.7. The Council, as billing authority, must estimate for each financial year whether there is a surplus or deficit in its Collection Fund. Any surplus or deficit in respect of Council Tax must be shared between the Council and its relevant major precepting authorities and the Council is required to inform them should this be applicable (The Local Authorities (Funds) (England) Regulations 1992).

- 7.8. The Council, as billing authority, is required to estimate its national non domestic rates income and the shares of that income payable to Central Government and the Greater London Authority for the next financial year and to notify those bodies of the amounts so calculated by 31st January of the preceding financial year (Regulation 3 of and Schedule 1 to the Non Domestic Rating (Rates Retention) Regulations 2013).
- 7.9. The Council is required to consult persons or bodies who appear to be representative of non-domestic ratepayers in the borough. The consultation must take place in regard to each financial year and in relation to the Council's proposed expenditure (both revenue and capital expenditure) in that financial year, prior to the Council finalising its budget (Section 65 of the 1992 Act).

Environmental Implications

- 7.10. This report does not have any direct environmental implications.

Resident Impact Assessment

- 7.11. The Council Tax (Reductions for Disability) Regulations 1992 (as amended) make provision for billing authorities to reduce by one band the Council Tax due on properties occupied by people with disabilities who fulfil certain criteria. This is reflected in the Council Tax base figures at **Appendix A**.

Background papers: None

Responsible Officer:
 Mike Curtis
 Corporate Director of Finance and Resources

Report Author:
 Martin Houston
 Strategic Financial Advisor

Signed by



18th January
 2016

.....
 Corporate Director of Finance and
 Resources

Date

Received by

.....

Head of Democratic Services

Date

APPENDIX A: ISLINGTON WHOLE AREA COUNCIL TAX BASE 2016-17

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2015	4,365	6,126	29,464	31,984	17,546	8,736	6,722	907	105,850
Less Disabled Relief	-1	-7	-36	-60	-52	-46	-21	-7	-230
Plus Disabled Relief	8	36	60	52	46	21	7	0	230
Less Exemptions	-2,849	-278	-811	-1,210	-773	-390	-78	-22	-6,411
Total Chargeable Dwellings	1,523	5,877	28,677	30,766	16,767	8,321	6,630	878	99,439
Discounts (25%)	-903	-3,415	-13,964	-10,992	-4,651	-1,724	-1,022	-78	-36,749
Discounts (50%)	0	-3	-15	-10	-10	-4	-12	-13	-67
Discounts (10%)	0	0	0	0	0	0	0	0	0
Less Equivalent Discount Value	-225.75	-855.25	-3,498.50	-2,753.00	-1,167.75	-433.00	-261.50	-26.00	-9,220.75
Total Sub Adjusted Dwellings	1,297.25	5,021.75	25,178.50	28,013.00	15,599.25	7,888.00	6,368.50	852.00	90,218.25
Less Council Tax Support	-295.20	-1,811.48	-7,949.46	-6,498.95	-2,559.44	-939.49	-364.47	-4.50	-20,423.00
Total Adjusted Dwellings	1,002.05	3,210.27	17,229.04	21,514.05	13,039.81	6,948.51	6,004.03	847.50	69,795.25
Ratio to Band D	6/9	7/9	8/9	1.00	11/9	13/9	15/9	2	
Band D Equivalent	668.03	2,496.87	15,314.70	21,514.05	15,937.54	10,036.74	10,006.72	1,695.00	77,669.66

Band D Equivalent Assuming 97.0% Collection Rate

75,339.6

APPENDIX B: LLOYD SQUARE GARDEN AREA COUNCIL TAX BASE 2016-17

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2015	0	0	0	1	2	3	18	5	29
Less Disabled Relief	0	0	0	0	0	0	0	0	0
Plus Disabled Relief	0	0	0	0	0	0	0	0	0
Less Exemptions	0	0	0	0	0	0	0	0	0
Total Chargeable Dwellings	0	0	0	1	2	3	18	5	29
Discounts (25%)	0	0	0	0	0	-2	-3	0	-5
Discounts (50%)	0	0	0	0	0	0	0	0	0
Discounts (10%)	0	0	0	0	0	0	0	0	0
Less Equivalent Discount Value	0.00	0.00	0.00	0.00	0.00	-0.50	-0.75	0.00	-1.25
Total Adjusted Dwellings	0.00	0.00	0.00	1.00	2.00	2.50	17.25	5.00	27.75
Ratio to Band D	6/9	7/9	8/9	1.00	11/9	13/9	15/9	2	
Band D Equivalent	0.00	0.00	0.00	1.00	2.44	3.61	28.75	10.00	45.81

Band D Equivalent Assuming 97.0% Collection Rate

44.4

	2014-15 Actual	2015-16 Budgeted	2015-16 Forecast
	£000	£000	£000
Income			
Net Council Tax Income (excluding Council Tax Support)	(119,632)	(123,877)	(122,489)
Council Tax Support	25,238	26,641	25,718
Total Income	(94,394)	(97,236)	(96,771)
Expenditure			
Precepts and Demand			
Islington Council			
- General Expenses	66,892	70,634	70,634
- Special Expenses (Lloyd Square Garden Area)	13	15	15
	66,905	70,649	70,649
Greater London Authority Precept	20,793	21,240	21,240
Total Precepts and Demand	87,698	91,889	91,889
Provision for Bad debts & Write Offs	2,382	5,347	2,700
Total Expenditure	90,080	97,236	94,589
(Surplus)/Deficit for the year	(4,314)	0	(2,182)
Contributions towards Previous Year's Forecast Surplus			
Islington Council		3,843	3,843
GLA		1,194	1,194
(Surplus)/Deficit for the year net of share of contributions	(4,314)	5,037	2,855
(Surplus)/Deficit brought forward at beginning of the year	(2,518)	(5,037)	(6,832)
(Surplus)/Deficit carried forward to next year	(6,832)	0	(3,977)
Share of Forecast (Surplus)/Deficit			
Islington Council			(3,058)
Greater London Authority			(919)
Total (Surplus)/Deficit			(3,977)

	2014-15 Actual	2015-16 Budgeted	2015-16 Forecast
	£000	£000	£000
<u>Income</u>			
Net Non Domestic Rates Income	(201,160)	(203,445)	(204,947)
Contributions towards Previous Year's Forecast Deficit			
- Islington Council Share	(500)		
- Greater London Authority Share	(333)		
- Central Government Share	(833)		
Total Contributions towards Previous Year's Forecast Deficit	(1,666)	0	0
Total Income (excluding Transitional Protection Payments)	(202,826)	(203,445)	(204,947)
Transitional Protection Payments	107		163
Total Income	(202,719)	(203,445)	(204,784)
<u>Expenditure</u>			
Precepts and Demand			
Islington Council	56,181	57,288	57,288
Greater London Authority	37,454	38,192	38,192
Central Government	93,635	95,481	95,481
Total Precepts and Demand	187,270	190,961	190,961
Other Expenditure			
Disregards Renewable Energy	60	60	60
Cost of Collection Allowance	647	645	645
Total Other Expenditure	707	705	705
Provision for Bad Debts & Write Offs	2,547	4,000	3,556
Appeals Provision	5,265	7,779	11,346
Total Expenditure	195,789	203,445	206,568
(Surplus)/Deficit for the year	(6,930)	(0)	1,784
(Surplus)/Deficit brought forward at beginning of the year	5,146	0	(1,784)
(Surplus)/Deficit carried forward to next year	(1,784)	(0)	0
Share of Forecast (Surplus)/Deficit			
Islington Council			0
Greater London Authority			0
Central Government			0
Total (Surplus)/Deficit			0

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**Chief Executive's Department
Town Hall, Upper Street, London N1 2UD**

Report of: Assistant Chief Executive, Governance and HR

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	28 January 2015		All

Delete as appropriate	Exempt	Non-exempt
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Subject: Review of recruitment of agency workers to directly employed posts

1 Synopsis

1.1 This report proposes a policy approach to recruiting agency workers to directly employed positions following consideration of past policy and practice by the Policy and Performance Scrutiny Committee.

2. Recommendations

2.1 To note the contents of the report.

2.2 To agree the policy approach set out at paragraph 4.

3 Background

3.1 In the context of its work relating to the council's use of agency staff, the Policy & Performance Scrutiny Committee at its 1 June 2015 meeting considered a report concerning the recruitment of agency workers to directly employed positions in the council. This process is commonly referred to as "temp to perm" and this description is used in the rest of this report. Arising out of that report the Policy and Performance Scrutiny Committee recommended that the Audit Committee review the council's approach to recruitment of agency workers to directly employed positions.

- 3.2 This report briefly summarises the evidence concerning past practice and policy that was considered by the Policy and Performance Scrutiny Committee and outlines the legal and HR issues relevant to the council's future approach. In paragraph 4 the report sets out a recommended approach for the future to ensure compliance with legal requirements and good human resources practice.

Summary of past practise and policy

- 3.3 A Temp to Perm Strategy agreed in 2009 with the council's trade unions provided for a fast track recruitment process to individual posts which was used to fill some hard to recruit to post where specified criteria were satisfied.

- 3.4 The council's current Recruitment Guidelines provide that:

"All permanent posts must be openly advertised and the recruitment process followed. Any person employed as an Agency temporary worker may be recruited into a permanent role if they are successful as a result of the recruitment process and subject to their contractual commitments."

- 3.5 During 2010 and 2011 "Amnesty" exercises (agreed by an officer level body that considered HR and organisational development matters on behalf of the Chief Executive's Corporate Management Board) were offered to managers to address the number of individual agency assignments which had lasted for more than 12 months. The processes did not use the 2009 strategy and applied some different criteria.

- 3.6 A number of separate exercises have been undertaken in the council over recent years which have been concerned with reducing agency use in services with a very high level of reliance on agency workers felt to be detrimental to service quality and to maintaining a stable workforce. These include:

- An exercise to reduce reliance on agency workers in the cleaning service following the transfer in of cleaning services from Kier Islington on 2010.
- A reduction in the use of agency caretakers following the reintegration of Homes for Islington
- A recent exercise in the Public Realm division designed to reduce the use of agency workers following the transfer in of waste services

- 3.7 These larger scale exercises have followed processes specifically agreed with the trade unions in each case. The process adopted has depended upon the legal position in respect of recruitment practices and agency worker rights at the relevant time and the particular circumstances and use of agency workers in the service concerned.

- 3.8 Existing agency workers are currently given the same opportunity as employees to apply for internally advertised vacancies, after consideration of suitable redeployees. Posts are advertised internally prior to being externally advertised where the nature of the skills and knowledge required for the role

are such that it is likely that a high number of existing staff are likely to be suitable for consideration, or, the skills and knowledge required for the role are so specialist and scarce that there is not likely to be a significant response from the relevant local labour market. In the case of roles likely to be accessible to a significant number of existing staff, internal advertisement has the additional benefit of potentially creating vacancies elsewhere in the council which may enable compulsory redundancy to be avoided.

- 3.9 Generally speaking, agencies require a fee to be paid by their client when an agency worker is recruited as an employee. However, Human Resources has negotiated new arrangements with Comensura under which almost all agencies supplying staff to the council no longer charge these fees after the initial 12 weeks of an assignment.

Legal and Policy context

- 3.10 Under s7 of the Local Government and Housing Act 1989, the council is required to make appointments based on merit. This means the best available person should be appointed to the post and will generally require a fair and open competitive recruitment process. As such, any approach which streamlines or cuts through that ordinary approach faces an elevated risk of challenge. Where particular posts have already proved difficult to recruitment to externally this will be relevant in determining whether a process not involving external advertisement is permissible.
- 3.11 Since the coming into force of the Agency Worker Regulations 2010 agency staff have, as of day one of their assignment, the right to be informed of any relevant vacancies, in order to be given the same opportunity as a 'comparable worker' to find permanent employment with their hirer. The recent case of *Coles v Ministry of Defence* has clarified that this does not give agency workers the right to be considered for vacancies on an equal footing with permanent employees.
- 3.12 In the recent case of *Smith v Carillion (JM) Ltd*, the Court of Appeal confirmed that a contract could not be implied between an agency worker and the end-user of his services, unless it was necessary to do so. Generally, where there is a contract in place between the worker and an agency then there will not be a contract of employment between the worker and hirer.
- 3.13 The council has a legal obligation to seek suitable alternative employment and redeployment for staff facing redundancy. This is reflected in the council's Organisational Change policy. Redeployees are sent details of all roles to which appointment as an employee is being considered. Redeployees must be appointed if they meet the essential requirements of a post set out in the person specification. Employees selected for redundancy whilst on maternity leave or additional paternity leave, have the right to be offered not just considered for suitable vacancies. Agency workers may be displaced by suitable redeployees.

- 3.14 Any “provision, criteria or practice” (within the meaning ascribed by the Equality Act 2010) which on the face of matters applies neutrally to all staff but in fact puts those sharing a particular protected characteristic at a particular disadvantage, could be found to be unlawful discrimination in the absence of satisfactory objective justification.
- 3.15 In addition to these legal requirements, the aspirations of existing employed staff who wish to progress or change role within the council are relevant to deciding what recruitment policies are appropriate.

4.0 Future Policy Approach

- 4.1 In the light of the factors identified in the previous paragraph, it is proposed that the council adopt the following policy approach to recruitment of agency workers to directly employed posts.
- 4.2 All vacancies will be advertised to redeployees before they are made available through general internal and/or external advertisement.
- 4.3 Agency workers will have the same access to roles advertised internally as employees who are not redeployees and recruitment will be in accordance with the council’s recruitment guidelines.
- 4.4 Where it is identified by senior managers that use of agency workers in a particular service is at a level that is leading to excessive cost and/or to impacts on the quality of service or stability of the workforce, discussions will take place with the council’s trades unions. These discussions will aim to agree a process for recruitment to the posts covered by agency workers which complies with legal requirements, is fair and takes equality implications fully into account.

5.0 Implications

Financial implications:

The recommendations in this report do not result in any additional financial implications for the council.

Legal Implications:

These are set out in the body of the report.

Environmental Implications:

None

Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of

disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

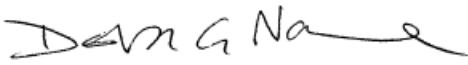
A resident impact assessment has been undertaken in respect of the policy approach indicated in section 4 and no adverse impacts on groups with protected characteristics were identified arising from this report.

A resident impact assessment will be prepared as part of any exercise as referred to in paragraph 4.4 and managers should consider the equalities implications when deciding to recruit internally.

5.0 Conclusion

The council has used a variety of approaches over the last 6 years to enable agency workers covering establishment posts to apply to for directly employed post with the council. Processes adopted have varied depending upon the circumstances and substantial processes have been the subject of detailed discussion with the trade unions in advance. The legal context has changed in some respects over this period. The committee is asked to consider and approve the policy approach set out in section 4 of this report in the light of the current legal position and human resources best practice.

Final report clearance:

Signed by: 
Assistant Chief Executive, Governance and HR Date

Received by:
Head of Democratic Services Date

Report Author: Debra Norman, Assistant Chief Executive, Governance and HR
Tel: 020 527 6096

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Report of: Assistant Chief Executive, Governance and HR

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	28 January 2016		All

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SUBJECT: Bribery Act Risk Assessment

1. Synopsis

1.1 Following an internal audit report in 2014, a risk assessment process in relation to Section 1 of the Bribery Act 2010 has been undertaken. This report summarises the findings of the process and the action plan arising from it and recommends a Bribery Policy for adoption by the Committee.

2. Recommendations

- 2.1 To note the action plan in Appendix 2.
- 2.2 To agree the Bribery Policy in Appendix 3.

3 Background

- 3.1 Section 7 of the Bribery Act 2010 ("the Act") created a new offence for commercial organisations of failing to prevent bribery, which carries an unlimited fine. Islington Council, on the basis of the areas of work that it undertakes, falls under the definition of commercial organisation" under the Act. Section 1 of the Act covers the offence of bribing another person. Section 2 of the Act creates an offence where officers are bribed. This report deals only with the Section 1 and section 7 offences.
- 3.2 Guidance on the Bribery Act 2010 issued by the Ministry of Justice states that procedures put in place by commercial organisations wishing to prevent bribery being committed on their behalf should be informed by six principles.

Principle three requires organisations to carry out a risk assessment of its exposure to internal and external risks of bribery on its behalf.

- 3.3 In 2014 an audit was undertaken of the council's response to the implementation of the Bribery Act 2010, which resulted in a limited assurance rating. A number of actions were undertaken in response to the Audit and a new rating of moderate assurance was given in early 2015. One action remaining to be completed was for a risk assessment of the council's exposure under the Act in respect of the **giving** of bribes by officers and contractors performing services on behalf of the council to be undertaken. An assessment of the risk of these individuals or organisations **accepting** bribes was to be carried out separately as part of a future fraud risk assessment exercise. The council's fraud forum is currently working on the identification of fraud risk across the Council as part of a fraud response plan. That work is likely to be finished by the end of March and will enable a fraud risk profile to be developed which will include the Bribery Act
- 3.4 Bribes are payments or other inducements given to secure some sort of advantage for the individual offering the bribe, or, perhaps for a member of their family or a friend or an associate. In the context of the business of the council, it is less easy to identify the potential personal advantage that might accrue in relation to an officer offering a bribe than is the case in the commercial sector. However, there are some areas of the council which operate to some extent on a commercial basis or which rely on external income to a significant extent. An officer might, therefore, personally benefit through offering a bribe to a person or organisation dealing with the council through securing contracts or other sources of income for the council and thereby increasing their own job security or career advancement or through gaining access to an incentive or additional payment from the council (for example overtime payments or honoraria) or by preventing a complaint against the officer being made.
- 3.5 Initiatives to increase income are part of the council's strategy to address the on-going reductions in central government funding. Officers are currently considering strategies to incentivise staff to take a more commercial approach, particularly in respect of services which are suitable for trading. In developing incentives it will be important to ensure that safeguards are in place to manage the increased risk of Section 1 bribery that may arise.
- 3.6 A number of controls are in place already which mitigate against the risk of bribery by council officers, including:
- Payment system controls which minimise the risk of payments intended as inducements and not as legitimate payment for works, services or supplies being made;
 - Council policies and authorisation procedures for the making of additional payments to officers;
 - Financial Regulations covering delivery of services to third parties;

- 3.7 During 2015 a process the risk assessment process in respect of the risk of bribery by a council officer was undertaken to identify areas of high risk and actions that should be taken to mitigate risk in those areas. A series of interviews was undertaken with senior officers in services which could be at risk of such activity because of their involvement in commercial activity and/or dependence on external income.
- 3.8 Information coincidentally obtained in respect of the risk of bribery of council officers in those services was included in a management report concerning the exercise and shared with the council's Audit team. The findings of the risk assessment process in respect of the risk of bribery by council officers are summarised in Appendix 1. Appendix 2 contains an action plan arising from the risk assessment. In addition, the council does not at the moment have an anti- bribery policy and a draft policy is contained in Appendix 3.

4.0 Implications

Financial implications:

Unlimited financial penalties may be imposed by the court.

Legal Implications:

These are contained in the body of the report.

Environmental Implications:

None.


Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding. No specific resident implications arise from this report.

5.0 Conclusion

This report provides information about a recently completed risk assessment process in relation to Section 1 of the Bribery Act 2010, it contains an action plan and recommends a Bribery Policy for adoption by the Committee.

Final report clearance:

Signed by: 

Assistant Chief Executive, Governance and HR Date

Report Author: Debra Norman

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Appendix 1

Summary Risk Assessment - Bribery Act 2010 Section 1

Section 1 Bribery Act 2010

This section defines the offence of bribery as it applies to the person who offers, promises or gives financial or other advantage to another. The meaning of financial or other advantage is left to be determined as a matter of common sense.

The section distinguishes two scenarios:

The first scenario concerns cases in which the advantage is intended to bring about an improper performance by another person of a relevant function or activity, or to reward such improper performance.

(The Act defines functions and activities to include all functions of a public nature and all activities connected with a business, trade or profession. Included in this definition are all activities performed either in the course of employment or on behalf of any body of persons. The two categories straddle the public/private divide. For the action to constitute bribery, there must be an expectation that the functions be carried out in good faith or impartially, or the person performing it must be in a position of trust.)

(The Act defines improper performance as performance which breaches a relevant expectation, in that the person performing the function or activity is expected to perform it in good faith and that the person performing the function or activity is expected to perform it impartially.)

It is sufficient for the purposes of the offence that the person in question intended to induce or reward impropriety in relation to a function or activity. It is not necessary that the person to whom the advantage is offered promised or is to be provided is the same person as the person who is to engage in the improper performance of an activity or function, or who has already done so

The second scenario concerns cases in which the person knows or believes that acceptance of an advantage offered, promised or given in itself constitutes an improper performance a function or activity as defined above. The advantage can be offered, promised or given by the person directly or through someone else.

Risk Assessment Approach

The assessment was carried out in two stage process. The first stage involved the gathering of information by way of interviews of senior officers in various Council departments. The purpose of this exercise was to obtain a reasonably comprehensive overview of the business and the bribery risk profile of the Council.

The information gathered was then used to evaluate the risk.

The assessment distinguishes between the terms "risk" and "risk factor". A risk is defined under the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework definition as "the possibility that an event will occur and adversely affect the achievement of the Council's objectives".

A "risk factor" is not the adverse event itself, but rather the circumstance (internal or external to the organisation) which tends to increase the likelihood of the adverse event occurring.

Categories of Risk

There is no universally agreed categorisation of bribery risk.

The UK's MoJ Guidance provides a set of risk categories, identifying five categories of risk-

- Country Risk
- Sectoral Risk
- Transactional Risk
- Business Opportunities Risk
- Business Partnership Risk

Country Risk

This category covers risks derived from the location of business activities and the propensity for bribery to take place in that country.

Sectoral Risk

The relevance of this category is to ascertain whether the sector in which a specific department or business operates is typically associated with higher levels of bribery risk than others.

Sectoral risk factors which may directly or indirectly elevate the level of bribery risk include:-

- A high degree of interaction with government
- High levels of regulation
- Prevalence of high value, complex and/or long term contracts
- Business activities involving multiple business partners, stakeholders and/or complex contractual or corporate structures.

Transactional Risk

The term transaction in the MoJ Guidance refers to any activity involving some form of economic exchange between counterparties.

Transactions may be more or less risky, depending on matters including, the subject matter of the transaction, the identity of the counterparties, e.g. whether they are connected to government in some way, the degree of transparency of the transaction or related dealings, and how critical a particular service or supply is to the procuring party- for example, its importance to the business and/or the level of urgency required.

Examples of transactions typically seen as carrying heightened risk include:

- Sales to government customers
- Gifts, hospitality and travel expenditure, especially for government officials
- The use of company assets for the benefit of third parties for non-business purposes Charitable and political donations and other corporate relations activities Sponsorships
- Giving employment to persons connected with government officials
- Obtaining licenses, permits and regulatory clearances of any kind Movement of goods across borders and related activities Lobbying government on policy, legislation and/or regulation
- Others that affect a specific company or business circumstance.

Business Opportunity Risk

The MoJ defines this risk as follows:-

“such risks might arise in high value projects or with projects involving many contractors or intermediaries; or with projects which are not apparently undertaken at market prices, or which do not have a clear legitimate objective”

This risk relates to the actual characteristics of a transaction such as the value, complexity and commercial rationale of the transaction.

Business Partnership Risk

Under the Bribery Act 2010, the Council may be held liable for the acts or omissions of a third party operating on its behalf. The extent to which the organisation may be held liable depends on the facts of each case, such as whether the organisation is aware of a particular party in the supply chain and if so, the degree of control the organisation has over the conduct of that party. These fall into a number of categories, including intermediaries, joint ventures and consortia.

Intermediaries come in many forms and may include:-

- Sales agents
- Distributors
- Contractors and sub-contractors
- Customs agents Lobbyists Lawyers
- Tax advisors
- Advertising agents Event organisers Visa agents' Introducers Consultants

Risk Evaluation

Risk Management models generally identify two key variables which play a role in evaluating risk:-

- Likelihood (or probability) of occurrence
- Impact.

The more significant and/or numerous the risk factors associated with a particular activity the higher the likelihood that an adverse event might occur in the content of that activity.

It is worth noting that generally speaking council officers do not obtain any personal benefit from contracts awarded to the council or income received by the council, other than potentially increased job security for themselves and their colleagues.

Assessment

The following officers were interviewed:-

- Head of Strategic Procurement
- Group Leader – Strategic Procurement
- Assistant Director of Public Health
- Director Digital Services and Transformation
- Director of Housing Property Services
- Head of Property Services
- Third Sector Partnerships Manager
- Corporate Policy for Employment Commission and the NRPF Team
- Head of Revenues and Technical Services
- Service Director planning and Development
- Head of Service Highways Services and Diorector of Islington Company Ltd (iCo)
- Home Ownership Manager
- Service Director –Housing Operations

These interviewees were selected because the services for which they are responsible operate fully or partially on a commercial basis and they receive income from outside the council or they pay money out to individuals.

Based on the criteria identified by the MoJ and set out above, an assessment form was compiled to assess the risk in these services.

Assessment outcomes

This section summarises findings in respect of the few areas of the council where the risk of Section 1 bribery was not considered negligible.

Highways Services and other E&R trading services:

The team, and other teams in Environment and Regeneration, trade at a profit with other public bodies using powers available under the Local Goods and Services Act 1970.

The potential exists for staff to offer bribes to potential customers but this is currently considered highly unlikely, although there may be some incentive as increased activity within the relevant services may mean increased job security in the affected teams.

Islington Company (iCo):

iCo is a limited trading company wholly owned by the council that was incorporated in April 2015. It is about to start trading and all profits will be paid back to Islington Council. iCo has not as yet considered adoption of a Bribery Policy.

Housing Operations:

The division also has overall management responsibility for Islington Residential, which is an in-house service which manages private leaseholder's properties for a fee. It acts as agent and carries out repairs for clients as part of the contract. The possibility, albeit a small one, exists that bribes could be offered to potential clients to obtain their properties to manage. It is highly unlikely that this would occur. There is no obvious incentive for individuals to do so and the fees that the Council charges are below the market rate.

All services:

In all services there is the risk of a rogue employee offering someone a payment or an advantage in return a backhander or for some other personal advantage. This is akin to accepting a bribe.

General:

Overall the risk assessment indicated that the risk to the council of an officer offering someone a bribe or offering someone an advantage in return for some kickback (Section 1 bribery), is low.

The services involved in the review were found to have proportionate procedures in place to ensure that the likelihood of Section 1 bribery occurring, is low.

A number of those interviewed indicated that their division or service would benefit from training on bribery and their responsibilities in relation thereto. .

The Council does not have a written Bribery Policy and one should be prepared.

Conclusion

The risk of Section 1 bribery by council officers is low. There is little to incentivise such behaviour and arrangement in place to mitigate such risk as there is. Training , perhaps combine with training on the risk of officers being bribed, would be useful and the council should adopt a Bribery Policy.

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Appendix 2

Section 1 Bribery Act Action Plan

	OBJECTIVE	ACTION	TARGET DATE	RESPONSIBILITY	PROGRESS
1.	Increase awareness of the risk of bribery and how to manage it	Deliver training in respect of Bribery Act responsibilities	September 2016	Head of Audit/Assistant Chief Executive, Governance and HR	Fraud risk profile being built on the basis of which training will be designed.
2.	Establish a clear council policy in respect of Bribery Act responsibilities	Audit Committee to adopt a Bribery Policy	January 2016	Assistant Chief Executive, Governance and HR	Draft Bribery Policy to be considered by the Audit Committee 28.1.16
3.	Ensure the council's wholly owned trading company takes appropriate action in respect of its Bribery Act responsibilities	iCo Board to be advised to consider Bribery Act responsibilities and take appropriate action	February 2016	Assistant Chief Executive, Governance and HR	Issue has been added to a future iCo agenda.

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BRIBERY ACT POLICY

1 INTRODUCTION

- 1.1 Bribery is a criminal offence. It consists of the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms, not just the payment of cash. Decisions could relate to a range of matters, including recruitment, the award of contracts and planning consents.
- 1.2 This policy provides a coherent and consistent framework to enable employees to understand and implement arrangements enabling compliance with the Bribery Act 2010 and to identify and effectively report a suspected breach.
- 1.3 This policy applies to all of the organisation's activities, its personnel, including all levels and grades, those permanently employed, temporary staff, agency workers, contractors, agents, Members (including co-opted members) and volunteers.
- 1.4 For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

2 POLICY STATEMENT

- 2.1 The Council is committed to conducting its activities fairly, honestly and openly, in accordance with relevant legislation, and to the highest standards of integrity. The Council will apply a "zero tolerance" approach to acts of bribery and corruption by any of its Members, employees, or persons and partners acting on its behalf.
- 2.2 Any breach of this policy will be regarded as a serious matter and is likely to result in disciplinary action and possibly criminal prosecution.
- 2.3 The Council will not pay bribes, or offer improper inducements to anyone for any purpose, nor will the Council accept bribes or improper inducements. The use of a third party to channel bribes is also a criminal offence. The Council will not engage indirectly in or otherwise encourage bribery.
- 2.2. The Council will commit to policies and procedures to prevent, deter, and detect acts of bribery. The Council will ensure that anti-bribery compliance is an essential aspect of its governance processes.

3 POLICY COMMITMENT

- 3.1 The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date;
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times;
- Training employees so that they can recognise and avoid the use of bribery by themselves and others;
- Encouraging Members, employees and partners to be vigilant and to report any suspicions of bribery and providing suitable channels for reporting;
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution;
- Taking firm action against any individual(s) involved in bribery;
- Reporting breaches and suspected breaches of this policy to Members, employees and partners in an open and transparent way;
- Including appropriate clauses in contracts with suppliers to advise on the Council's approach to the provisions of the Bribery Act 2010; and
- Undertaking a Bribery Act risk assessment from time to time in respect of the council's activities, in particular in the case of new and/or commercial activities.

3.2 It is unacceptable for persons acting for or on behalf of the Council to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure;
- Accept payment from a third party that is known to be, or suspected to have been, offered with the expectation that it will obtain a business advantage for them;
- Accept a gift or hospitality from a third party if it is known to be, or suspected to have been, offered with an expectation that a business advantage will be provided by the Council in return;
- Retaliate against or threaten a person who has refused to commit an act of bribery or who has raised concerns under this policy; and
- Engage in any activity in breach of this policy.

3.3. All staff must:

- Ensure that they have read, understood and comply with the Bribery Act Policy;
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

4 THE BRIBERY ACT 2010

4.1. The Bribery Act 2010 includes four offences:

- Bribing a person to induce or reward them to perform a relevant function improperly;
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly;
- Using a bribe to influence a foreign official to gain a business advantage; and
- As a commercial organisation (the definition of which includes the council) failing to prevent bribery.

4.2. Penalties under the Bribery Act are severe. The commercial organisation offence is punishable with an unlimited fine. An individual guilty of an offence may be liable to imprisonment for up to 10 years or to a fine, or to both.

5 OTHER RELEVANT POLICIES

5.1 This policy should be read in conjunction with related policies and documents, in particular:

Employees Code of Conduct
Members Code of Conduct
Whistleblowing Policy
Procurement Rules
Financial Regulations
Anti-fraud strategy
Gifts and hospitality and officer declaration of conflicts of interest processes
Disciplinary Procedures

Contacts

If you have any questions about these procedures, please contact:

The Head of Audit or the Monitoring Officer (Assistant Chief Executive, Governance and HR

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Report of : Assistant Chief Executive – Governance and Human Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	28 January 2016		All

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Subject: PERSONNEL SUB-COMMITTEE: AMENDMENT OF TERMS OF REFERENCE AND APPOINTMENT OF MEMBERSHIP 2015/16

1. Synopsis

To confirm the revised Terms of Reference and membership of the Personnel Sub-Committee. .

2. Recommendations

2.2 Personnel Sub-Committee

- (a) To confirm the composition of the Sub-Committee and its Terms of Reference at Appendix A
- (c) To appoint the members detailed in Appendix A for the municipal year 2015/16 or until successors are appointed.

3. Background

- 3.1 The membership of the Personnel Sub Committee has been expanded to allow greater flexibility in the selection of panel members.
- 3.2 The revised Terms of Reference of the Personnel Sub-Committee, as set out in the Constitution report at the Council meeting held on the 3 December, are attached at Appendix A.
- 3.2 The revised membership for the Sub-Committee is set out at Appendix A.

4. Implications

4.1 Financial Implications

None

4.2 Legal Implications

These are set out in the report.

4.3 Equalities impact assessment

There are no direct equality implications arising from the appointment of the Sub-Committees.

4.4 Environmental Implications

There are no environmental impacts arising from the report.

4.5 Resident Impact Assessment

There are no direct equality or other resident impact implications arising from the appointment of the Sub-Committees.

5. Conclusion and reasons for recommendations

The Committee needs to approve the report in order for the Sub-Committees to be properly constituted.

Background papers:

None.

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Received by

Head of Democratic Services

Date

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2. **PERSONNEL SUB-COMMITTEE**

2.1 Committee Membership

2.2 The Audit Committee will appoint members to the Personnel Sub-Committee following appointments made at the Annual Council meeting. Members of the Sub-Committee will include the Chair of the Audit Committee, the Leader of the Council; the Executive member with responsibility for Human Resources and two ordinary member positions. All other Executive Members will be appointed to act as substitutes for the Sub-Committee, with the relevant Executive Member joining the Sub-Committee depending on the appointment being made.

Councillors	Substitute Members
Satnam Gill (Chair)	All other Executive members
Richard Watts	
Andy Hull	
Troy Gallagher	
Flora Williamson	

2.3 Terms of Reference

- The making of the Council's personnel policies and procedures and the setting of terms and conditions of employment.
- Responsibility for, and monitoring of, the Council's Health and Safety policies as employer, including reports on health and safety within Council departments.
- To approve the early retirement of the Chief Executive and to agree the award of any discretionary payments in connection with such retirement or redundancy.
- To approve any payment to an officer on termination of employment in respect of redundancy entitlement, any payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations and notice pay in respect of termination in the interests of the efficient exercise of the Authority's functions, which exceeds £100,000 in total.
- To be responsible for the recruitment and appointment of Corporate Directors and Service Directors in accordance with Part 4 Rule 102.
- To agree the starting salary for any post where the overall remuneration package on new appointment (excluding pension contributions in accordance with the Local Government Pension Scheme regulations) is to exceed £100k.
- To hear representations in respect of the termination of a Corporate Director's employment in accordance with the JNC terms and conditions of employment.

- To appoint an independent person (within the meaning of the Local Authorities (Standing Orders) (England) Regulations 2001) to carry out the functions in Regulation 3 of those regulations.
- To take decisions on disciplinary matters relating to the Chief Executive including termination of the Chief Executive's contract of employment following consideration of a report prepared by a designated person.
- To receive submissions from trades unions representatives on agenda items concerning staff terms and conditions.
- To make recommendations to Council on the appointment of the Chief Executive.
- To make recommendations to Council on the appointment of independent persons to serve on the Standards Committee and Audit Committee.

2.4 Meeting arrangements

The quorum for the Personnel Sub-Committee is 3 elected members. Meetings for the municipal year 2015/16 will be arranged as required.

By virtue of paragraph(s) 1, 2, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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